The Market Systems Approach in the Agricultural Sector

Sustainable Service Delivery for Smallholder Farmers

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Smallholder farmers in developing countries require a combination of agricultural and business skills to truly succeed in a market system. The market systems approach, which leverages local systems to deliver goods and services, is a cornerstone of Fintrac's work with the commercial sector to end hunger and poverty. Our decades of experience have taught us that context and existing local system capacity dictate which service delivery models will embrace rather than crowd-out local actors. Demonstration-based interventions create both the demand for new technologies and the critical mass of high quality supply necessary for input suppliers and buyers to invest in underserved areas. By aligning profit incentives, we foster sustainable service delivery between willing local commercial agribusinesses and smallholders. This topic paper shares these practical lessons to encourage continuous learning.

Executive Summary

The market systems approach to agricultural project implementation seeks sustainable results in non-emergency contexts by leveraging existing local commercial, public and civil systems for farm to market service delivery. The principles of facilitation take center stage in the market systems approach although the tactics and intensity applied in the field may vary initially depending on existing local capacity. The key is to introduce incentives that stimulate local actors to invest their own capital and labor to upgrade services without creating a dependency on donor resources, and without donor projects introducing parallel structures.

This approach has been gaining traction in the international agricultural development field for several years. The US Agency for International Development (USAID) first encouraged it through a value-chain framework, and more recently through a local systems framework focused on sustainability.[1] The UK Department for International Development (DFID), Australia's Department of Foreign Affairs and Trade (formerly AusAID), and the Swiss Agency for Development and Cooperation (SDC) promote the same concepts through Making Markets Work for the Poor (M4P) programs.[2]

Fintrac supports local market system facilitation across our portfolio of projects, and the smallholder farmer is central to all of them. For instance, in Tanzania, we have facilitated the introduction of embedded extension services

Photos by Fintrac Inc.

A small-scale banana farm in Zimbabwe, now under improved practices (including micro-sprinkler irrigation) is supplying to nucleus farm/exporter, Matanuska, as a result of Fintrac facilitation efforts. Average farm sizes are 0.5 ha, on-farm yields have increased from 4 metric tons per ha to 40 metric tons per ha, and smallholder incomes increased from $200 to $3,500 per year.

[1] USAID (2014), Local Systems: A Framework for Supporting Sustained Development

[2] Taylor, B. (2013) Evidence-Based Policy and Systemic Change: Conflicting Trends? Springfield Working Paper, Series # 1

delivery from nucleus farms/exporters Africado and Rungwe to smallholder outgrowers to achieve the GlobalGAP certifications necessary to access EU avocado markets. In Honduras, we have facilitated an innovative arrangement through which a local abattoir, Agroindustrias del Corral, extends input credit and cattle raising technical support to small-scale outgrowers. In Zimbabwe, we have organized contract farming arrangements between smallholders and banana buyer and exporter, Matanuska, which invests in smallholder demonstration training.

In each of these instances, we start by identifying willing and committed local investors. We have learned that local commercial partners in particular often require assurances that smallholder farmers are capable of meeting downstream market requirements for quality, quantity, and consistency. To mitigate their investment risks, Fintrac often utilizes technical knowledge transfer and targeted, strategic co-investment in the early stages of private sector-led initiatives. In all cases, agreements build in local actor contributions of financial resources, labor, and knowledge upfront, and require their increasing investments over time.

Market systems practitioners have long debated the benefits of the "light-touch" approach to project implementation. [3] At Fintrac, we recognize and embrace the importance of avoiding the disruption of local actor investment in agricultural sector change processes, and concur that external facilitators must never "crowd-out" local actors. Our experiences in engaging with market system actors in the field also inform our understanding that "hands-off" facilitation may fail to address severely limited agronomic capacity, geographic gaps in private sector investment, and non-existent government extension in certain local contexts.

Ten years ago in Honduras, only two drip irrigation companies exclusively targeted large-scale firms. Fintrac supported them to develop low-cost systems and services targeting the small farmer market. Now, 20,000 hectares of small farms are under drip and seven drip irrigation companies compete for the smallholder farmer market with annual sales of $10 million. "Crowding-in" resulted in lower prices for smallholder farmers, increased access through local distribution networks, embedded system design and installation services, and farmer credit.

In these cases, we find that demonstration is a powerful tool to stimulate commercial investment in service delivery to smallholder farmers as suppliers and/or customers, and that practitioners might need to inject technical knowledge, market linkages, and co-investment in targeted and innovative ways to jumpstart and build capacity.

What is Inclusive Market System Growth?

Inclusive growth in the agriculture sector is a process by which farm and firm level actors improve practices and expand investments that deliver tangible, mutual financial benefits to otherwise marginalized actors such as smallholder farmers, including women and minorities. When industry leaders and risk takers expand their investment in the delivery of services to smallholder farmers as their suppliers and/or customers, momentum builds toward broader and more inclusive market system growth. As industry competitors witness success by first-movers and begin to "crowd-in," or emulate these investment decisions, industry performance and distribution of benefits improves at all levels of the system.

Why should we focus on relationships?

In almost every business, people tend to deal with those they know, like, and trust. So, how does trust (or distrust) dictate the terms of trade between a buyer and a seller? How do we, as facilitators, break through traditional patronage networks to forge new and productive

[3] USAID microREPORT #149 (2008), Participatory Market System Development: Best Practices in Implementation of Value Chain Development Programs

Agrodealers in the southern highlands of Tanzania were once understocked and unable to provide smallholders the technologies they needed to succeed. By stimulating demand for improved inputs from smallholder farmers in non-traditional production zones, Fintrac created incentives for large input providers based in the north to expand distribution networks with rural agrodealers in the south. Now, significant financial benefits are accruing to national input distributors, rural agrodealers, and smallholders alike thanks to improved supply chain relationships.

market-based relationships? The reality is that for all actors – farmers, middle-market aggregators, processors, wholesale distributors, exporters, and retailers – relationships matter. The nature of relationships within a marketplace also determines the way information flows between buyers, sellers, and other actors. Without sufficient and timely information on a buyer's product specifications, for example, producers will face difficulty in consistently meeting quality and quantity expectations.

Building trust among market actors requires technical knowledge and demonstrated success to mitigate perceived risks. In Tanzania, Fintrac demonstrated that smallholder vegetable farmers were an active market for a range of agro-inputs. This built confidence and trust for private sector input supplier Kibo Trading to expand operations into the southern highlands where the smallholder segment has traditionally been underserved.

Investment by local actors, for local actors

At Fintrac, our goal is to ensure knowledge flows efficiently *from* commercial agribusinesses *to* smallholder farmers so they can make the appropriate investments to meet market expectations. These arrangements vary by context, but may include: a nucleus farm or processor investing in the expansion of its smallholder outgrower network to source additional volumes to supply more lucrative markets; an input distributor investing in its extension capacity or financial products to reach out to a new smallholder clientele; or a middle-market aggregator ensuring the quality of produce supplied by smallholders is consistently linked to farm-gate prices paid. Each of these arrangements seeks to introduce new market-based relationships with smallholders resulting in positive return on investment and new opportunities for commercial agribusinesses and otherwise marginalized smallholders.

Designing and Managing for Inclusive Market System Growth

The ways in which we design and carry out activities determine our ability to influence commercial investment and inclusive market system growth beyond the life of our assistance projects.

Framework for understanding complex local systems

Failure to recognize complex dynamics within local systems may lead to activity design that fails to gain traction as expected. Alternatively, a comprehensive understanding of the complex interconnected environment within which we are working enables us to more effectively adapt activities as necessary. Therefore, rather than a one-time analysis at project start-up, we encourage continuous analysis by project field staff. This allows for a better understanding of the way in which local systems evolve over time and how to tap into the incentives that influence local investment decisions.

This includes a comprehensive understanding of the flow of goods, services, and information from seed to fork. End-market analysis enables us to clearly understand product requirements by market segment to effectively convey this knowledge through locally led information channels (e.g. segmented product standards may include varietal preferences, quality/quantity specifications, packaging requirements, sanitary and phytosanitary standards).

Hortifruti, a Honduran supermarket chain and subsidiary of Wal-Mart, now sources most of its fresh produce needs from smallholders. These relationships did not exist until Fintrac facilitated initial agronomic and logistical support and then strategically withdrew so that local actors could engage on their own.

We also seek to gain a clear view of existing relationships within the system, how this influences product and information flow, and where opportunities for new mutually beneficial commercial relationships may emerge. Additionally, it is imperative to have a macro-level understanding of the enabling environment (including monetary and fiscal policies, formal regulatory regime, and informal/traditional social norms) to appreciate where incentives or disincentives to local investment may exist.

At Fintrac, we recognize that domestic agricultural commodity systems do not stand alone. They are continually influenced by interconnected systems including the financial sector (e.g. cost of capital and credit availability influence investment decisions), the transportation sector (e.g. road infrastructure and fuel prices influence access to input and output markets), and global commodity markets (e.g. cost of global commodity prices influence input and output market prices domestically).

Additionally, the agriculture sector is particularly influenced by non-commercial systems such as ecosystems (e.g. climate change, agroecological zones, land degradation, etc.), educational systems (e.g. opportunities for rural actors), and political economy systems (e.g. policy positions that transfer wealth into or out of particular commodity systems for politically motivated reasons).

Facilitation tactics to build ownership and avoid dependency

Stimulating investment incentives can engage local actors without building dependency on project resources. The tactics used in Zimbabwe, for instance, may look different than those employed in Cambodia, but the overarching strategy remains the same. The following three principles can be used to inform project interventions:

- ✓ *Engage in a participatory self-selection process to identify willing and committed partners.*
- ✓ *Use resources to reduce actor risk, but demand appropriate co-investment to catalyze ownership.*
- ✓ *Build an exit strategy upfront by planning a scale down of resource allocations over time.*

It is important to establish transparent partner selection criteria that identify actors who are committed to adopting new practices, trusted among peers, and viewed as respected leaders within their sphere of influence. Self-selection means that clients volunteer their participation in project activities and commit their labor and/or capital rather than being coerced by project staff or selected by officials for patronage purposes behind closed doors. Commitment to project objectives should encompass an open exchange of learning and knowledge dissemination to various strata of local actors.

There are many reasons why local actors may not invest in new practices, technologies, and relationships that would otherwise lead to mutually inclusive benefits. This may include limited technical knowledge, limited demand for services, and real or perceived investment risks. At Fintrac, our role is to identify what factors are holding back local actors from investing in innovation and utilize the skills and resources at our disposal to reduce risk and create incentives. Key resources at our disposal include 1) technical knowledge, 2) networking, and 3) financial resources. The way in which these resources are structured and deployed (along with local actor co-investments) will determine the long-term sustainability of an intervention.

Table 1: Selection Criteria and Facilitation Tactics for Local Actors		
Local Actor	**Selection Criteria**	**Facilitation Tactic**
Producer	• Willing to invest capital in improved inputs and other technologies • Willing to invest labor in new practices • Commitment to honor agreements • Commitment to share info with peers	• Support setup of demonstration sites on actual small farms where input product promotion and training events will be held • Facilitate contractual output market arrangements • Recordkeeping capacity building to access credit
Input Firm	• Commitment to smallholder market • Commitment to adapt product development and pricing to the smallholder market • Investment in education-based promotion • Investment in extension-focused sales team	• Provide declining cost-share co-investment to expand sales force focused on smallholder capacity building • Deliver agronomic capacity building to sales team • Support product promotional events on demo sites
Trader	• Commitment to pricing transparency • Commitment to deliver performance-based incentives to smallholder suppliers • Commitment to realistic payment terms and to honor agreements with suppliers	• Deliver capacity building on business strategy based on performance based incentives • Co-investment to expand market info to farmers • Logistical assistance in design and implementation of smallholder supply programs • Co-investment in improved postharvest technologies
Financial Services	• Demonstrated investment to expand services to smallholder segment • Willing to introduce appropriate financial products for smallholder farmers • Commitment to education-based marketing	• Support design of crop-specific financial products for smallholder farmers, including capacity building in agricultural loan analysis • Co-investment in education-based marketing • Co-investment to roll out mobile money products

The key to avoiding dependency is to build in an exit strategy upfront for all resource allocation decisions, wherein Fintrac's contribution is scaled down over time while local investment is simultaneously scaled up. From an operational perspective, this is an easy task as it refers to the way we structure MOUs, subcontracts, subgrants, and other mechanisms used with local actors. The difficulty lies in identifying actors who will allocate more of their own resources as project activities move forward.

The most important characteristic to employ at the field-level is clear communication of expectations from all parties. Roles, responsibilities, and financial obligations of all parties (facilitator, commercial partner, and smallholder client) are communicated during partner selection and agreement negotiations.

Where capacity at the service provider level is limited, Fintrac bridges this gap with farmer outreach strategies, including training in agronomic skills. Where capital is a limiting factor, Fintrac extends co-investment over a finite period of time. Where demand for new technologies is low, Fintrac works with suppliers and producers to demonstrate productive and market potential, thereby stimulating demand for new products and services. Each instance must clearly build in an exit strategy and avoid disrupting incentives for local investment that would create a dependency on project resources.

Table 1 presents selection criteria for several levels of an agricultural market system and presents possible facilitation tactics to reduce local actor investment risk while ensuring local ownership throughout the process. Actual tactics are customized to system characteristics and dynamics – the examples provided are for illustrative purposes only.

Internal Management Systems

The traditional project management structure relies on top-down decision making, whereas the market systems approach focuses on empowering field staff to observe and share knowledge with both peers and managers so that adaptive decision making can take place in real time. The project management principles inherent in systems thinking are therefore reflective of the principles important in the field of Knowledge Management (KM).[4]

Essentially, this requires that management and decision-making systems reward problem identification, knowledge feedback loops between staff and management, collaborative problem solving, and continuous learning.

It is important to create an environment where problems are recognized and the recognition of problems is rewarded. Without problem recognition, we cannot adapt project tactics where they may be improved. Social, political, and financial systems, particularly in developing countries, are highly dynamic (as are agricultural markets) creating constant change. As project managers in complex environments, we proactively identify where these changes take place and determine if and how this influences local actor responses to our project interventions.

Knowledge feedback can be encouraged through traditional face-to-face means or innovative interactive platforms. KM efforts should be designed to capture both explicit knowledge and implicit or tacit knowledge. Explicit knowledge refers to the hard quantitative data we collect through Fintrac's proprietary M&E system, the Client Impact and Results Information System (CIRIS), as well as the regular technical reports outlining progress towards project deliverables.

In addition to traditional quantitative output-oriented indicators, the systems approach recognizes the importance of tracking qualitative systemic indicators such as the number and nature of new relationships or improving industry norms. Implicit knowledge refers to the inherent understanding that our field staff have regarding informal traditional norms in the communities where we work. Implicit knowledge can often be captured through regular staff-to-staff exchanges or online communities of practice where experts can share lessons learned, discuss challenges, and solve problems collaboratively.

Fintrac's M&E system, CIRIS, provides real time reporting on multi-variable indicators and targets to continually assess performance and make adjustments in management tactics as necessary.

Fintrac U provides staff the opportunity to learn new technical skills, expand knowledge, share ideas and lessons learned across projects, and supports problem solving to successfully facilitate new arrangements in complex market systems.

Beyond data management, Fintrac supports a continuous learning environment across our global portfolio of projects. Toward this end, Fintrac recently launched a new global KM initiative called Fintrac University, which stimulates continual learning and peer-to-peer knowledge sharing within and across countries through an online eLearning platform. To ensure our staff can facilitate up-to-date knowledge transfer to local actors effectively, Fintrac University provides capacity building in technical areas such as production and postharvest practices, agricultural finance, climate change, nutrition, and marketing. While each of these disciplines is well-established, all are a constantly evolving body of knowledge, which is why Fintrac University is continually updating and expanding its content. Learning material is developed for and by our teams that are interacting with local actors in the field on a daily basis.

Across all of Fintrac's country programs we support an operating culture that rewards data-driven learning, problem solving, and adaptive management, all of which are critical to implementing the market systems approach effectively.

[4] USAID microREPORT #170 (2011), "Understanding and Improving Knowledge Management Systems in Development"

Lessons from the Field: The Systems Approach in Practice

Although the market systems approach presents compelling opportunities for attaining sustainable service delivery to smallholder farmers, there are many realities that must be understood by donors and implementing partners when undertaking these tactics in the field. Primarily, it must be acknowledged that there are substantive reasons why local actors are not currently servicing the smallholder segment. Simply introducing the conceptual benefits of the market systems approach may fail to result in the emergence of services to underserved farmers.

Fintrac field programs have shown that very real successes can be achieved by pragmatically implementing the market systems approach according to the local context and existing system capacity. By demonstrating the value of new relationships at the farm and firm level, which often involves initially intensive technical knowledge transfer to meet market specifications, we have stimulated local actor incentives and then withdrawn support to local actors enabling them to interact, innovate, and succeed in the market without external support.

Below, we discuss some of the key practical reasons why smallholder farmers remain underserved by both the public and private sectors. These represent foundational challenges faced in the field and highlight the importance of adapting market system implementation tactics to local realities.

We also discuss some lessons learned from Fintrac field projects in terms of overcoming these challenges and adapting to the local context to successfully stimulate local actor-led service delivery to the smallholder market segment where it previously did not exist.

Limited local government investment in extension

In developed countries, there is a long history of technical knowledge transfer as a public good delivered by the government. While we support the role of local governments to deliver services that build the capacity of farmers, in practice, allocation of scarce public funds to these ends is often quite limited, particularly in remote areas. Across sub-Saharan Africa, local governments often fall short of their obligations under the 2003 Maputo Declaration to allocate 10 percent of their budget to agriculture, and farm-level extension unfortunately takes a back seat to other transfers in the agricultural sector despite its critical importance.

When local governments are unwilling or unable to commit public funds for rural agricultural extension, donor-funded projects that unilaterally inject funds into unsupported government extension may fail to achieve the continuation of service delivery beyond the life of their projects. Nonetheless, we continue to advocate for increased public sector engagement, and within the market system framework it is critical to coordinate efforts closely with local leadership structures. We recognize the importance of supplementing farm-level service delivery with the private sector, civil society, and innovative public-private models.

Geographic gaps in private sector investment

Success in the private sector is driven by profits, and profits are driven by revenues relative to costs. Despite high potential gains from entering new markets, many private sector companies are relatively risk averse. In geographic areas where there is currently limited to no demand for the products or services a company is providing (or limited supply available), the private sector is unlikely to make investments necessary to expand its reach into those areas given the expected high costs and low revenues.

Public-Private Partnerships for Extension

In Tanzania, Fintrac is trialing an innovative public/private farmer extension model by leveraging resources from public agriculture universities and private agribusinesses. In this model, host universities will provide land for demonstrations, work-study opportunities for students, and their own funds. Universities will collect revenues from private agribusinesses for input product promotional events at the demonstration training sites. These Practical Training Centers are operated as small farming enterprises, and commercial proceeds from surplus sales and input promotional events are reinvested into ongoing operating costs to ensure their financial sustainability.

Underserved areas are often those that are furthest from urban centers, with poor transportation infrastructure, a dispersed population, and the highest levels of poverty, or as seen by the private sector, a geographic market segment with the lowest purchasing power and lowest productive capacity.

Whether it be a seed company, an irrigation equipment supplier, a domestic supermarket sourcing fresh produce, a grain trader, or a high-value commodity exporter – if the private sector is not currently active in a particular geographic region, then stimulating its entry requires time, trust, and a clear demonstration that profits can be earned. At Fintrac, we have learned that building confidence and trust with private sector actors in the agriculture sector requires demonstrated success in the functions that are most important to their businesses.

Ultimately, commercial decisions in the agriculture sector come down to production and logistics. If products meet buyer expectations, and supply and demand can be aggregated at relatively low costs, then expected ROI will be promising for new market entrants.

To demonstrate potential ROI for commercial partners, facilitators need applied commercial expertise in advanced agronomy and postharvest handling, agribusiness operations, and end markets. Confidence is built through the demonstration of smallholder capacity to meet market-based expectations in terms of technology uptake, as well as the quality, quantity, and consistency of production.

Local chili powder processor, Mace Foods, in the Rift Valley of Kenya now recognizes that smallholder suppliers are capable of meeting their volume and quality requirements if farm level and postharvest level expectations are effectively communicated. Through initial logistical and agronomic support, Fintrac facilitation has now resulted in self-sustaining services from the buyer and reliable supply from small-scale farmers.

Fintrac facilitators have the practical technical skills and experience to bridge the divide between a company and a remote smallholder market segment and to build confidence that increased investment will result in achievement of ROI. This enables Fintrac-led projects to ease forward thinking (albeit risk averse) private actors into new, often remote, locations.

This pragmatic approach, adapted to existing local context and capacity, ensures the market-driven needs of private actors are met by the smallholder market segment through services that build customer and supplier loyalty. It is important to recognize that if promises are made and market-based expectations not met, it is unlikely that a company will continue engaging in higher risk ventures. We have found that agribusinesses often require demonstrated supply and demand and easing of logistical bottlenecks before investing their resources.

Country-wide weakness in agronomic knowledge

It is critical to highlight the reality that whether extension is delivered by government, civil society, or even private firms, the quality of the service delivered may initially be weak because of limited agronomic knowledge. Generally, Fintrac's experience has shown that, while private embedded extension can be undertaken sustainably, this may come at the expense of farm-level quality, particularly in the first two to three years of a new initiative. Faced with this reality, we have learned that when engaging with the private sector to stimulate services to smallholders, positive market-based results can be achieved when Fintrac experts deliver intensive hands-on agronomic training of trainers in the initial stages of a project for partners that lack these skills internally.

Once we have illustrated to a company that expanding its investment in services to smallholder outgrowers (e.g. extension, after-sales support, market information transfer, etc.) can result in positive ROI, we must also build the agronomic capacity of its farmer outreach team. Donors and implementing partners should not expect that establishing an embedded service delivery model will automatically result in high-

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quality services to smallholders without close support from experienced agronomists and extension experts.

During the initial stages in particular, a hands-on training of trainers approach is absolutely necessary to achieve the market-based results that lead to sustainable local service delivery. Sometimes, direct extension by the project may be required to generate the initial critical "tipping point" demand and supply requirements for input suppliers and buyers, respectively.

Weak organizational capacity to reach smallholders efficiently

Introducing a farmer outreach initiative within a private agribusiness is operationally challenging. While the logistical challenges of reaching smallholder farmers are well known, they are often overlooked when anticipating that local actors, particularly private sector actors, are capable of expanding the services they deliver.

The reality is that there is often limited capacity and commercial appeal for inputs distribution and/or product collection for widely dispersed groups of smallholders. This speaks to the need for not only direct organizational capacity building (i.e. introducing operational systems to manage these efforts) but also to support consolidation efforts by smallholder suppliers to ease logistical challenges.

At Fintrac, we have achieved this by facilitating informal, loosely affiliated farmer groups which coalesce through similar business interests. Our Kenya Horticultural Competitiveness Project (USAID-KHCP) initially supported the organization of informal farmer groups to aggregate fruits and vegetables collection for the private firm Kenya Horticulture Exporters. These farmer groups now continue collection and supply to KHE without direct intervention from USAID-KHCP.

Examples such as these underscore the need to organize groupings of farmers to ease logistical challenges and support the delivery of services that did not previously exist. Once demonstrated that these efforts are possible and profitable, our experience teaches us that commercial agribusinesses will then expand their own investments in targeting smallholder suppliers or customers. While these activities

In Tanzania, despite traditional wisdom, Fintrac demonstrated that smallholders were capable of producing flower cuttings at a consistently high quality. A partnership with Vasso Agroventures provided the initial co-investment and upfront training for embedded extension agents for smallholder outgrowers. Vasso now completely funds their outgrower services.

adhere to conceptual market system approaches, they also speak to the practical need for hands-on support in the initial stages of facilitating new arrangements between agribusinesses and smallholders.

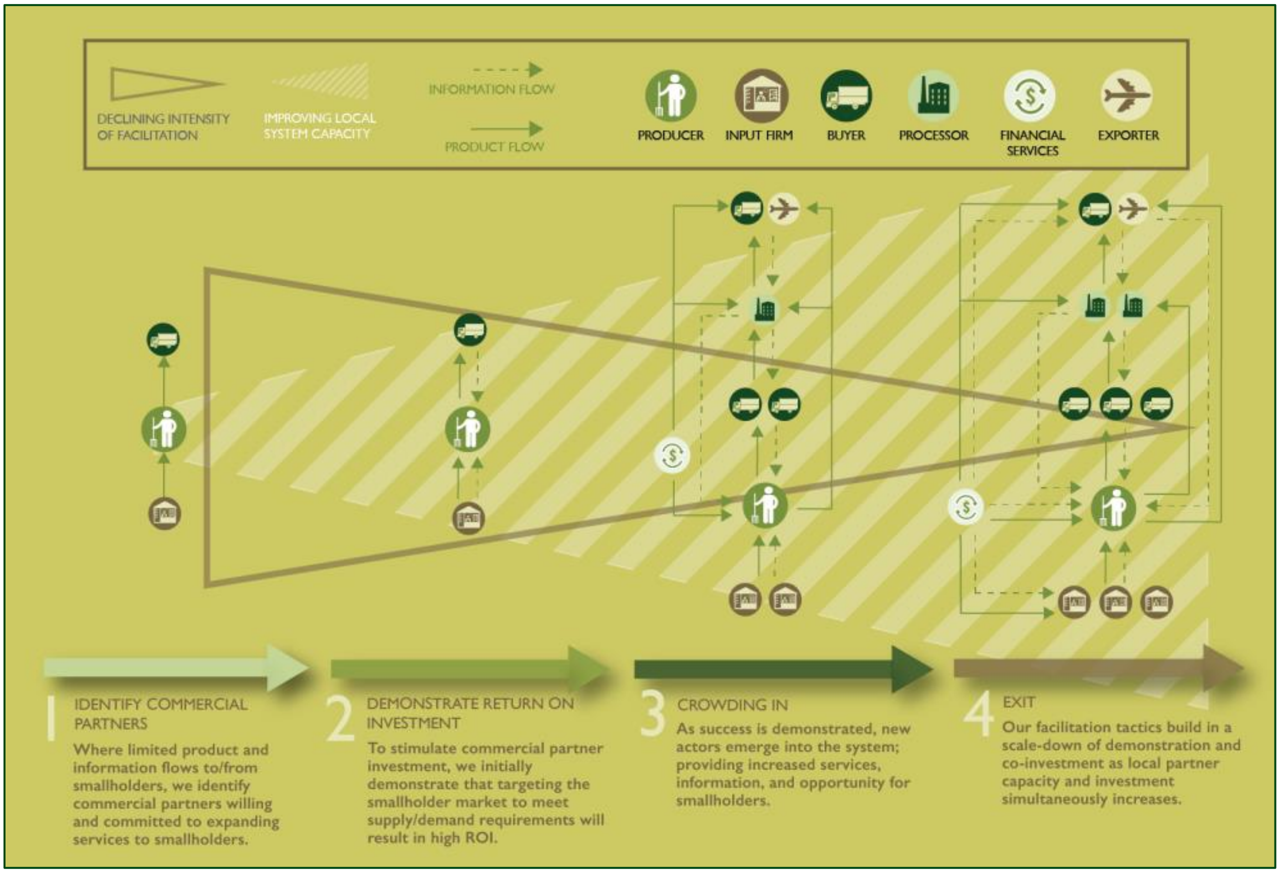
Given these challenges, what is the best way to jump-start local actor ownership?

It is often suggested that a "light-touch" approach is the key to achieving sustainable locally-led service delivery. The principles of "light-touch" facilitation suggest that a practitioner should not insert itself into the market system to influence systemic change.[5]

At Fintrac, we support the notion that we as facilitators should not disrupt local processes and should instead incentivize local actors to lead change processes within market systems. However, experience in the field has demonstrated that, while "hands-off" activities such as value chain workshops, conferences, and seminars are an important component of building relationships and networks, they will not by themselves address the challenge of poor production practices, low technology adoption rates, weak local extension capacity, and complex logistical challenges.

Effective facilitation is not simply a question of "light-touch" vs. "direct-delivery." Rather, as development practitioners we should focus on adapting our tactics to the existing local system context and capacity, and structure partnership

[5] EWB, A Practitioner's Guide to Market Facilitation: Facilitation as Behavior Change, 2012



arrangements with local actors accordingly – specifically, how to build an exit strategy into the initial design that utilizes resources efficiently, integrates targeted technical assistance and technology transfer into new arrangements, and stimulates local actor investment over time.

As facilitators, our role is to not only align actors' incentives within local market systems. It is also to jump start the entry of commercial partners into new market segments. To do so, they must be committed and willing to invest their own resources. They also require clear demonstration that smallholder farmers can meet their requirements (either in terms of supply or demand). Demonstration of smallholder ability to produce high-value crops at a consistently high quality, or the ability to manage a micro-irrigation system, for instance, will serve as a prerequisite for input and output market actors to invest in continued engagement with that community of farmers.

If engagement by the facilitator is scaled back gradually by design, then initial demonstration-based engagement can effectively expand local commercial investment in service delivery to smallholders. As practitioners, the reality is we have few resources at our disposal to stimulate inclusive growth in agricultural market systems. At Fintrac, we structure innovative partnerships with key local actors in ways that require an allocation of their own resources that ensures local ownership over the change process toward inclusive market system growth.

The corresponding infographic illustrates Fintrac's market systems approach. We start by identifying willing commercial agribusinesses, and vary the intensity of our facilitation tactics to suit local context and existing capacity. As crowding-in takes hold, information and product flows to smallholders increase, and system capacity grows as does local actor investment. Fintrac scales down intensity and resource allocation over time, enabling actors to succeed in an inclusive and competitive market system.

For further information about Fintrac's Market Systems Approach, please contact Fintrac University's Knowledge Manager, Adam Keatts at akeatts@fintrac.com