



# Breaking the Outreach-Sustainability Frontier

Thoughts for Private Sector Approaches in Rural Livelihood Programmes

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This brief was inspired by the extensive efforts and research conducted to increase the operational sustainability of the Danish funded livelihoods programme: Northern Uganda Resilience Initiative\* (NURI). The aim of the brief is to inform the implementation of the NURI programme and at the same time inspire colleagues, development actors and others with interest in sustainable livelihood programming.

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\*Information about the NURI-programme can be found here: <https://nuri.ag/>

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## **Introduction**

Most people in international development wants to change the world a little bit. Improve infant mortality, increase democratic accountability or improve livelihoods. Some people and programmes are indeed successful and produce meaningful change. When that happens, one question will automatically present itself: Will it last? When the small-scale NGO support stops or the multi-million-dollar World Bank programme is phased out, will the changes remain?

Sometimes the challenge is physical and practical: How to maintain roads, how to repair boreholes. Sometimes it is institutional, how to ensure the continued independence of the human rights commission or the anti-corruption body? And sometimes it's a question of finances: How can the problem be solved by nurturing the exact right social business or by an organisation earning an income form providing a service?

Sustainability is the first step on the way to scale. If current results do not last, it is difficult to imagine that they will scale. On the other hand, if results are anchored in a model that sustain itself, governments, donors or investors may scale it up without too much effort.

In this brief, we call this the challenge of operational sustainability. And we aim to provide some concepts, a simple framework and specific idea on sustainability and scale. The key audience is practitioners in international development spending money from donor governments, foundations or private contributors, but similar approaches may be and have indeed been used by government agencies and ministries.

The label '*operational sustainability*' is picked to emphasise that operations can take many forms: Financial, institutional, organisational. But also to distinguish it from environmental sustainability which is a different topic altogether.

## **A private sector-approach**

This brief deals with private sector approaches to operational sustainability. A public sector approach is perhaps more common, but very different, so it is useful to mention how they relate. A key difference is the financing. In a private sector approach, the users ultimately pay for the service. It may be indirectly through a fee on e.g., a financial transaction that then fund service provision. But clients or beneficiaries pay. In a public sector approach, a government pays using taxes. Indeed, a public sector approach is many times preferred. Education, health, road maintenance and agricultural extension is funded through taxes in many countries. But sometimes, the government does not have the means or the capacity to fund these services. And then a private sector approach may be the only option left.

Sometimes a private sector approach will support the establishment and growth of businesses that create positive change. Agricultural off-takers funding farmer training to ensure quality of crops. Or a social enterprise that provides health services at a fee. In other cases, an NGO or a parastatal organisation may generate income from selling a service, thus using a private sector approach.

## **Humanitarian Work Also Needs Sustainability**

The target for this brief is livelihood programmes broadly defined as programmes aimed at increasing household incomes, often among rural households in developing countries. Most livelihood programmes strive for sustainability. Indeed, this is the common motivation for

approaches such as value chain development, market systems and making markets work for the poor. So the discussion that follows is relevant here. But the discussion is particularly relevant in discussions on the humanitarian-development-peace nexus, linking relief, rehabilitation and development and similar discussions. This is because of the strong focus on outreach: Targeting and benefitting refugees, often among the most vulnerable is often a reason to care less about operational sustainability. It should not be.

Indeed, a nexus approach will often emphasise long-term solutions to immediate challenges. Interventions in Northern Uganda are no exception to this, as a multitude of projects claim to target this very nexus at the core of their strategy. Despite the ambition, many interventions struggle to deliver sustainability and benefits diminish shortly after funding has come to an end.

With this brief, we hope to provide food for thought on operational sustainability, in order to better address the humanitarian-development-peace nexus and to achieve sustainable impact at scale.

### **Defining Operational Sustainability**

The concept of operational sustainability aims to ensure continued impact of interventions – even after funding has ended. In other words, operational sustainability is achieved when results or activities are maintained, or even expanded after closure of a programme or project. While some interventions addressing the humanitarian-development nexus by their very nature cannot become fully self-sustainable, most projects addressing the nexus could and should work to increase the operational sustainability of its interventions. Different projects may have different ambitions and for that purpose we divide different ambitions of sustainability into five levels. More details and examples are provided in Annex 1.

<b>Level</b>	<b>How long do results last?</b>
<b>1) No sustainability</b>	Results disappear when the project ends.
<b>2) Low sustainability</b>	Results are maintained in the short term, but fade away in the medium term (less than five years)
<b>3) Medium sustainability</b>	Results are maintained in the medium term (at least five years)
<b>4) Strong sustainability. Scalability.</b>	Results are sustained in the long term and structures are in place to safeguard and expand them.
<b>5) Very strong sustainability: Structural change at scale</b>	Results are expanded and benefits provided to the wider population

*Table 1: Five levels of operational sustainability (simplified version)*

### **The Outreach and Sustainability Trade-Off – a Simple Model**

Practical experience shows that a trade-off exists between outreach and operational sustainability using private sector approaches. Reaching the most vulnerable is inevitably a costly process, and with limited purchasing power, people living below or close to the poverty have limited capacity to pay for services. In other words, where wealthier and less vulnerable people are able to co-fund or fully finance efforts that will help increase their own personal prosperity or well-being, those that are most vulnerable and poor will struggle to do so – even for the sake of their own livelihood.

A simple model may help to guide adjustments to programme design. The model is shown in Figure 1.

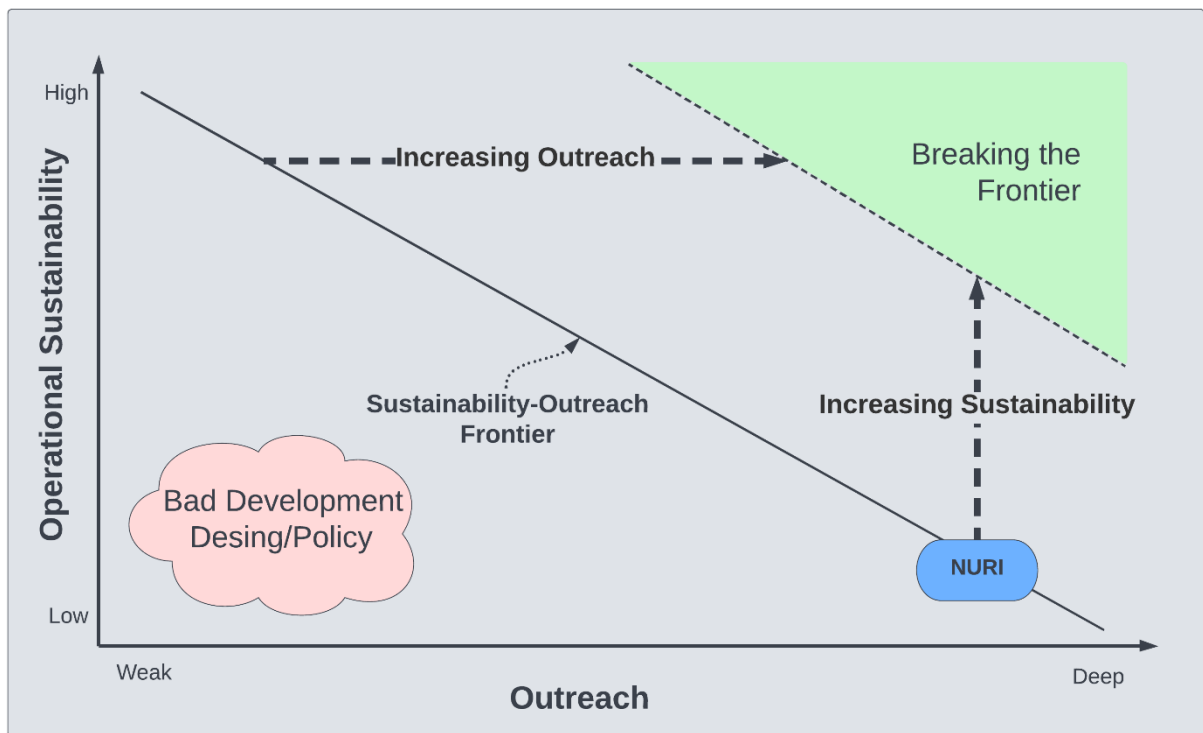


Figure 1: Graphical representation of the sustainability-outreach frontier

The key aspect of the model in Figure 1 is the sustainability-outreach frontier. Any livelihood programme should be able to move along the frontier, simply as a matter of decision and priority. If your programme provides advisory services, for example, you may increase sustainability by introducing a payment for the service. But if this is all you do, you are likely to see outreach decline. The poorest will not be able to afford the services. Similarly, a programme with already high level of sustainability, for example one working with commercial off-takers, can increase outreach by offering special training to less well-off farmers. Again, this would increase outreach, but weaken sustainability.

While a general trade-off between operational sustainability and outreach is evident, there are plenty of exceptions to the rule and opportunities awaiting. Realising these opportunities to increase the operational sustainability of livelihood programmes can support structural change at scale for the benefit of the poor and vulnerable.

The real potential lies thus in moving up or to the right of the frontier – breaking it, so to speak. With existing programme designs, there are two ways of breaking the frontier: 1) Sustain outreach, i.e., creating a larger degree of sustainability in programmes that already have deep outreach, or 2) Deepen sustainability, i.e., creating deeper outreach in programme with high sustainability. These strategies are marked by the two arrows in the figure.

The NURI programme, for which this brief should provide inspiration, is also shown in the figure. The purpose is thus to provide inspiration for increasing operational sustainability, without compromising outreach.

## **Challenges in Improving Operational Sustainability in Northern Uganda**

### **High Costs of Reaching the Poor**

Reaching the poor and most vulnerable is a costly operation in itself. This is especially true in Northern Uganda where the vast majority of people live in rural settings. High transactional costs on physical transactions are naturally correlated with distance. This, combined with the limited volumes traded by smallholder farmers results in disproportionately high transactional costs when engaging with the market. Such constraints put significant limitations on commercially viable options for reaching the poor, as margins have already been pushed to their limits.

For services such as agricultural extension, some innovations have tried to mitigate the cost of reaching people across great distances (e.g., tech-based services). However, limited penetration rates, especially when trying to reach the poorest, proves the continued need for physical service delivery. In other words, reaching the poor in Northern Uganda is inevitably a costly process.

### **Asymmetric Power, Information, and Structural Market Imperfections**

Working with farmers is a key aspect of many livelihood programmes, with a core activity being agricultural advisory services: An extension officer meets a farmer in order to support the farmer in increasing the productivity on the farm. But to fully reap the benefits of increased productivity, farmers must also learn how to engage with the market. Unfortunately, farmers are often faced by a market that structurally minimises their potential for profitability.

To engage with the relatively preferable marketing channels of large-scale wholesalers, a collective action response (i.e., collective marketing) is often a requirement. However, as many farmers fail to act collectively due to various challenges, they are forced to market their produce individually through lesser preferable channels such as middlemen, who are known to offer reduced prices to farmers. Moreover, as farmers engage in individual marketing, they enjoy limited power in transaction negotiations.

Finally, the market often fails to offer premiums for quality, which is restricting smallholder farmers' potential income. While studies have shown that smallholder farmers in Uganda are able to increase the quality of their outputs, lack of quality premiums are restricting their incentive to do so. Hence, market failures constrain farmers in a low-quality/low-income equilibrium.<sup>1</sup>

### **Low Willingness-to-Pay**

A simple solution to low sustainability in livelihood programmes is to have farmers pay for the services themselves. Unfortunately, the challenge for this solution is just as simple: low willingness to pay. In 2018, less than 122% of the agricultural population received agricultural extension services. Out of these, merely 11% paid for the services themselves.<sup>2</sup> Considerably lower rates are estimated when assessing farmers residing in the relatively poorer areas such as Northern Uganda.

Obvious reasons for the limited willingness-to-pay may be low incomes and many other unmet needs. Farmers may also not be aware that increased knowledge of superior agricultural

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<sup>1</sup> Bold et al., 2022. "Market Access and Quality Upgrading: Evidence from Three Field Experiments." *American Economic Review* 112 (8): 2518–52.

<sup>2</sup> UBOS, 2018: Annual Agricultural Survey

practices is likely to lead to higher yields. Finally, farmers may be risk averse, and improving agricultural practices often comes with a risk.

For these reasons, delivery of agricultural advisory services in Uganda is almost exclusively financed by government and donors who, under their current implementation modalities provides very limited outreach.

### **Sparse Availability of Financial Services**

The low willingness to pay for extension services may be tied not to the price, but to the timing of the payment. Advice in one year will only give profits the year after. Moreover, many types of advice involve buying inputs or tools, which also comes with an up-front cost. In that case, lack of access to financial services may constitute the most important limiting factor for farmers. Only a fraction of Uganda's rural population have access to formal financial services<sup>3</sup>. This is likely increasingly true for the poorest proportion of the population, as studies have indicated a sustainability/outreach trade-off for microfinance institutions.<sup>4</sup> Instead of relying on formal financial institutions, many farmers engage in Village Savings and Loan Associations (VSLAs). While VSLAs have achieved significant outreach across Uganda with more than 68.000 groups known to be operating today, the model is constrained by certain structural limitations.<sup>5</sup> E.g., loans are limited by members' combined savings while cash/deposits are at a high risk of theft.

A challenging and fragile financial system means that many good investment opportunities for smallholder farmers remain unrealised. Vulnerable groups close to subsistence This is exacerbated by a rational and risk averse mind-set amongst the poor, ultimately contributing to a potentially worsening poverty trap.

### **Lead Firm Models Have Limitations**

With a lead firm approach, an off-taker or lead farmer connects to a number of smallholders and supports their productivity through extension services, inputs, credit, and other services. Outgrower models or contract farming are other terms that capture the same idea. This has indeed increased productivity among thousands of smallholder farmers in Uganda in sub-sectors like coffee, sesame, or poultry. Success notwithstanding, the approach come with a number of limitations. A key limitation is that poorer areas often struggle to produce sufficiently large quantities of high-quality agricultural output of interest to large-scale commercial buyers. They are poor for a reason, in other words. In Uganda, most integrated supply chains with lead firms thrive in the Western, Eastern or Central parts of the country for this reason. Another limitation is contract enforcement. Participating smallholder farmers commonly engage in side-selling, in an attempt to achieve higher prices or faster cash. In economic terms, the benefits from the service provided by the lead firm have characteristics of a public good in that it displays a low level of excludability. The purpose of providing the service is for the lead firm to get higher quality and quantity supply from the farmer. But this benefit is difficult to restrict to the lead firm who provides the service. Farmers may side-sell and thus provide the improved quality to other firms who do not incur the cost. From the perspective of the outgrower, significant price fluctuations in the market, potentially leaves them with little incentive to offer or uphold a guaranteed offtake price. In both cases, farmers and outgrowers may not have proper incentives

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<sup>3</sup> UBOS, 2018: Annual Agricultural Survey

<sup>4</sup> See e.g., Hermes et al., 2011. "Microfinance: Its Impact, Outreach, and Sustainability." World Development 39 (6): 875–81.

<sup>5</sup> Data from <https://mis.thesavix.org/dashboard/> as of January 2023.

to fund and keep the model going in the long run, ultimately challenging the operational sustainability of such models. Finally, the services provided by lead firms are likely to focus only on crops of interest to the lead firm. The consequence is two-fold: Firstly, the farmer does not get support for non-focus crops which may otherwise increase productivity and thereby the farmer’s livelihood. Secondly, the model is likely to be expensive to the firm who needs to pay the relatively fixed costs of extension for one or a few focus crops.

Based on key insights from the different sections above, the figure below summarises the challenges of implementing farmer-paid extension services.

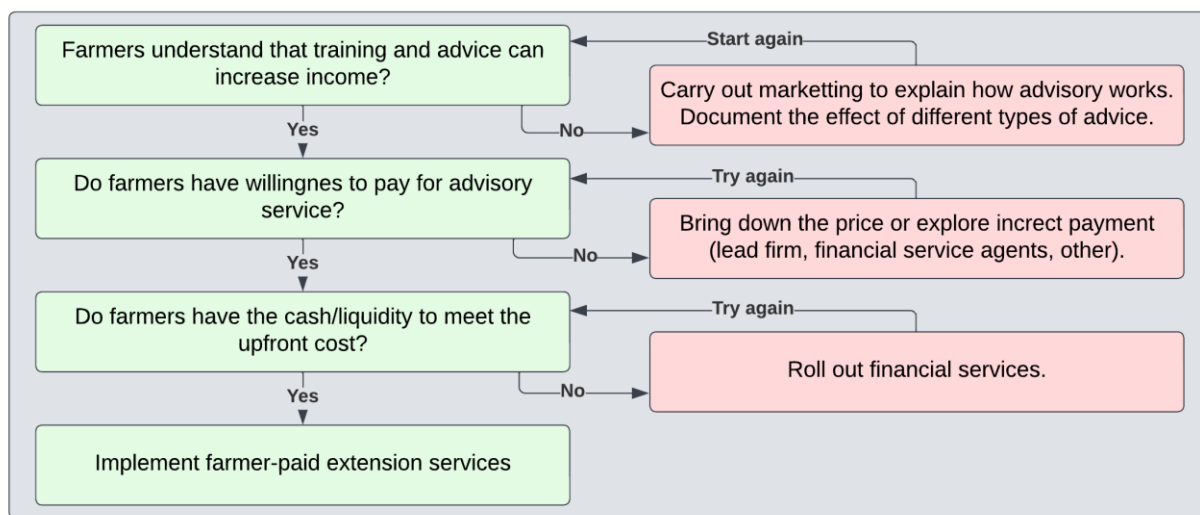


Figure 2: Challenges of implementing farmer-paid extension services

## Opportunities

### Promote Market Orientation through Farmer Market Schools

One approach to increase market power among farmers is to introduce Farmer Market Schools as part of the support given to farmer groups. This well-described approach aims to train farmers on how to independently engage with off-takers. This training may be provided during off-season periods where planning for the next season is essential. Elements include getting to know off-takers and exploring market demand for crops. Instead of relying on last season’s most profitable grain types as many farmers tend to do, groups are encouraged to investigate market demand and establish linkages to attractive buyers before planting.

Farmer market school-interventions are currently being piloted under NURI, where initial assessments indicate significant potential for impact by the intervention. Through increased market orientation, farmers are becoming active rather than passive participants of the market structure. Making well-informed choices in- and off- season support the increased prosperity and sustainability of farmer groups, ultimately helping people out of poverty.

### Pay who may: Differentiate the Offer

Introducing a fee for certain services is likely to damage outreach since the poor will left out. On the other hand, providing services free for everyone may not be necessary. Some people are willing and able to pay. The obvious solution is to look for ways by which those who can pay are

made to pay. In other words, differentiating the service would then be one way to achieving sustainability and outreach. Extension officers would provide training to all, but then sell specialised services or inputs only to those who can pay.

### **Commercial Agricultural Extension Services**

Many livelihood programmes provide agricultural extension services at the core of their strategy. One starting point for increasing the operational sustainability is therefore to make these services more sustainable. This would not only increase overall sustainability, but also improve the possibility for structural change at scale. The opportunity exists because the core business model is strong: We know that extension services are likely to increase productivity and income-generation at the farm level, which supports the potential of farmers paying for services.

The first basic income stream is simply *payment for advisory services*. Unfortunately, as explained in the previous section, general advisory services are unlikely to enjoy high willingness-to-pay among farmers due to the advice's trait as a public good. Therefore, paid-for advisory should primarily focus on specialised and easily excludable services (e.g., vet services, soil testing, crop disease assessment, etc.).

Considering the high sunk cost of reaching the poor, complementary services could provide additional sources of income for the extension officers, thereby increasing the operational sustainability of the model. One idea that could be explored is a collaborative partnership with mobile network operators working to expand their outreach of specific services in rural areas (e.g., mobile money). Expanding the role of extension officers to include the role of mobile money agents would similarly benefit the farmers, who would enjoy the benefits of mobile money and related services.

Another option to be explored is for extension officers to work as agents for off-takers or input suppliers – receiving commission on goods sold or bought. If this is explored, extension officers become a type of middlemen, a group which is often met with criticism. It is therefore important that extension officers continue to be organised in a framework – an association or a company – so proper standards for ethical behaviour and prices can be upheld. Moreover, restructuring the middlemen's incentivisation mechanisms from an arbitrage-based ideology of 'buying low and selling high' towards a 'commission-based model' would support stronger alignment of interests between farmers and the middlemen.

### **Encouraging Entrepreneurship**

The entrepreneurial spirit of Uganda is unmatched, as the country ranks as the most entrepreneurial country in the world with more than 28% of Ugandan adults starting a business. Entrepreneurship amongst smallholder farmers potentially offers an escape from poverty, while also promoting increased resilience through income diversification. Especially non-farm income generating activities should be encouraged, as climate change and limitations in plot-size are challenging farmers' ability to live from agriculture alone. This is especially true amongst refugees, where small plot-sizes are pushing the limits of people's livelihoods.

Hence, supporting farmers with good entrepreneurial ideas and business skills training that support their livelihood holds significant potential. In order to deliver these at scale, a commercially viable delivery mechanism must be established – that is, farmers themselves should ideally pay for business skills training and/or relevant inputs. Pre-designed, locally relevant business models and start-up kits can help minimise costs. Additionally, if the



promoted/sold business models are difficult to replicate without specialised knowledge/linkages/inputs, commercially viable delivery mechanism to promote entrepreneurship can be established. In any case, training in business- and finance- skills should be incorporated within the delivery mechanism, to ensure higher success rates amongst entrepreneurs.

### **Tapping into the Potential of Social Enterprises and Global Value Chains**

A number of social enterprises are starting to realise the untapped potential of enrolling refugees and vulnerable people as artisans/producers in their global value chains. Products are often produced in fragile/poor countries and sold in lucrative (often western) markets. The positive impact makes for a great marketing story, as artisans/producers are supported with substantially higher-than-average wages. However, reaching and enrolling artisans can be a costly and cumbersome process, making partnerships between social enterprises and implementing livelihood programmes highly relevant. Considering the significant outreach that has already been established by livelihood programmes, partnerships can often be accomplished at a minimal cost, benefitting all parties involved.

### **Deepening the Impact of VSLAs**

The implementation of VSLAs have been a popular choice for development organisations in Uganda – and with good reason. The concept has proven to deliver sustainable impact with deep outreach for a minimal implementation cost per participant. This makes VSLAs an obvious choice to explore increased sustainability in general. This is particularly true with respect to the connection between agriculture and VSLAs. Agriculture requires large annual inputs. And the savings in VSLAs are paid out once every year. Integrating these needs and financial flows has the potential to increase sustainability without scarifying outreach.

Moreover, to further strengthen the positive impact VSLAs, significant opportunities exist through establishing linkages to financial services. Establishing linkages can help mitigate the structural challenges of VSLAs, as groups gain access to formal credit and loan whilst also mitigating the risk of theft. However, linking also comes with its own inherent risk – e.g., the risk of pushing vulnerable people into perpetual debt. Therefore, implementers are encouraged to act with caution and assess the need and capacity at the individual group level before initiating the establishment of linkages. To establish linkages, digitalisation holds significant potential – if done correctly.

## **Recommendations**

### **Mind-set change: Start with the End in Mind**

Programmes should focus on sustainability from the outset. This matters for the mind-set as well as for the results framework, the indicators and the outcomes used. In terms of mind-set, establishing operationally sustainable mechanisms should be a priority from day one – not an afterthought. It may seem that the vulnerable groups targeted by many development programmes are unable to take on a loan, sell agricultural goods to processors, or start a small business. But evidence show that many times they can. Indeed, that is what government and donor support *should* be all about. Moreover, a mind-set of dependency, which is apparent in many development programme strategies, is likely to create actual dependency among farmers. That even the most vulnerable groups can enter into a sustainable and scalable pathway of

livelihood improvements is both the foundation and the finding of graduation programmes, as piloted by BRAC and tested in many other locations<sup>6</sup>.

### **Indicator change: Measure sustainability**

The goal of building sustainability should be a target in its own right. Has the programme contributed to setting in motion a process of building inclusive structures to sustain impacts? This may be different from traditional results-focused or results-based aid, which often focus on beneficiary level impact like farm yields, farmer income and household resilience. These impacts are what we ultimately are after, but they say little about whether a process leading to sustainable change has been set in motion. Cash transfers is a case in point. No-one should be surprised when assets are built up after a cash transfer or yield increases are recorded in the year after farmers have been provided with improved seeds. But whether this has led to an increase in sustainable income, is an entirely different matter.

### **Allow and enable beneficiaries to pay**

What does ultimate operational sustainability look like? If programmes are not fully funded by donors or governments, then beneficiaries themselves must finance the efforts to increase their own livelihoods and prosperity. This is hardly a new idea, as we have seen similar patterns elsewhere within the world of development: Who funds the microfinance revolution? The clients. Who pays for the extension services provided by agricultural processors and off-takers? Farmers. This does not equate taking money out of the hands of poor people. Services should build productivity and income to an extent where the increased proceeds surpass the necessary self-payment of services. How do we allow and enable people to pay? Two key components are to bring prices down and get payment schedules right.

### **Bringing prices down**

It is well known that the price of delivering agricultural extension services varies greatly from programme to programme. The Sustainable Trade Initiative, IDH, found that prices vary from a few dollars to several thousand [ask IHD FarmFit programme for a reference]. Part of this is caused by a difference in the quality and depth of services offered – something which should not be ignored. But part of it is also the way services are delivered. This means that any one programme may not need to actually invent cost-effective methods, but can benefit simply from adopting existing methods.

#### *Bundling of Services is key to increase self-sustainability*

Considering the high costs of reaching the poor combined with the limited purchasing power that each smallholder farmer holds, new means of product and service delivery must be explored. While a multitude of relevant commercial products and services exist, many struggle to expand and scale due to the costs of reaching the poor. Utilising and bundling well-established products and services from private sector partners in the region may help lowering the cost significantly. Hence, instead of offering only a single service (e.g., agricultural advisory), bundling entails the agent to offer additional products/services (e.g., business skill training, crop insurance, market linkages, land cultivation services, etc.). This can support the establishment of operationally

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<sup>6</sup> See e.g., Azeez and Siva. 2019. "Graduation from Poverty and Deprivation: Reflections from an Intervention in the Graduation Model." *Social Indicators Research* 144 (3): 1135–50.

sustainable mechanisms that will continue to deliver long after project funding has ended through commercially viable solutions.

#### *Partnering for Sustainability and Scalability*

Developing and establishing innovative interventions to help the poor is a costly process. Despite of that, many development programmes rely almost exclusively on their own interventions and organisational structures. Collaboration with other development partners and private enterprises may be an avenue to construct highly effective and locally relevant interventions, utilising the unlimited potential of innovative solutions that already exist. Hereby, partnerships can also help reduce the costs of operations, ultimately supporting increased outreach of programmes. Moreover, partnerships can support the continuation of intervention implementation and create structural change at scale – especially if commercially viable solutions can be established through the programme.

#### *Build on Operationally Sustainable Structures*

The cost of reaching the poor in rural areas can be significantly reduced when utilising some of the existing group structures that already exist in the rural Northern Uganda. The economic and social structures of VSLA groups present an obvious opportunity for private sector engagement as groups or individual members have access to capital that can be invested in commercially viable opportunities. Moreover, VSLAs have proven to hold a strong level of operational sustainability in themselves, making them attractive structures for private enterprises that can deliver the right services and goods. With more than 60.000 operating groups across Uganda, significant market potential exist to those that are able to deliver commercially viable solutions.

#### *Using Technology Well*

There is no shortage of digital tools and tech initiatives claiming to solve multiple challenges for rural communities. Because of these sometimes 'empty promises', recommendations on technology should start with a word of caution, using digitisation of VSLA groups as an example. Also within that area, an abundance of digital tools have seen the light of day within the last decade. Unfortunately, too many of them have embarked too uncritically on a path to digitalisation. Digital VSLA tools have too often failed to clearly articulate and test the advantages of digitisation to the groups and their members. So even though it should go without saying, digital initiatives do need to have a clear vision of the concrete benefits of digitalisation to groups and their members. Without, it, digitalisation of VSLAs may end up doing more harm than good, since digital solutions may be less transparent than the tried and tested paper trail.

However, this does not take away the fact that digitalisation and technology can indeed provide significant opportunities for bringing down the cost of extension as well as expanding the access to finance to fund the very same extension. Some examples are provided below.

#### *Digital finance in rural areas:*

- For VSLA groups, digital tools can act as a supporting tool in reaching new services and opportunities. In this regard, different tiers of digitalisation should be considered based on the individual group's needs, goals, and capacities, before taking the first step towards digitalisation.
- Linking VSLAs to banks and other financial institutions is almost always useful for providing a place for the group to store its capital securely and may also help group or individual access to bank services. Digital tools can support this effort.

- Newer and more holistic digital tools may be an opportunity for commercially viable extension services. The models that exist have not been implemented in Uganda at scale.

*Training and provision of services:*

- Using animated or recorded films to ensure quality and replicability of distributing information on crops and good practices. Several organisations provide libraries of ready-made videos, including SAWBO Animations and Access Agriculture. Films can be shown on a phone, using a projector or with a cheap TV screen on a stand.

## **Getting payment schedules right**

*Upfront payment should be minimised*

Considering the low willingness-to-pay in the region, there is a need to assess some of the structural challenges in the market. Upfront payment has proven challenging to smallholder farmers due to risk aversion and limitations in capital. This significantly limits smallholder farmers' opportunities to realise good investment opportunities that can benefit them in the long run. Hence, new types of payment-structures should be explored to secure commercial viability of service delivery mechanisms. This might be in the form of commission payment when farmers gain access to a lucrative offtaker market through the agent. For other situations, credit options might be more relevant to explore. In any case, it should be noted that contracts have proven difficult to enforce whereby payment structures are most likely to succeed when both parties (farmer and agent) perceive the relevant transaction and payment as their best option – both in the short, and in the long run.

## Annex 1: Operational Sustainability – Conceptual Framework

The purpose of this table is to offer a conceptual framework for understanding and improving operational sustainability in development cooperation. Operational sustainability is when results or activities are maintained or expanded after the closure of a programme or project. Sustainability often describes environmental aspects of a programme, but the current note only deals with operational sustainability.

Level	How long do results last?	Explanation	Example 1	Example 2
<b>1 No sustainability</b>	Results disappear when the project ends.	The project deliver benefits, but there are no structure in place to maintain them.	The project sets up a local market, but fails to establish a system for operating it. When the project ends, it is no longer used.	A project distributes food or cash, but does not ensure that parts of it are saved. Funds are used.
<b>2 Low sustainability</b>	Results are maintained in the short term, but fade away in the medium term (less than five years)	The project deliver benefits, but there are not strong structures in place to maintain the results.	Feeder roads are built, but no strong structures and financing for maintenance are included. The roads fall into disrepair after a few years.	Farmer groups are provided with improved seeds, but there are no mechanisms in place to enable farmers to buy new improved seed once the benefits fade.
<b>3 Medium sustainability</b>	Results are maintained in the medium term (at least five years)	The maintenance and structures set up by the project are very strong. Results are maintained locally.	A VSLA will continue to operate after project closure, providing benefits to members that are similar to better than under the project.	Feeder roads are built by committees. A strong user committee is set up including ways for the committee to mobilise funding for maintenance.
<b>4 Strong sustainability. Scalability.</b>	Results are sustained in the long term and structures are in place to safeguard and expand them.	The field level project staff can cover its own costs and continue to carry out activities.	All water ponds have fully operational user committees and a well-funded public agency has taken over support to existing committees.	A strong business model enables farmer extension workers to earn a living continuing helping farmer groups.
<b>5 Very strong sustainability: Structural change at scale</b>	Results are expanded and benefits provided to the wider population	The project can be scaled up without additional costs.	The government or specific public entities takes up the project methodology as a public policy and mobilises and commits the necessary funds to expand.	Business models surrounding farmer extension are profitable and situated in an independent structure or company that ensures expansion of activities.

## **Annex 2: Resources**

This brief was inspired by extensive efforts and research conducted to increase the operational sustainability of the Danish funded livelihoods programme: Northern Uganda Resilience Initiative (NURI).

### **Organisations and Interventions**

The list below, represent some of the organisations and interventions that provided as inspiration for this policy brief. Organisations with a \*-mark were contacted and interviewed during this process. NURI has initiated partnerships with some of these to increase operational sustainability of the programme. Other organisations listed also provided significant inspiration but were not contacted/interviewed directly.

- **Access Agriculture\***: Video-based agricultural extension services ([www.accessagriculture.org](http://www.accessagriculture.org)). Funds activities in Uganda.
- **Agri Evolve\***: Commercial agricultural extension services and market linkages, primarily in coffee ([www.agrievolve.com](http://www.agrievolve.com)). Based in Uganda.
- **Auxfin\***: Financial inclusion and digitalisation of VSLAs and other groups ([www.auxfin.com](http://www.auxfin.com)). Very active in other countries. Some staff and activities in Uganda.
- **Copia**: E-commerce services for middle to low-income consumers through agents (<https://copiaglobal.com/>). Has an office in Uganda.
- **Ensibuuko\***: Financial inclusion and other services through digitalisation of farmer groups, including VSLAs (<https://ensibuuko.com/>).
- **EzyAgric**: Platform selling agricultural inputs and commercial agricultural extension services and market linkages (<https://ezyagric.com/>). Based in Uganda.
- **Famunera**: Farmer input webshop (<https://www.famunera.com/>).
- **Harvesting**: Helps farmers get loans based on remote-sensing technology to assess farmers creditworthiness (<http://www.harvesting.co/product/credit-risk-solution.html>).
- **iDE**: An NGO providing agricultural extension services and market linkages through a semi-commercial model, the "Farmer Business Advisor"-initiative (<https://www.ideglobal.org/story/fbas>)
- **One Acre Fund\***: An NGO offering farmer co-financed agricultural extension services, input supplies, and crop insurance amongst others (<https://oneacrefund.org/>).
- **Palladium Group\***: A company implementing several programmes in Uganda, including the now ended, FCDO-funded systems-focused livelihood programme, NU-TEC (<https://beamexchange.org/practice/programme-index/259/>).
- **Techno Serve\***: An NGO supporting private-sector initiatives and business solutions to end poverty (<https://www.technoserve.org/>). Also active in Uganda.

- **Ten by Three\***: Provides prosperity wages to artisans enrolled in the programme while encouraging entrepreneurship to graduate from poverty (<https://www.tenbythree.org/>). Active in Uganda
- **TruTrade\***: Providing market linkages through commercial agents (<http://www.trutradeafrica.net/>). Active in Uganda.
- **Single Spark\***: Encouraging entrepreneurship through their "Business-in-a-Box" programme ([www.singlespark.nl](http://www.singlespark.nl)). Few activities in Uganda.
- **Village Earth\***: The "Appropriate Technology Library" offers 1.050 do-it-yourself technologies and interventions to support self-reliance ([www.villageearth.org](http://www.villageearth.org)).
- **4 Life Solutions**: Offers cheap and safe drinking water through their SaWa bags that can be sold by commercial agents (<https://4lifesolutions.com/>).
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## Reports and Publications

- **ACDI/VOCA**: Private Extension and Advisory Services in Africa: Lessons from the Field [https://www.agrilinks.org/sites/default/files/media/file/Case%20Study\\_Private%20Extension%20Services\\_1.pdf](https://www.agrilinks.org/sites/default/files/media/file/Case%20Study_Private%20Extension%20Services_1.pdf)
- **CARE**: Digital Sub-Wallets and Household Dialogues - Western Uganda 2017-2020 - <https://www.careuganda.org/wp-content/uploads/2021/09/Digital-Sub-Wallets-and-Household-Dialogues-Report.pdf>.
- **DCA**: Digitalisation of VSLAs and improved access to credit in WN Uganda <https://www.mikrofinans.dk/wp-content/uploads/2021/02/DCA-Digitalisation-of-VSLAs-June20.pdf>.
- **FSD Africa**: Financial inclusion for refugees in Uganda: baseline report - <https://www.fsdafrica.org/publication/financial-inclusion-for-refugees-in-uganda-baseline-report/>
- **GFRAS**: Private Sector Provision of Rural Advisory Services - <https://www.gfras.org/en/good-practice-notes/29-private-sector-provision-of-rural-advisory-services.html?showall=1>
- **GIZ**: Growing Business with Smallholders - [https://endeva.org/wp-content/uploads/2015/09/Guide-Growing\\_Business\\_with\\_Smallholders\\_large-2.pdf](https://endeva.org/wp-content/uploads/2015/09/Guide-Growing_Business_with_Smallholders_large-2.pdf)
- **Hive**: Digitizing Savings Groups: Rethinking financial inclusion for the poor - <https://www.hivenetwork.online/digitizing-vslas/>.

- **MSC:** MSC develops post Covid-19 digital app for savings groups in northern Uganda - <https://www.msc.co.ug/msc-develops-post-covid-digital-app-for-savings-groups-in-northern-uganda/>
- **Save the Children:** Digitizing rural savings - <https://uganda.savethechildren.net/news/digitizing-rural-savings>
- **SEEP, FSD Africa, UKAID:** Learning Brief - Digital savings groups - [https://seepnetwork.org/files/galleries/SEEP\\_Digital-Savings-Groups\\_20200420.pdf](https://seepnetwork.org/files/galleries/SEEP_Digital-Savings-Groups_20200420.pdf).
- **UNCDF:** Digitalization of Village Savings and Loans Associations (VSLAs) in Uganda <https://www.uncdf.org/article/6620/digitalization-of-village-savings-and-loans-associations-vslas-in-uganda>.
- **USAID:** Working with Lead Firms Within the Value Chain Approach- [https://www.marketlinks.org/sites/default/files/resource/files/ML6444\\_mr\\_144\\_working\\_with\\_lead\\_firms.pdf](https://www.marketlinks.org/sites/default/files/resource/files/ML6444_mr_144_working_with_lead_firms.pdf)
- **USAID:** Strengthening Private Sector Extension and Advisory Services Portfolio Review - <https://www.aesanetwork.org/strengthening-private-sector-extension-and-advisory-services-portfolio-review/>
- **USAID:** Feed the Future Uganda Youth Leadership for Agriculture Activity - [https://pdf.usaid.gov/pdf\\_docs/PA00WRZK.pdf](https://pdf.usaid.gov/pdf_docs/PA00WRZK.pdf)

### **Other Resources**

- **Deepening the impact of VSLAs (Workshop):** In May 2022, The Danish Embassy in Kampala conducted a workshop on the theme of “Deepening the impact of “VSLAs”. Participants included industry experts and key stakeholders in the VSLA network in Uganda. The workshop focused on three topics: a) Linking VSLAs to financial services, b) Digitalisation of VSLAs, and c) Combining VSLAs with business skills training. Resources from the workshop including presentations, list of participants, and key takeaways can be accessed here: <https://www.dropbox.com/sh/sr9cm16bazu97h0/AABGAGtbaqSKc1as91rHwyHXa?dl=0>
- **Increasing the operational sustainability and greening NURI (internal workshop):** In February 2022, the Danish embassy in Kampala together with NURI, conducted an internal workshop to assess the current opportunities to increase the operational sustainability of the programme as well as supporting green initiatives. The workshop was used as inspiration for interventions to be implemented during the extension of NURI.