Lessons Learned from the EEP/Shiree Scale Fund

ASSET TRANSFER
Asset transfer is a core component of all Scale Fund (SF) projects. Whether beneficiaries were given cash to purchase their own inputs according to pre-approved business plans, or Partner NGO (PNGO) staff procured these on their behalf, the transfer of a productive asset is a cornerstone of the graduation model. The asset procurement and transfer process proved difficult for many PNGOs, and most projects experienced difficulties that provide the opportunity for lesson learning. SF evaluations highlighted the following key lessons around asset transfer:

Livestock mortality risk from non-local procurement
A common lesson emerging from SF evaluations is the need to consider the geographical source of inputs for Income Generating Activities (IGAs), particularly in the case of livestock. Most SF projects with a livestock component faced significant issues with animal mortality soon after procurement, and some moved away from livestock as an asset after large numbers of animals imported from other areas died.

Beneficiary-led purchasing
Some PNGOs adjusted the livestock procurement process to ensure animals were sourced locally, by purchasing assets directly through beneficiary groups. This served the dual benefit of reducing procurement-related costs (advertising, vendor costs, VAT, etc), and reducing the risk of mortality by locally sourcing animals. Beneficiaries were engaged throughout the process, from negotiating the price, to preparing a requisition/procurement plan, and providing reconciliation vouchers from the vendor. As with livestock procurement, models where beneficiaries were responsible for directly procuring agricultural inputs – for example using Conditional Cash Transfers (CCTs) – reduced susceptibility to traps in the procurement process.

Needs-based selection of suppliers
For agricultural inputs, many PNGOs found it cheaper and easier to procure through government channels. The Bangladesh Agricultural Development Corporation (BADC) was in many cases able to provide large volumes of quality inputs at a fair price, where other suppliers lacked this capacity. Private sector partnerships were found to be useful in sourcing specialised agricultural inputs, for example Lal Teer and ACI provided customised packets of seeds that were modified to suit the soil and climatic conditions of project areas. Local shopping from neighbours or local markets was most appropriate for livestock purchasing, reducing the risk of mortality that came with importing livestock from neighbouring districts.

Robust procurement planning
Poor procurement planning and insufficient timescales allocated for asset transfer were found to compromise quality, resulting in the procurement of low quality inputs. One PNGO had to replace a large number of livestock procured, partially due to a lack of skilled veterinarians to identify productive foundation stock, but also due to unrealistic procurement timelines – i.e. all heifers were procured in the first month of the project. Work plan slippages (operational delays) or inappropriate planning (unrealistic timescales) also resulted in asset procurement falling out of sync with the optimal point in the season, for example where inputs were not procured in time to smooth consumption during the lean (Monga) season.
Market distortions and price fluctuations

In some instances, poor forward planning led to procurement failures as a result of market distortions. In one project predominantly focused on cattle transfer, the lack of prior market analysis of the cattle supply, or a robust procurement plan for purchasing large quantities of assets, significantly drove up the price of heifers. The result was that that BHHs were unable to purchase good quality assets at the originally intended price, and some had to change their choice of asset due to market distortions.

Staggering the procurement process

Best practice was demonstrated by PNGOs who adopted a staggered approach to procurement, based on thorough advance planning. Some PNGOs followed a split distribution system of providing assets at different times, based on HH needs and individual plans. The staggered approach also allows for learning to be applied and subsequent procurement rounds to be adjusted, for example in the case of one PNGO who originally planned to deliver agricultural inputs twice in their project (30 kg in Year 1, and 20 kg in Year 2), but after observing BHHs having a good harvest in the first year, decided against a second transfer.

Simplified and context-specific procurement guidelines

Providing project staff with clear, simple and context-specific guidelines and a thorough procurement orientation reduces the risk of procurement failures and misuse of resources. Robust and context-specific procurement policies should be developed for each project, including:

- regulations such as separating the field facilitators and supervisors from the procurement committee;
- recommendations such as having government or community groups witness asset disbursement/handover for increased transparency and accountability; and
- guidelines such as for what IGAs/inputs a tender process is suitable.

Recommendations – Asset Transfer

- Livestock should be locally-sourced to reduce mortality risk. Skilled veterinarians should be involved in the procurement of livestock to identify quality stock, suitable for desired project outcomes.
- Beneficiary-led purchasing can mitigate against procurement traps. Processes and documentary requirements should be simplified as far as possible to reduce the burden on extreme poor beneficiaries.
- Thorough analysis of the supplier base is required prior to procurement, to select an appropriate route-to-market (private sector, government, locally sourced/’shopping’) to obtain quality inputs at the best price.
- Successful asset procurement is driven by rigorous, realistic and staggered procurement planning, with a strategy for mitigating slippage, to ensure:
  - Date of asset transfer aligns with seasonal requirements for agricultural cultivation (e.g. early crop yields in flood prone areas) or livestock rearing (e.g. planning for milk yields during monga season)
  - Market distortion is minimised, to guarantee stability of asset prices
- Simple, context-specific procurement guidelines and procurement orientation sessions for staff mitigates procurement risk and serves as a useful reference guide for operational staff.
This summary of lessons learnt has been produced by Ecorys UK through the Economic Empowerment of the Poorest (EEP) programme. The views expressed in the report are entirely those of the author, and do not necessarily represent the views of the GoB, DFID, SDC, EEP staff nor of PNGO staff.