

> **AgResults: building inclusive market systems  
through private sector prize competitions**

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## Goals for this Webinar

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- Summarize AgResults initiative and its prize competition model
- Illustrate benefits of prize competitions as a model that can drive market systems transformation
- Provide concrete considerations to show practitioners how proper design and implementation of prizes can drive market systems development (MSD) using two examples in Nigeria and Uganda
- Reflect on how AgResults is gathering evidence on the effectiveness of this model and its impact on improving smallholder farmers' livelihoods

**\$147** million multi-donor initiative that uses Pay-for-Results (PfR) prize competitions to incentivize the private sector to invest in high-impact agricultural innovations that help achieve the following goals:



Reducing Food  
Insecurity



Improving Household  
Nutrition and Health



Increasing Livestock  
Productivity

AgResults' **theory of change** rests on the idea that, if appropriately incentivized, the private sector will respond by creating and/or scaling new technologies to benefit smallholder farmers:



Identify or source  
new technology



Incentivize the  
private sector to  
overcome market  
barriers



Achieve wide-scale  
adoption and  
scaling



Create sustainable  
markets



Australian Government

Department of Foreign Affairs and Trade

BILL & MELINDA  
GATES foundation

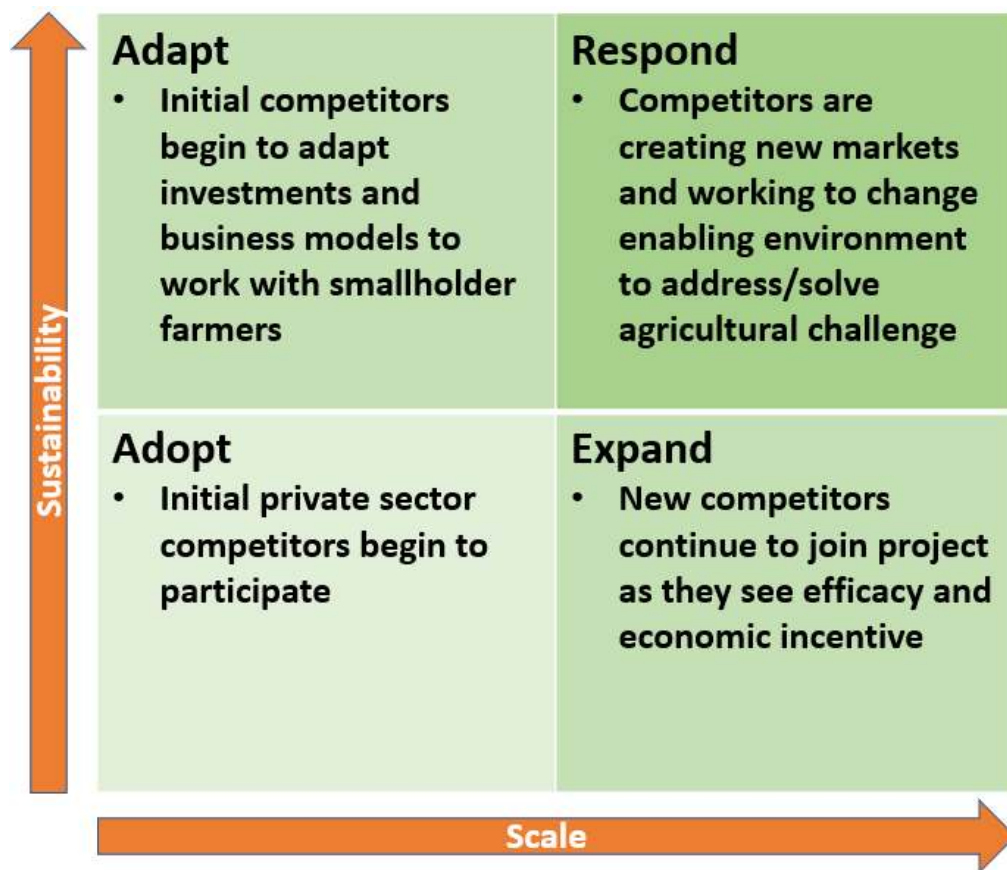
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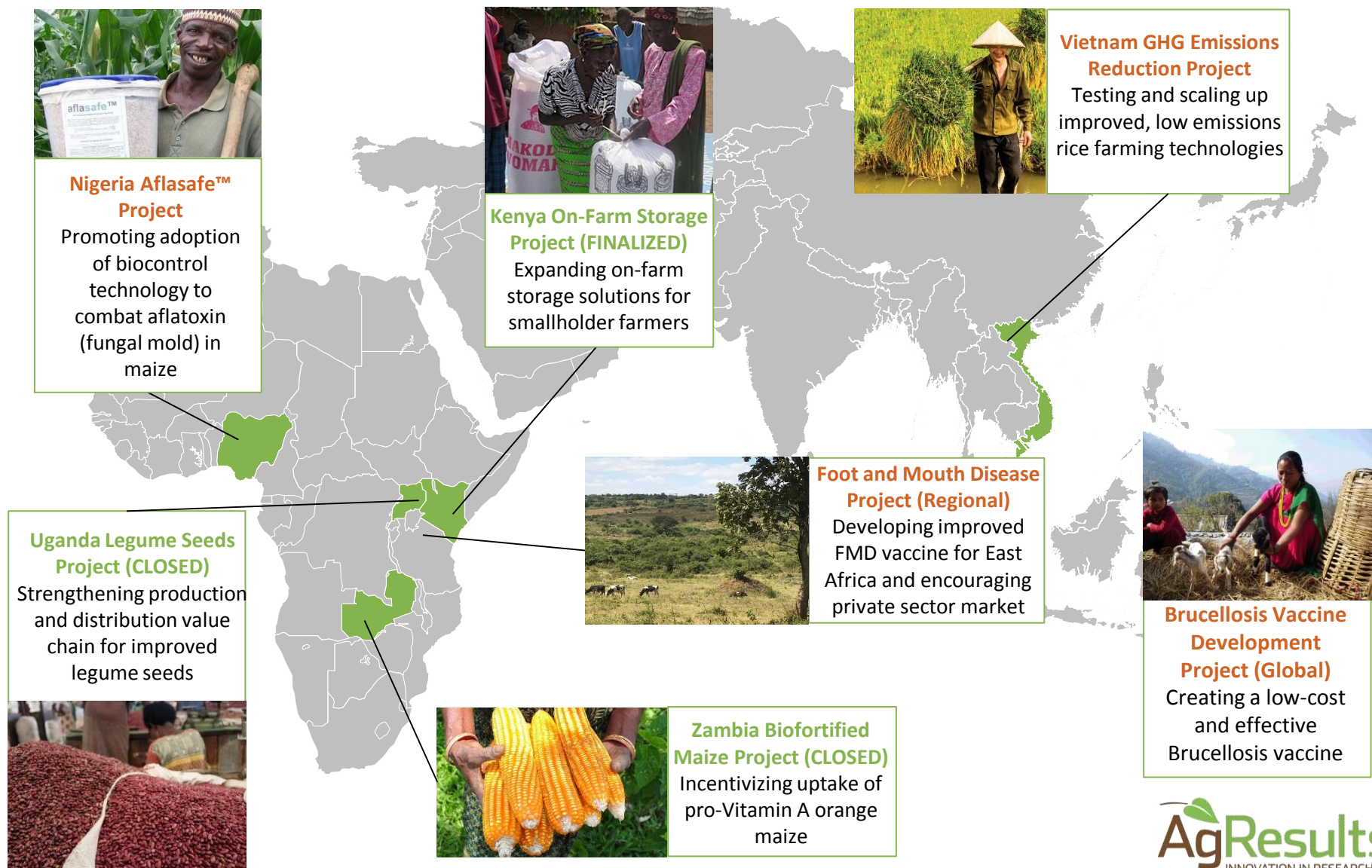
# AgResults' Prize Competition Model and Approach

- Monetary prizes as **economic incentive for private sector** to develop new technologies or scale existing technologies to solve challenge
- Contest designed to spur systemic change (see graphic)
- Emphasis on **learning and evaluation** to gather evidence on model:
  - Rigorous independent evaluation by External Evaluator
  - Ongoing evidence-gathering through project implementation



Adapted from Nippard, Hitchens and Elliott, "Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes." The Springfield Centre, March 2014.

# Geographic Distribution of AgResults Challenge Projects



# Prize Competitions: Market Systems Development (MSD) in Action

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**AgResults model's value:** Make business case to change private sector behaviors and alter smallholder farmer/private sector relationship to scale up inclusive and economically viable solutions that can be sustained

## **3 takeaways** on benefits of prize competitions to drive systemic market change

- A well-designed prize can fundamentally alter the smallholder farmer/private sector relationship by encouraging private sector to adjust business models to benefit smallholder farmers
- Agnostic solutions can incentivize results at scale through innovation, crowding-in of competitors, and results-based goals
- If the prize does not lead to results, it still offers learning opportunities and savings that can be reprogrammed for new prizes

## **Examples of success/failure** of model to strengthen markets

- Nigeria
- Uganda



# How the Prize Competition Model Can Drive MSD: Benefit 1

**Benefit:** A well-designed prize can fundamentally alter the smallholder farmer/private sector relationship by encouraging private sector to adjust their business models to benefit smallholder farmers

## What else should practitioners keep in mind?

- Conduct deep value chain analysis and enabling environment analysis
- Choose the right intervention point with better understanding of market and actors
- Target the correct competitors that have access to those disadvantaged groups
- Pick the correct incentive and frequency of prize distribution (annual, aggregate) to meet their needs

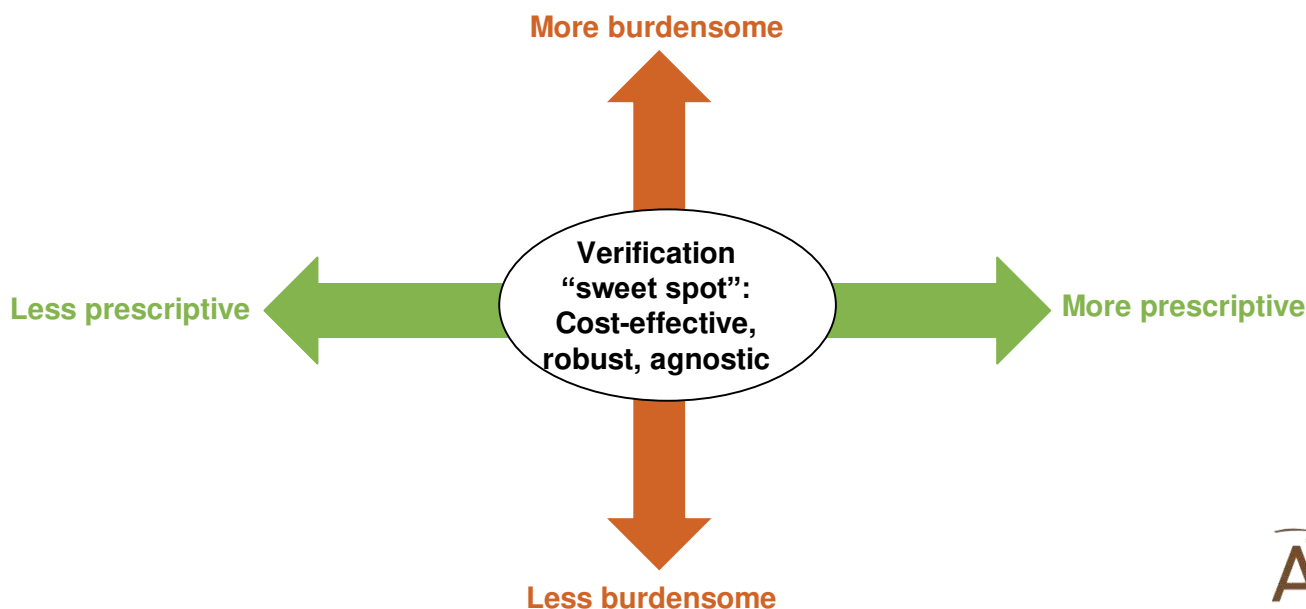


## How the Prize Competition Model Can Drive MSD: Benefit 2

**Benefit:** Agnostic solutions can incentivize results at scale through innovation, crowding-in of competitors, and results-based goals

### What else should practitioners keep in mind?

- Results-based structure requires private sector to prove concept and find sustainable solution before they receive prize
- Avoid prescriptive requirements while still allowing for robust and low-cost verification because overly prescriptive parameters disincentivizes innovative solutions
- Show economic incentive to encourage crowding-in and ensure sustainability
- Prize structure eliminates obligation to 'pick winners'





## How the Prize Competition Model Can Drive MSD: Benefit 3

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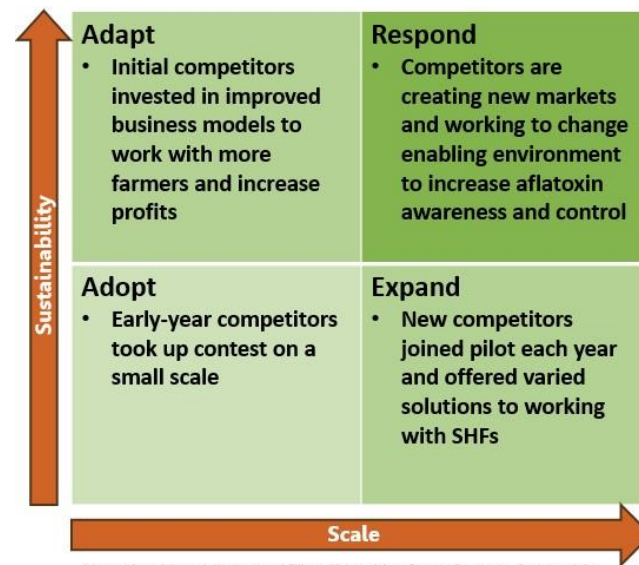
**Benefit:** If the prize does not lead to results, it still offers learning opportunities and savings that can be reprogrammed for new prizes

### What else should practitioners keep in mind?

- If smallholder farmer/private sector relationship isn't evolving, it's time to rethink and adjust the prize structure
- There is potential to reexamine prize and restructure if needed, but practitioners should be aware of ramifications of changing prize
- If a project fails, the funding can still be reallocated to a new program
- When and where prizes *don't* lead to systemic market change is still valuable information for future project design

## Example: Prize Competition Driving MSD in Nigeria

- **Nigeria Aflasafe Challenge Project:** 5-year prize competition incentivizing private sector actors to work with smallholder farmers to adopt Aflasafe
  - Per unit payment premium to maize aggregators and grain traders for each metric ton of high-Aflasafe maize produced by smallholder farmers
- What's the evidence of market change in Nigeria from the prize competition?



Adapted from Nippard, Hitchens and Elliott, "Adapt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes." The Springfield Centre, March 2014.

- ✓ Early competitors cautiously tested Aflasafe but 'crowding in' followed in 3<sup>rd</sup> year once private sector *and* smallholder farmers saw economic incentive
- ✓ Prize structure further incentivized competitors to scale product
- ✓ Verification process has been lengthy but provides quality certification from international authority
- ✓ Private sector saw commercial potential and has begun lobbying efforts to further develop market for Aflasafe-treated maize

## Example: Prize Competition Driving MSD in Uganda

- **Uganda Improved Legume Seed Challenge Project:** 6-year prize competition incentivizing seed companies to produce and sell quality-verified legume seeds to smallholder farmers
  - Closed early due to enabling environment challenges, lack of competitor participation, and inability to verify quality of seeds
- What didn't work? Did we still see benefits from the intervention in Uganda?
  - ✗ Environment was too complex to identify effective intervention point to incentivize market change
  - ✗ Due to lack of verification entities, could not overcome verification challenges
  - ✗ Despite significant contest restructuring, struggled to stimulate 'crowding-in' beyond initial actors and incite scaling up
  - ✓ Raised awareness of quality seeds and need for quality verification process
  - ✓ Closed early and funds were reprogrammed elsewhere



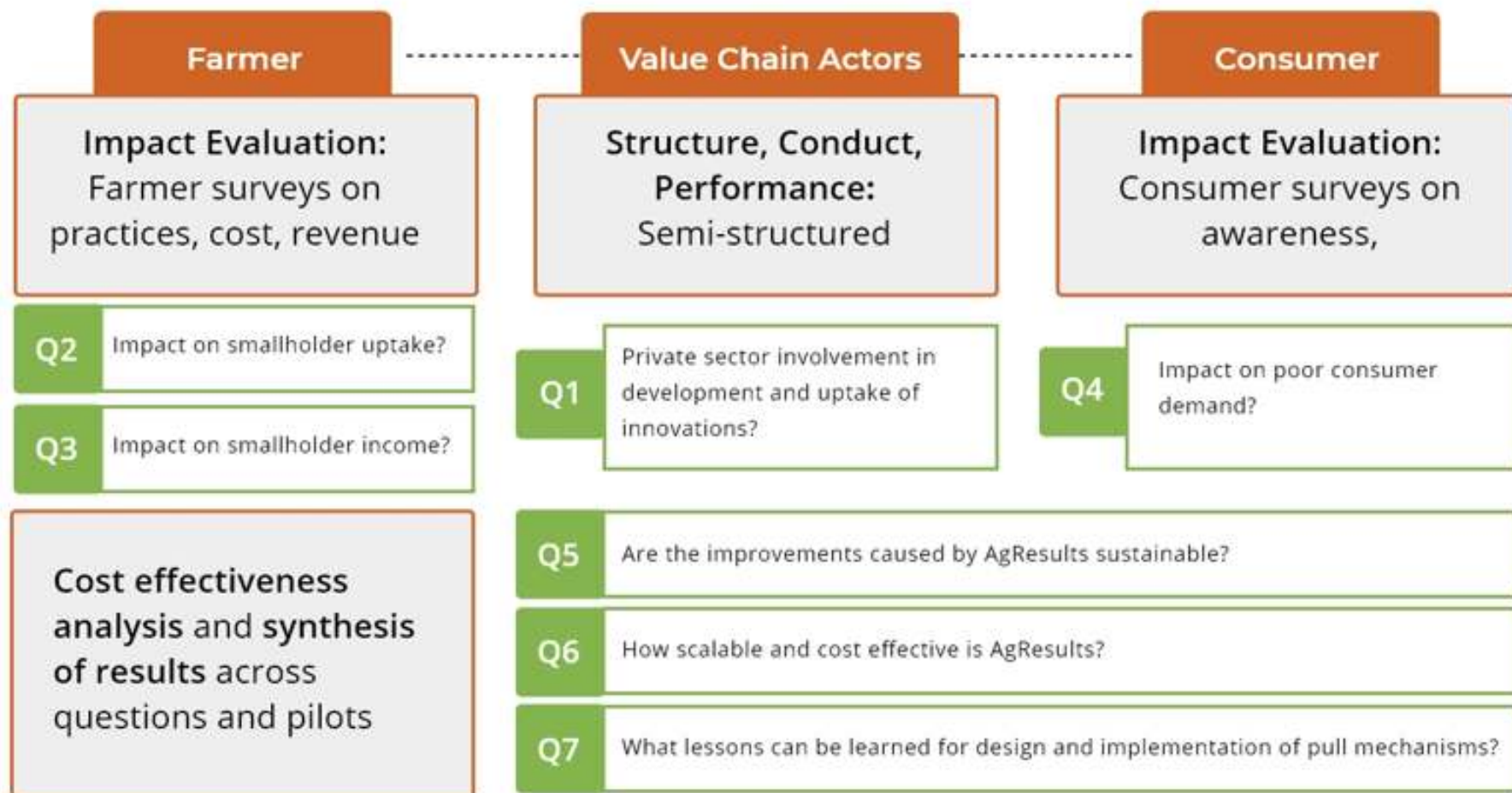
# Why Learning is at the Heart of AgResults



- Importance of gathering robust evidence to prove efficacy of development funding model that departs from traditional approaches
- Prize competitions: 3<sup>rd</sup> party verification and monitoring is not designed to measure prize cost-effectiveness (payment by results) or to capture systemic change in markets and impact at farmer level
- **External evaluator assessment** determines if prize competitions are achieving objectives and assesses cost-effectiveness of approach

Find more at [www.agresults.org/learning](http://www.agresults.org/learning)

# AgResults' Approach to Gather Evidence





## Summary and Reflection: Prize Competitions and MSD

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- **Novel approach of AgResults** motivates businesses to invest in target markets and achieve development outcomes. Competitions are designed to overcome obstacles impeding sustainable commercial markets. If they achieve predefined results then they are awarded a prize.
- **Prize competitions have the potential to drive agricultural MSD** (when designed and implemented correctly)
  - A well-designed prize can fundamentally alter the smallholder/private sector relationship by encouraging private sector to adjust business models to benefit smallholder farmers
  - Prizes can incentivize results at scale by being agnostic to the solution and innovation through crowding-in and results-based goals
  - If the prize does not lead to results, it still offers learning opportunities and savings that can be applied to new prizes, before significant donor funds are spent.
- **Experimentation at heart of AgResults**
  - Rigorous analysis and validation in field to ensure that prizes are “right-sized” to motivate private sector, deliver benefits, without distorting market
  - External Evaluator to gauge effectiveness of the prize and measure impacts

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**Find out more at: [www.agresults.org](http://www.agresults.org)**

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