AgResults: building inclusive market systems through private sector prize competitions

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Goals for this Webinar

- 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
A $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

### 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

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<th>Adapt</th>
<th>Respond</th>
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<tr>
<td>- Initial competitors begin to adapt investments and business models to work with smallholder farmers</td>
<td>- Competitors are creating new markets and working to change enabling environment to address/solve agricultural challenge</td>
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<table>
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<th>Adopt</th>
<th>Expand</th>
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<tr>
<td>- Initial private sector competitors begin to participate</td>
<td>- New competitors continue to join project as they see efficacy and economic incentive</td>
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_Scale_ is achieved through a combination of Adapt, Respond, Adopt, and Expand phases. This framework supports a sustainable approach to innovation in the agricultural sector._

Geographic Distribution of AgResults Challenge Projects

- Nigeria Aflasafe™ Project
  Promoting adoption of biocontrol technology to combat aflatoxin (fungal mold) in maize

- Uganda Legume Seeds Project (CLOSED)
  Strengthening production and distribution value chain for improved legume seeds

- Kenya On-Farm Storage Project (FINALIZED)
  Expanding on-farm storage solutions for smallholder farmers

- Vietnam GHG Emissions Reduction Project
  Testing and scaling up improved, low emissions rice farming technologies

- Brucellosis Vaccine Development Project (Global)
  Creating a low-cost and effective Brucellosis vaccine

- Foot and Mouth Disease Project (Regional)
  Developing improved FMD vaccine for East Africa and encouraging private sector market

- Zambia Biofortified Maize Project (CLOSED)
  Incentivizing uptake of pro-Vitamin A orange maize

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Prize Competitions: Market Systems Development (MSD) in Action

**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
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
**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’
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?

  - Early competitors cautiously tested Aflasafe but ‘crowding in’ followed in 3rd 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: 3rd 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

**Farmer**
- **Impact Evaluation:** Farmer surveys on practices, cost, revenue
- **Q2** Impact on smallholder uptake?
- **Q3** Impact on smallholder income?
- **Cost effectiveness analysis and synthesis of results** across questions and pilots

**Value Chain Actors**
- **Structure, Conduct, Performance:** Semi-structured
- **Q1** Private sector involvement in development and uptake of innovations?

**Consumer**
- **Impact Evaluation:** Consumer surveys on awareness,
- **Q4** Impact on poor consumer demand?
- **Q5** Are the improvements caused by AgResults sustainable?
- **Q6** How scalable and cost effective is AgResults?
- **Q7** What lessons can be learned for design and implementation of pull mechanisms?
**Summary and Reflection: Prize Competitions and MSD**

- **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

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