Towards a Global Research and Learning Agenda for Inclusive Agribusiness

THEME PAPERS
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Dear Reader...

During the design workshop “Towards a Global Research and Learning Agenda for Inclusive Agribusiness”, participants will focus on what can be achieved in terms of depth of understanding and reach of findings through more structured collaboration. The following background papers have been written to trigger thinking on key dimensions of each themes, as well as what could be collective priorities. The authors are not wanting to provide a complete picture of each thematic area, but to inspire participants to develop the thinking on each topic during the workshop, and identify possible collective needs.

Themes selected also do not comprehensively cover the breadth of work in inclusive agribusiness. They are important themes on the potential for structural and systemic change many initiatives strive for. Other themes can also validly be put forward as priorities for collective attention. The current selection includes:

- Enabling policy (Jim Woodhill)
- Inclusive business models (Anne Rappoldt and Monika Sopov, CDI)
- Access to finance (Dan Zook and Matt Shakhovskoy, GDI)
- Multi-stakeholder collaboration (Anne Rappoldt and Joost Guijt, CDI)
- Beyond women’s economic empowerment (Clare Bishop and Romy Sato, Global Donor Platform)
- Systemic approaches to scale and sustainability (Mike Albu, BEAM Exchange)

Each theme paper is written along similar lines:

- Summary of issues
- Aspirational issues for a common agenda
- Potential research and learning questions
  - Research questions – What is it that we don’t know, but we think is critical?
  - Learning questions – What do we know that isn’t being used effectively by those who would find it really helpful?
  - Potential priority areas
  - Ongoing work
  - Resources and previous work

The issues and questions are not prescriptive but indicate the bandwidth of possibilities that could be worked with. Participants at the workshop, and those who may later join whatever structured collaboration emerges, will need to be clear what joint work complements much good work being done. Only then will there be a clear value-add in more coherent collaboration.

Where this theme overview considers the possible content focus, it complements the paper “Building collaboration for learning in inclusive agribusiness”. Form and content must come together.

We encourage you to review the theme papers prior to arriving at the workshop, in any case those closest to your heart. This will help us all dive into our shared design at the right level of knowledge and experience.

Looking forward to fruitful discussions and future collaboration,

Joost Guijt
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Wageningen UR
Inclusive agribusiness (IAB) requires an enabling policy environment that supports competitive and efficient markets while ensuring inclusive economic benefits and environmental sustainability. Inclusive benefits from the agriculture and food sector contribute to both public and private good outcomes and consequently require a sophisticated approach to public good investments. This creates both opportunities and challenges for public policy and the need for public-private partnerships and good dialogue across the public and private sectors.

Enabling policies for IAB have three interconnected levels:

1. the overall enabling environment for business
2. the enabling environment for the agriculture and food sectors
3. factors that relate specifically to inclusive growth in the agriculture and food sector.

Businesses emphasize that the impact that they can have through inclusive practices is limited without the right enabling environment. During the 2016 Grow Africa Investment Forum, for example, there were clear messages from both national political leaders and business regarding the need for an improved enabling policy environment to take promising examples of inclusive agribusinesses to scale.

The G20 define inclusive business policies as those which ‘directly enable and encourage private sector companies to include the BOP [bottom of the pyramid] as part of their value chain and empower the BOP to participate in companies’ value chains’ and distinguish between four support functions of an enabling environment: capacity, financing, information and rules and regulation.

Policy issues key to creating a viable, sustainable and inclusive agri-food sector include taxation, tariffs and trade, public sector investment in agricultural research and extension, price support, social protection and foreign investment. Food security and the economic welfare of poor rural populations are sensitive political economic issues for most countries that require well-managed transition processes which need to balance economic efficiency, trade interests and effective mechanisms for social protection. This creates the need for enhanced dialogue and trust between government and private sector players to find balanced policy directions that can support inclusive agri-food sector development.

In 2016 the World Bank released its first “Enabling the Business of Agriculture Report” that identifies 10 key enabling areas: seed, fertilizer, machinery, finance, markets, transport, information and technology (ICT), land, water and livestock. Indicators then cover operations, quality control and trade.
2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

Understanding and influencing enabling policies for IAB should be a critical frontier for a knowledge and learning agenda. Ultimately national level policies will be a key determinant in the scaling of IAB. However, the national level is also influenced by the positions of regional bodies, international agencies, financial institutions and donors. Despite the large number of IAB initiatives, little has been done in terms of meta-analysis regarding enabling and constraining policy factors and cross country comparison.

A key issue is not just the policy settings, but also the processes and platforms by which business, policy and other actors engage to transparently work on improved enabling conditions. A knowledge and learning agenda would consequently need to look at both substantive policy issues and processes.

Much could be done to couple specific aspects of inclusive agribusiness with the enabling agribusiness framework that has been launched by the World Bank.

As indicated above and in Figure 1, policies that support inclusive practices must be understood within a wider context of an enabling environment for business. There are significant ideological differences and transparency issues regarding the degree to which public funds should be used to directly support businesses to incentivize inclusive practices. Important policy questions exist regarding the degree to which inclusiveness can be stimulated via creating a general enabling business environment, through good economic infrastructure and economic governance vs needing to create specific mechanisms to drive great inclusiveness that require tackling pre-commercial and pre-competitive costs of inclusion.

FIGURE 1
Inclusive Business – Enabling Environment Pyramid
(Jim Woodhill, Jan 2014)
3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

3.1 Research questions

- What visions for the longer-term role and transformation of small-scale agriculture do different countries have? What are the policy implications?
- What are the implications for inclusive practices?
- What are the key enabling and constraining factors for scaling inclusive agribusiness with what policy implications?
- How can public policy best deal with the pre-commercial and pre-competitive costs that are often associated with inclusive practices and what are the public good benefits of co-investing with business to do so?
- Where public goods need to be provided to support greater inclusiveness, how are these best delivered (government vs private) with what policy implications?
- How can transparency and accountability be achieved for inclusive agribusiness and what are the advantages and disadvantages of various standards, certification and labelling systems?
- Are key constraints and solutions for inclusive agribusiness environments different from the general business enabling environment?
- Common policy prescriptions include sector-wide de-regulation and removal of inhibitory laws, as well as new rules and regulations. How may these be prioritized or sequenced for inclusive business development?
- In the context of new regulatory frameworks, several inclusive business advocates argue in favour of creating special legal forms in corporate law for business or voluntary ‘accreditation’ systems. Are these measures an effective way to promote inclusive business?
- Specific interventionist strategies for inclusive business are mandatory rules and preferential contracting criteria on inclusiveness. Can these be considered as effective ways to promote pro-poor growth?
- What role can different types of private sector development programmes play in promoting favourable conditions for inclusive business?
- The challenges of land tenure and transition towards greater commercialization of agriculture should be tackled without depriving people of their livelihood options.

3.2 Learning questions

- What has been learned from IAB initiatives on enabling and constraining policies and how can these lessons be collated and made relevant for policy-makers?
- How do enabling policy settings for IAB vary across different countries and with what lessons?
- What have been key country- and regional-level forums for dialogue between business and policymakers on IAB? What has been learned and how could they be improved?
- What are the examples of where IAB initiatives have focused on specific policy barriers and been able to influence these with positive outcomes for inclusive practices?
- What are the different incentive structures required for different types of agribusinesses (global/national firms, small-scale/large scale, input supply/services/finance/trading/retail) to be inclusive and what are the policy implications?
- For donors, in supporting market-based approaches to development, what can be learned about policy changes that would lead to these interventions being sustainable and have great impact at scale?

4 POTENTIAL PRIORITY AREAS

Enabling environment and policy issues for IAB are complex as they prompt much deeper questions about how inclusive economic growth relates to the future and transformation of small-scale agriculture, the impact of open and competitive markets and how public goods and services can best be delivered.

The fundamental issue is, if agricultural markets and businesses are not being inclusive then what sorts of incentives can be used to drive towards greater inclusiveness and will this lead to poverty outcomes more effectively and efficiently than other approaches.

It is widely recognized that many IAB initiatives to date have worked largely at the middle or top end of the economic pyramid of small-scale agriculture. Fundamental questions arise regarding how far down this pyramid IAB practices can be pushed, while still having viable business models. At what point does inclusiveness become an issue requiring social protection rather than business solutions? Are there ways that social protection can be more creatively used as a “leg up” for inclusive market-based solutions?

Overall, there is a need to create a better analytical framework to consider the policy aspects of IAB that integrates with more general work on the enabling environment for agriculture and business, and wider discussions of inclusive business.
5  **ONGOING WORK**

**Asia Pacific Economic Cooperation (APEC)** aims to support sustainable economic growth and prosperity in the Asia-Pacific Region.

**Comprehensive Africa Agriculture Development Programme (CAADP)** is Africa’s policy framework for agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity for all.

6  **RESOURCES AND PREVIOUS WORK**

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<td>2. <strong>DCED.</strong> 2016. ‘How to create an enabling environment for inclusive business? Learning from experience and debates in the private sector development’, by Heinrich-Fernandes, M.</td>
<td>Scoping paper which focuses on business environment reform. How can agencies help create an enabling environment for inclusive business in partner countries? And how, if at all, does this differ from regulatory and policy reform to facilitate private sector investment in general?</td>
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There is no blueprint or single universal inclusive business model (IBM) to facilitate the set up and operations of an inclusive business. This is because investments, performance and benefits are highly dependent on context. However, guidelines, principles, tools and frameworks on inclusive business models are widely available, reflecting the growing interest in, and awareness about, what works and what does not and in what context.

There is a clear need to prove the business case that inclusive business is better business and leads to something measurable in terms of benefits to all involved and at reasonable investment. The issues to be considered include:

- What are the benefits for farmers? Greater sales, better prices, more volume?
- What are the benefits for companies? Efficiency, quality, less transaction costs, trust, flexibility and the ability to respond to market demand, social licence to operate?
- What are the quantifiable benefits?

Another challenge of inclusive business models is working with large numbers of fragmented producers. The lack of uniformity and dispersed locations of producers require creative solutions to aggregate production and benefit from economies of scale. Preferably, producers need to be organized through, for example, formal producer organizations as well as networks such as trading chains, agronomic improvement initiatives, and communications networks. It is therefore not surprising that all the work to date has been focussed mostly on formal/modern markets, even though the majority of the world's poor producers and consumers are located in informal/less organized market systems.

A better understanding is needed on how to achieve better value distribution and lower inequality. Also key is knowing what works and what doesn't.
### 3.1 Research questions

- How to design IBMs that are different from business as usual?
- What is needed to make a specific business model the business norm?
- How strong is the evidence base that inclusive agribusiness is good for business and what are the implications for further commitments and investments by business?
- What are the dimensions of inclusion?
- What scale of impact has inclusive agribusiness had, or is likely to have, on poverty and sustainability, and what are the implications for future investment strategies by business, governments and donors?
- How can you adapt and apply inclusive business approaches in informal/less organized market systems?
- What models would work to actually contribute to better value distribution and inequality?

### 3.2 Learning questions

- What are the types of business model options for working in an inclusive way within different sectors in different contexts and how can the best model be chosen and optimized for a specific market situation?
- How to build effective business relationships with large numbers of producers that are not formally organized?
- What are the options for working efficiently, effectively and fairly with small-scale entrepreneurs and micro-enterprises in terms of product aggregation, provision of inputs and financial services and adoption of commercially viable and sustainable farming practices?
- What is the evidence of the commercial and social return on investment (ROI) for different business models in different contexts?
- How to measure reach of impact? Current indicators are statistical data and numbers from websites and blogs (number of downloads, number of page views). There is also evidence on the uptake of approaches at the organizational level, but the challenge remains to measure actual impact at household level, which is what most donors want to see.
- How to leverage what is being learned to influence the behaviour of others? For example, companies might claim to adopt the LINK methodology in their training programs, but there is no evidence to prove this.

### 4. POTENTIAL PRIORITY AREAS

- More cases and evidence must be collected in a coherent manner to draw lessons learnt from setting up and operating inclusive business models.
- Round tables should be organized with policy-and decision-makers to increase impact.
- Higher educational institutes should be involved in the area of inclusive business in terms of research carried out and courses offered in their curriculum. This process needs facilitation.
- The concept of ‘responsible and inclusive investment’ must be better defined.
  - Knowledge gathering must take place.
  - A level of awareness should be created around inclusive business models and promoted.
  - Ways should be found to address companies that decide not to operate in a responsible and inclusive way.
- Common standards and metrics are needed so that actors speak the same language and initiatives can be benchmarked against each other. Even when there is data available, interpretation remains a challenge.
- Lessons learnt should be shared in a common language and information made appealing and applicable to a wider audience, for example through the use of videos instead of reports, clear two-pagers, and other communication media. Technology should be used to communicate messages in smarter ways.
5 ONGOING WORK

FAO

IBM Approach complements value chain thinking with a specific emphasis on the producer to first-buyer linkages in the chain.

Upscaling Inclusive Business Models to identify good practices that can be brought to scale.

GIZ/BMZ

BoP sector dialogues allow business enterprises from a particular sector to share ideas about opportunities and risks of inclusive business models and their market potential.

Responsible and Inclusive Business Hubs (RIBHs) provide enterprises with access to knowledge in the field of sustainable development.

PRACTITIONER HUB FOR INCLUSIVE BUSINESS

Inclusive Business Action Network (IBAN) provides knowledge and events on inclusive business to create synergies by linking partners’ collective expertise, commitment and resources.

DUTCH MINISTRY OF FOREIGN AFFAIRS

Food & Business Knowledge Platform (F&BKP) gives international networks and organizations the tools to share and discuss new insights, approaches, lessons and best practices.

MULTILATERAL ALLIANCE

Business Call to Action (BCTA) aims to accelerate progress towards the SDGs by challenging companies to develop inclusive business models that offer the potential for both commercial success and development impact.
## 6 Resources and Previous Work

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<th>Resource</th>
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<td>3.</td>
<td><strong>Endeva.</strong> 2014. <em>Multiplying Impact: Supporting the Replication of Inclusive Business Models,</em> by Menden, A., Perón, C. and Pasipanodya, T.</td>
<td>This publication provides 12 recommendations for companies, development partners, investors, research organizations, and other intermediaries to engage in the replication of inclusive business models, helping support businesses to expand, disseminate, and reproduce both models and impact.</td>
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<td>4.</td>
<td><strong>Hystra.</strong> 2015. <em>Smallholder farmers and business: 15 pioneering collaborations for improved productivity and sustainability.</em></td>
<td>A study about how pioneering companies and organizations have succeeded in enrolling smallholder farmers in productivity-enhancing schemes sustainably and at scale.</td>
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<td>7.</td>
<td><strong>Omidyar Network.</strong> 2016. <em>Frontier Capital: Early stage investing for financial returns and social impact in emerging markets,</em> by Bannick, M., Goldman, P. and Kubzansky, M.</td>
<td>This report outlines the potential of ‘frontier capital’ investing in the low- to lower-middle-income market segments in emerging markets and the challenges that can be addressed by innovative business models.</td>
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A host of development actors in emerging markets have spent more than 60 years experimenting with approaches to provide farmers with access to financial services. Starting in the 1950s, many governments established agriculture development banks or capitalized commercial banks, both with mandates to lend to smallholders at below-market interest rates. In the 1970s, fuelled by the failures of both directed credit and subsequent laissez-faire policies, microfinance institutions and some commercial banks began providing microfinance in rural areas. This approach faced challenges too, as most microfinance providers (with the exception of some in Asia) did not ultimately maintain a sustained reach to smallholders. However, a renewed drive at the beginning of the 21st century to connect farmers to financial services has ushered in a new “era of farmer finance”.

Even with these developments, however, the gap between the financial needs of smallholders and the supply of financial services is anticipated to remain significant. Credit provided by informal and formal financial institutions, as well as value chain actors, currently only meets an estimated USD 50 billion of the more than USD 200 billion needed for smallholder finance in the regions of Sub-Saharan Africa, Latin America, and South and Southeast Asia¹. In addition, agricultural insurance reaches just 10% of smallholders and fewer than 15% have access to a formal savings account. Projected growth of 7% per year from formal institutions and value chain actors will not make a meaningful dent over the next five years.

Changing the trajectory of access to finance for smallholder farmers and SMEs will require a coordinated effort across actors to address today’s most pressing constraints, including:

1. **A gap between farmers’ need and demand for financial products**: At present, farmers’ demand or willingness to pay for formal financial services does not always match their needs. Mistrust of financial institutions is also an influencing factor, as well as farmers’ perceptions of informal options as being better suited to their needs.

2. **Elusive business model returns for financial service providers**: Broadly speaking, the drivers of low returns – well documented by past research – are the high cost of reaching remote customers, the high risk of non-performing loans, and the low revenue generated per customer. Business model innovation is needed to address these complexities.

3. **A mismatch between financial service provider (FSP) capital needs and the type and volume of capital available from investors**: For many FSPs, capital availability is a critical barrier to reaching scale. In addition, available capital often does not meet FSPs’ needs in terms of tenure, currency, or other conditions. Significantly scaling up the sector will require drawing in new and more suitable capital sources and applying new approaches to blending capital.

All actors have a critical role to play in moving the sector towards this new vision of financial inclusion for smallholder farmers. In this new era of farmer finance, a pluralistic, systems-based view of the issues and opportunities needs to be advanced at global, national and local levels.

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¹ Initiative for Smallholder Finance and Rural Ag Finance Learning Lab, “Inflection Point”, 2016
2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

- Define how the ecosystem of initiatives and actors can better collaborate at a global and national level.
- Establish a stronger evidence base on what models and partnerships work and how they can be further scaled.
- Define how the industry should structure capital and smart subsidy to unlock access to finance, including identifying major gaps for international donors and capital providers.
- Make mainstream how new approaches to product design and technology should be used.

3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

3.1 Research questions

- How are different networks, alliances and platforms supporting global action around agricultural finance, and what should be done differently around co-ordination and collaboration?
- What are the economics (costs/benefits) of service delivery models that anchor financial and other services for smallholder farmers?
- What evidence exists of the efficacy of different approaches to blended finance and subsidy applied to facilitate access to agricultural finance?
- How can subsidies and blended finance be efficiently deployed where needed to reduce risk and enable smallholder finance?

3.2 Learning questions

- What service delivery models and partnership models are working to anchor access to financial services and how sustainable or scalable are they?
- How can the latest advances in technology and product design be mainstreamed to enhance the way in which financial institutions and other organizations provide financial services to smallholder farmers?
- How should different actors within the broader ecosystem collaborate more effectively at a global and national level to drive better access to finance in agricultural value chains?

4 POTENTIAL PRIORITY AREAS

Action is needed in all areas of the industry, but particularly around five key themes:

- **Smart subsidy**: With few models achieving commercial scale and sustainability, further work needs to be done on how blended finance and subsidy should be effectively structured to enable finance in agricultural markets.
- **Progressive partnerships and service delivery models**: New evidence and rigor needs to be brought to understanding the economics and effectiveness of different service delivery models and partnership models.
- **Customer centric design**: Ongoing work is needed to advance approaches to designing products that specifically address the needs of smallholder farmers.
- **Use of technology**: Technologies hold immense potential for transforming the costs and risk management approaches used in the provision of financial services. Ongoing research and work needs to be done to push the boundaries of what is possible with these new tools.
- **Capacity development**: Technical, managerial and business know-how of farmers is essential to explain the methods and criteria the banks use to evaluate financial assistance and application to borrowers.
Development banks are strong actors in promoting the smallholder finance agenda. Development finance institutes like ADB, AfDB, IFC, IADB and bilateral development banks are increasingly interested in smallholder agriculture as an investment case for their private sector and sovereign operations.

Commercial banks can do more but need to know better. Apart from impact investors, commercial banks are also getting increasingly interested in the smallholder agriculture space. However, the sum of their investments is still small, given the limited number of bankable deals, risk perceptions in the sector, and investment procedures that somehow dis-favour smaller deals in the range of USD 3–50 million which are typical for inclusive business models.

AgDevCo is a specialist agriculture impact investor that has established a Smallholder Development Unit (SDU).

AGRA’s Financial Inclusion for Smallholder Farmers in Africa Program works with financial institutions and agriculture value chain actors.

AgriFin is a special initiative to increase access to financial services for farmers and agribusinesses and focuses on activities that promote knowledge-sharing and networking among financial institutions globally.

CGAP leads a dedicated research and business model development program that focuses on user-centric product design and farmer segmentation.

The Council on Smallholder Agricultural Finance (CSAF) is an alliance focused on developing a thriving financial market to serve small and growing agricultural businesses in low- and medium-income countries. It is made up of nine social lenders, including Root Capital, Oikocredit, ResponsAbility, and Triodos.

EU AgriFi aims at increasing investment in smallholder agriculture and agribusiness by mobilizing public and private investment, in particular through the provision of risk capital, guarantees or other risk-sharing mechanisms.

IDH (the sustainable trade initiative) works on sustainable trade across a variety of commodity markets with a focus on understanding how different service delivery models can underpin provision of financial services for smallholder farmers.

Initiative for Smallholder Finance (ISF) is a multi-donor and investor platform for the development of financial services for the smallholder farmer market. With a focus on research and catalysing investment, the ISF has developed a strong knowledge base around the provision of financial services for smallholder farmers. See http://www.initiativeforsmallholderfinance.org/ for an overview of their industry research.

MasterCard Foundation Fund for Rural Prosperity enables businesses to begin or expand financial services in rural areas of Sub-Saharan Africa.

Propagate is a coalition of smallholder finance practitioners focused on microfinance institutions, including BRAC, One Acre Fund, and Juhudi Kilimo.

Rural and Agricultural Finance (RAF) Learning Lab fosters knowledge creation, sharing and collaboration that leads to better financial solutions for smallholder farmers and other rural clients. Link to the learning agenda: https://www.raflearning.org/about/agenda
## 6 RESOURCES AND PREVIOUS WORK

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<tr>
<td>1</td>
<td><strong>Initiative for Smallholder Finance and RAF Learning Lab. 2016. Inflection Point: Unlocking growth in the era of farmer finance.</strong></td>
<td>Provides a sophisticated picture of how the smallholder finance space currently operates by describing the key actors and the nature of their interactions, and conceptualizing these in a new “industry model”.</td>
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<td>2</td>
<td><strong>RAF Learning Lab: Learning brief: The business case for digitally-enabled smallholder finance</strong></td>
<td>The Learning Lab’s second deep-dive exercise explores the business case for smallholder finance, in particular the role of digital approaches in making it possible to profitably serve this market at scale.</td>
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<td>3</td>
<td><strong>IDH: Service delivery models research</strong></td>
<td>This research brings a quantitative approach to supply chain structures that can facilitate access to finance and other services for smallholder farmers.</td>
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<td>4</td>
<td><strong>CGAP: Designing Digital Financial Services for Smallholder Families</strong></td>
<td>This publication builds on past segmentation research to explore design dynamics for smallholder farmer financial services and the importance of user-centred design.</td>
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<td>5</td>
<td><strong>IFC. 2014. Access to Finance for Smallholder Farmers. Learning from Experiences of Microfinance Institutions in Latin America.</strong></td>
<td>A study to identify and disseminate the best practices of MFIs that have successfully implemented agricultural lending operations targeting smallholders in Latin America and the Caribbean.</td>
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<td>6</td>
<td><strong>Root Capital. 2017. Towards the Efficient Impact Frontier, by McCreless, M.</strong></td>
<td>An approach to building a portfolio with the greatest possible impact for the level of expected return.</td>
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Towards a Global Research and Learning Agenda for Inclusive Agribusiness

Multi-stakeholder collaboration

Anne Rappoldt and Joost Guijt – CDI

1 SUMMARY OF ISSUES

Reach: There are generally two ‘gaps’ in the target audience of multi-stakeholder partnerships (MSPs) operating in inclusive agribusiness, and collaboration is one way of ensuring that the ‘right’ targets are reached.

- Livelihood strategies: Stepping up refers to the farmers that have access to basic services such as finance to expand or improve their agricultural activities; stepping out refers to farmers that have no access to finance and are forced to quit agriculture to engage in other activities. The last category is hanging in, which refers to farmers who continue to work in agriculture, but do not have any access to finance and are not able to expand or improve their agricultural activities. Current initiatives mainly work with ‘stepping up’ farmers, seemingly accepting that it is not possible to reach ‘hanging in’ farmers who live in extreme poverty and do not have any other opportunities, even though these farmers are actually the target group of the sustainable development goals (SDGs).

- Lack of support for small entrepreneurs in developing countries: Financing is often available for initiatives related to either smallholders or large programs. However, entrepreneurs generally do not belong to any of those, and therefore have no access to micro finance and cannot receive large investment support either.

Lack of evidence on effectiveness of MSPs: There is a lack of evidence on effectiveness of MSPs. Most effort and research have been focussed on putting them in place and little on measuring effectiveness and impact. Every MSP is different, so there is no single formula for an effective MSP. What is required, however, is more research on indicators for effective collaboration.

Education: Current agricultural research and education is often designed and implemented by government and SDG institutes, and usually focussed on improving staple food commodities. There is very little action-oriented research into more creative solutions to help build capacities for inclusive growth. Another issue is that the private sector is taking over the role of education from the public sector. However, these efforts do not reach the poorest.

Standards: There is a mass of standards for commodity exports to different markets, which make it difficult to work across countries and markets. Synchronization of standards would make the process easier.

Enabling environment: MSPs work with and are dependent on national or regional governments. For every country there are issues related to permits, land rights, conflicts around irrigation and water supply. MSPs are dependent on the enabling environment created by governments, and this reliance often causes restrictions on their programs.

Financial dependency on donors: Business networks that are financed by their members sometimes struggle to reach the poorest farmers. MSPs, which are more diverse, fare better at reaching this group, but are financially dependent on donors. Although there is a shift in the role of donors as MSPs develop new business models, the financial dependency on donor money can be a problem when public financing decreases.

Lack of MSPs in fragile environments: Countries that are not attractive for businesses such as those struggling with refugees, political instability, environmental hazards due to climate change, are also not appealing to MSPs. Businesses are therefore drawn to work in countries like Tanzania, Kenya, and Rwanda where there is less risk of political instability, rather than in places such as Burundi, Chad and Somalia where inclusive business are actually needed the most. However, these countries require support to achieve the SDGs.
Moral hazards (Oxfam): Partnering with businesses is often be a contentious issue for donors and NGOs. Nevertheless, businesses which demonstrate a commitment to responsible, inclusive and sustainable practices – adopting inclusive business models and thereby contributing to SDGs with or without NGOs and civil society – will be important for donors in terms of protecting and building their reputation and brand, and also for securing a social licence to operate. The possible risks of partnering with the private sector include: exploitive practices, debate and policy influence dominated by powerful interests; problems in the global food system reduced to technical focus while ignoring deeper political and economic issues; critical voice of development organisations co-opted due to partnerships with business; and development efforts side-tracked away from where they can have the most benefit for those in need.

2.1 Research questions

- How can multi-stakeholder engagements reach the poorest farmers that are currently ‘hanging in’ effectively and efficiently?
- What could be the new business models for multi-stakeholder engagements to reduce financial dependency on donors and focus on the SDG target group?
- How to establish collaboration in fragile environments to stimulate inclusive agribusiness?
- How to reach the small farmers or small entrepreneurs that are just above the microfinance-access level?
- How to include ‘base of the pyramid’ (BoP) or IBM thinking into the business strategy? How to engage the poorest in a way that is also commercially rewarding? The latter does not refer to corporate social responsibility (CSR).

2.2 Learning questions

- What are the key factors, principles and modalities for effective global, sectoral, regional or national level inclusive agribusiness platforms and alliances that foster multi-stakeholder engagement and dialogue between business and policy-makers?
- How can multi-stakeholder engagements work in multiple countries with large differences in enabling environments?
- What sorts of public-private partnership arrangements can underpin inclusive agribusiness in particular to link infrastructure to market development opportunities?
- How can such partnerships be developed in a transparent way that adheres to principles of responsible investments?
- How can business, government and civil society organizations develop the understanding and internal capabilities to work with non-traditional partners in inclusive agribusiness initiatives?
3 POTENTIAL PRIORITY AREAS

- Build capacities for initiating and running MS Partnerships.
- Capacity development for system leadership.
- Recognize and avoid moral hazards to gain broad stakeholder support for innovative partnerships between the public and private sectors: set a clearer vision of the role and transformation of small-scale agriculture; clarify the public and private good aspects; invest in transparency and accountability mechanisms; encourage a strong civil society voice; ensure open and effective processes for multi-stakeholder engagement.

Potential role for a learning alliance:

- Support capacity development programs in multiple contexts
- Generate/collate approaches for assessing and demonstrating MSP effectiveness
- Understanding cost vs value of MS partnerships
- Support MSP leadership exchange and development

4 ONGOING WORK

BUSINESS PLATFORMS

Inclusive Agribusiness:
- World Economic Forum’s New Vision for Agriculture
  - Grow Africa
  - Grow Asia
- Sustainable Agriculture Initiative (SAI) Platform
- World Business Council for Sustainable Development (WBCSD)
- Global Agri-business Alliance (GAA)
- Smallholder Working Group (SWG)
- Round Tables

Inclusive Business:
- Global Impact Investing Network (GIIN)
- Consultative Group to Assist the Poor (CGAP)

PRACTITIONER NETWORKS

Inclusive Agribusiness:
- Seas of Change
- Sustainable Food Lab
- Transformation Leaders Network
- PPPLab

Inclusive Business/Market Systems:
- BEAM Exchange
- SEEP Network
- Development Committee for Enterprise Development (DCED)
- The Practitioner Hub for Inclusive Business

MULTI-DONOR INITIATIVES

- Global Agriculture and Food Security Program (GAFSP)
- African Enterprise Challenge Fund (AECF)
- Alliance for a Green Revolution in Africa (AGRA)
- New Alliance for Food Security & Nutrition
- AgResults

OTHER INITIATIVES

- Feed the Future (Private Sector Engagement Hub, AgTechXChange)
- Connect to Grow (DFID)
- Business Partnership Action (DFID, Sida, MFA The Netherlands)
- DeveloPPP.de (BMZ)
## 5 RESOURCES AND PREVIOUS WORK

<table>
<thead>
<tr>
<th><strong>1.</strong> CDI. 2016. <em>The MSP Guide: How to design and facilitate multi-stakeholder partnerships</em>, by Brouwer, H. and Woodhill, J.</th>
<th>A guide which integrates practical knowledge with theoretical foundations and principles for design and facilitation of MSPs, including an online knowledge co-creation portal (<a href="http://www.mspguide.org">www.mspguide.org</a>).</th>
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<td><strong>2.</strong> IBLF. 2011. <em>The Partnering Toolbox. An essential guide to cross-sector partnering</em>, by Tennyson, R.</td>
<td>The Partnering Toolbox builds on the experience of those who have been at the forefront of innovative partnerships and offers a concise overview of the essential elements that make for effective partnering.</td>
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<tr>
<td><strong>4.</strong> PPPLab. 2016. <em>Insight Series</em></td>
<td>The PPPLab Insight series offers a set of publications on key definitions and concepts around public-private partnerships. So far five booklets have been published.</td>
</tr>
<tr>
<td><strong>5.</strong> WEF’s New Vision for Agriculture. 2016. <em>Building Partnerships for Sustainable Agriculture and Food Security. A Guide to Country-led Action</em></td>
<td>This guide aims to provide a dynamic resource that will empower and inspire leaders who can build on and further develop learning to drive a transformation of the world’s agriculture and food systems.</td>
</tr>
<tr>
<td><strong>6.</strong> William Davidson Institute. 2016. <em>Partnering for Scale. Collaborating to more effectively engage smallholder farmers</em>, by London, T. and Fay, C.</td>
<td>This report focusses on the opportunity for IB leaders to leverage partnerships to overcome the challenges they face in seeking sustainability at scale with the Partnership Ecosystem Framework (PEF).</td>
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Within the context of promoting inclusive agribusiness models, the gender dimension is essential for three main reasons:

- **‘Inclusive’ opportunities are often demarcated along gender (and age) lines**: As one of the dimensions of inclusivity, it is necessary to identify and address the differing constraints, needs and priorities of rural women and men, as well as between younger and older women and men.

- **Feminization of agriculture as a feature of the rural transformation process¹**: The migration of men out of farming and into the non-farm sector is reinforcing women’s major role as small-holders, wage laborers and value chain actors; hence it is increasingly urgent to understand the specific challenges facing rural women.

- **Issues of sustainability and longer-term productivity gains**: Many gender mainstreaming initiatives focus on the economic aspects of women’s empowerment – such as ensuring they have access to inputs and technical advice, and have a voice in decision-making bodies – which contribute to short-term productivity gains. However, for benefits to be sustainable in the longer term, it is necessary to adopt a gender transformative approach which delves deeper to address the underlying causes of gender inequality.

1.1 Addressing gender inequalities through agribusiness initiatives

Agribusiness development provides many opportunities to promote gender equality and women’s empowerment across the seven principal domains of inequality (see Figure 2):

- **Access and control over resources and services**: These activities focus on enabling women to become more efficient in their on-farm or off-farm agri-business activities through accessing inputs, land tenure arrangements, asset ownership, extension services and financial services.

- **Skills and knowledge**: These activities develop and strengthen women’s technical, business and entrepreneurship skills through training, events and access to information.

- **Access to markets and employment opportunities**: These activities create opportunities for women to deepen or broaden their engagement with the value chain.

- **Workloads**: These activities include labour-saving technologies and practices that reduce women’s workload or change the traditional division of labour between women and men in various contexts i.e. home, farm, off-farm and the community, and including public infrastructure such as roads and water supplies.

- **Voice and representation**: These activities strengthen women’s voice, participation and representation in decision-making in their household, income-generating groups, producer organizations, community bodies and stakeholder platforms.

- **Access and control over benefits**: These activities ensure women share in the benefits of their work, particularly income at the household level.

- **Well-being and quality of life**: These activities contribute to improving women’s quality of life by working on norms and practices, changing behaviours, providing services and developing life skills.

- **Policy and institutional environment**: These activities engage in dialogue with government to create an enabling policy and institutional environment for gender equality and women’s empowerment.

**FIGURE 2**

Domains of gender inequality
2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

- Make the case for monitoring gender equality in agribusiness initiatives.
- Continuously document and share the benefits of promoting gender equality in inclusive agribusiness for the rural space.

2.1 Gender transformative approaches

It is now widely recognized that to take significant steps towards achieving gender equality and women’s empowerment, it is necessary to address the causes of gender inequality rather than merely treating the symptoms. That is one possible area of focus for an Alliance for Inclusive Agribusiness.

Activities to promote women’s economic empowerment (WEE) may be grouped using the Cynefin framework (see Figure 3) in terms of whether they are:

- ‘simple’ best practices, and may be classified as basic elements of gender mainstreaming;
- ‘complicated’ good practices, addressing the symptoms of gender inequalities in a systematic manner (full gender mainstreaming);
- ‘complex’ emergent practices, tackling the underlying causes of gender inequalities and would be described as gender transformative approaches; and
- ‘chaotic’ novel practices, which may initially arise in a disorganized manner.

It should be noted that this classification depends on context: an activity that would be considered to be gender transformative in one cultural setting may be considered mainstream elsewhere.

3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

3.1 Research questions

- What are the differing constraints, needs and priorities of rural women and men, as well as between younger and older women and men?
- What are the challenges and opportunities of applying gender transformative approaches to inclusive agribusiness initiatives?

3.2 Learning questions

- What are the specific challenges facing rural women that should be considered in inclusive agribusiness initiatives?
- What are the best practices for overcoming the underlying causes of gender inequality beyond women’s economic empowerment (WEE)?
- Identify the main approaches used to address gender inequalities and promote WEE in agribusiness initiatives.
- Establish which approaches are most effective at delivering on WEE, including those which address the underlying causes/structural barriers to WEE.
- Identify key success factors and practical lessons from existing best practices on WEE in agribusiness.
- Propose focus areas and approaches for future donor engagement in agribusiness that are most likely to deliver on WEE and in particular gender transformative approaches on addressing structural barriers to WEE.

4 POTENTIAL PRIORITY AREAS

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Inclusive agribusiness reflects the idea that social progress and business success are connected. The private sector acting in its own long-term self-interest is key to a vision of shared value. Agriculture and food production appears ripe for this: increased productivity, reduced wastage and greater agro-ecological resilience should produce commercial and social benefits in tandem.

So why isn't inclusive agribusiness already happening frequently or on a large scale? Why is it so hard to find investible initiatives? Why do so many initiatives seem stuck at the piloting stage, rarely achieving scale (outreach) and commercial sustainability – even when the basic viability of a business model has been demonstrated? For many observers the issues seem to go well beyond the scope of individual firms, the strengths of particular inclusive business models or financing instruments.

Companies operate within systems beyond the control of any single actor, shaped by societal conditions, government policies and cultural norms. It is a ‘shared-value ecosystem’. Koh et al. (2014) identifies barriers to scaling up at levels increasingly distant from the firm itself: value-chains, public goods, government. They argue that our focus should shift from building inclusive firms, to building inclusive industries.

The same principle applies in the M4P approach, which recognizes arrangements for exchange of goods, services and information involving public and private actors operating under the influence of both rules and various supporting functions. These ‘market systems’ are often inefficient and disadvantage the poor. In order to achieve widespread and lasting benefits for people living in poverty, underlying root causes of the system's underperformance have to be addressed.

Progress towards more inclusive industries with sustained and widespread benefits for poor people does happen, for example, historically in the Colombian coffee, the Kenyan tea, and Gujarat dairy sectors. FSG found these cases featured multiple actors, with evolving structures and systems of organization, experimentation and coordination.

There is a growing consensus among ‘systems’ thinkers about how inclusive industries or market systems develop:

- Scaling up is not simply about repeating or replicating the success of one firm or one inclusive business model. It is the outcome of transforming the wider conditions and addressing root causes of why the system does not work well for people living in poverty.
- Sustainability is a property or capability of the system as a whole. Can the industry respond to changes in the business environment; can it provide a means for people living in poverty to derive on-going economic benefits.
- Scaling up involves different and diverse actors (private and public) who have varying motivations and agendas, but a confluence of which can produce transformative change.
- Scaling up requires innovation at different levels: in products and services, in processes and practices, in organizational forms and in the rules (formal policy/legislation/regulation, and informal norms). Crucially, these levels often require coordinated action.
- A too narrow focus on individual business success can miss the point. Even while creating jobs or increasing farmer incomes, agribusiness may fail to be inclusive, e.g. by displacing other businesses and producers, or by undermining the basis of future prosperity (soil fertility).

1 Kramer & Pfitzer (2016)
2 Davies (2016); Koh et al. (2014)
3 Springfield Centre (2014)
4 Taylor (2014)
How to achieve system change is an increasingly hot topic. Both theory (the science of complex adaptive systems) and practice (market facilitation, adaptive management) suggest fostering multi-stakeholder coalitions. These often involve companies, governments, NGOs and civil society (e.g. farmers/consumers). It is as much a political process as a technical challenge.

Kramer & Pfitzer (2016) identify five elements to successful coalitions: a common agenda, a shared measurement framework, ensuring mutually-reinforcing activities, constant communication, and the existence of a dedicated ‘backbone’ support function. Crucially, this backbone function cannot be provided by companies themselves – ‘they are not neutral’. But they may contribute funds, coach and provide technical support.

A more elaborate perspective sees systemic change as an evolutionary process. Agriculture, farming and food industries have social, ecological, political and technological components. Change in such complex systems cannot be engineered as if the system were a complicated but predictable machine. There are too many unknowns, too much uncertainty, too many feedback mechanisms. Instead the focus should be on building institutions that emulate the variation, selection and amplification processes found in natural evolution⁵.

This evolutional perspective has radical implications. It means moving away from a firm-led approach. Instead, the focus is on understanding the whole farming system’s historical evolution: why the current situation is unsatisfactory, what opportunities are emerging. The process is both analytical and experimental, with an emphasis on supporting the capacity of the system (e.g. institutions and coalitions) to stimulate and manage adaptive change.

IIED and Practical Action’s early work in Nepal and Bangladesh to establish national collaborative mechanisms to develop organic fertilizer markets⁶, is illustrative of this approach.

2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

- Unite the various ‘elements’ of our agenda – inclusive business models, access to finance, enabling policies, gender – to build a ‘systemic’ perspective. The goal: to shift focus from ‘inclusive businesses’ to inclusive industries or market systems.
- Raise the needs of small and medium-sized firms and the opportunities in domestic markets higher on the agenda. The private sector is heterogeneous, from the smallest farmer trading surplus crops to the multinational corporation. But often it is the middle space that has the most to offer.
- Encourage governments and donors to treat inclusive agribusiness as one instrument for solving some systemic constraints, rather than as a general development strategy i.e. look closely at what is constraining indigenous firms (Is it a lack of information, finance or coordination?) before assuming the need to subsidize market entry by global leaders.
- Focus on the tools⁷ that enable people living in poverty (i.e. farmers and agricultural laborers) to be empowered with a voice and influence in agribusiness initiatives.

3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

- Measurement dilemmas: How to reconcile the differences between indicators/data required to measure systemic change (qualitative, long-term) and satisfy political needs (quantitative, short-term).
- Whose knowledge counts: Who needs to understand the system’s opportunities, functions and dysfunctions? Who decides on the priorities for investment or the change objectives? How is capacity built within systems to diagnose, strategize and design interventions?
- What does corporate engagement become, and what forms does it take when the ambition becomes focused on building coalitions for inclusive industries?
- What are the implications of recent research⁸ in Asia and Africa on the quiet revolution in traditional agri-food supply chains, highlighting the dominance of growth and opportunities in domestic agri-food markets (compared to export trade)?

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⁵ Cunningham & Jenal (2017)
⁶ IIED & Practical Action (2016)
⁷ Practical Action (2014); Burns & Worsley (2015)
⁸ Reardon et al. (2012); Allen & Heinrigs (2016)
4 ONGOING WORK

The Springfield Centre, authors of the Operational Guide to the M4P Approach, and continued advocates of a systemic perspective in private sector development. www.springfieldcentre.com

The BEAM Exchange is a DFID- and SDC-funded platform for knowledge exchange and learning about market systems approaches. www.beamexchange.org

FSG are consultants and thought leaders on collective impact, shared value ecosystems and market systems innovation. www.fsg.org

5 RESOURCES AND PREVIOUS WORK


2. Cunningham and Jenal. 2017. Economic evolution and institutions, BEAM Exchange Discussing how complex systems evolve in the real world


4. Koh, Hegde and Karamchandani. 2014. Beyond the Pioneer: Getting Inclusive Industries to Scale, Omidyar A report about getting the challenges of getting impact investment to scale


10. IIED and Practical Action. 2016. Fertile Ground: Harnessing the Market to Reverse Soil Degradation in South Asia, Policy Briefing, IIED Briefing about the action-research in Nepal and Bangladesh


IIED and Practical Action are working in Bangladesh and Nepal to create national collaborative institutions to support the organic fertilizer industry and help tackle the crisis of declining soil fertility. http://pubs.iied.org/pdfs/17394IIED.pdf

SAGCOT (Southern Agricultural Growth Corridor of Tanzania) is an example of a multi-stakeholder agricultural partnership designed to improve agricultural productivity, food security and livelihoods. www.sagcot.com

CocoaAction is an example of an industry-wide strategy to align the world’s leading cocoa and chocolate companies, origin governments, and key stakeholders on regional priority issues in cocoa sustainability. http://www.worldcocoafoundation.org/about-wcf/cocoaaction