



Tapping private sector initiative for increasing development impact and achieving system change in agriculture

Insights from a recent set of NL financed PPP mechanisms

World Bank, 29 June 2017

3 THEMES (+2 projects)

- SCALING AND SYSTEM CHANGE
- THE 'PUBLIC P'
- FINANCING STRATEGIES

Instrument comparison
Lead actor practices

4 ROLES

- SENSE-MAKING
- APPLIED RESEARCH
- LEARNING AND EXCHANGE
- POLICY ANALYSIS

4 PARTNERS

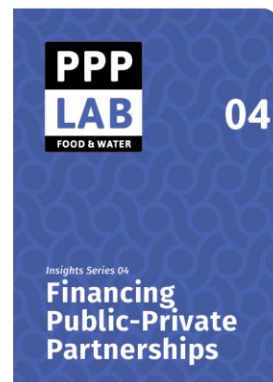
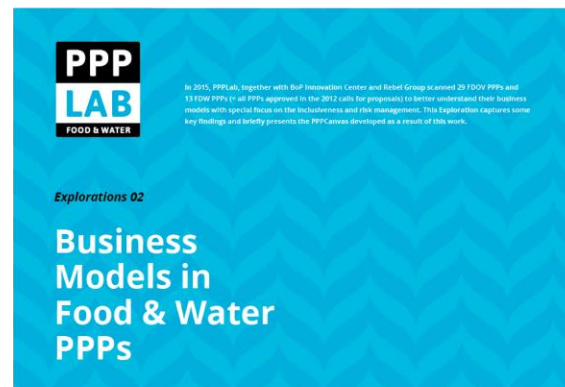
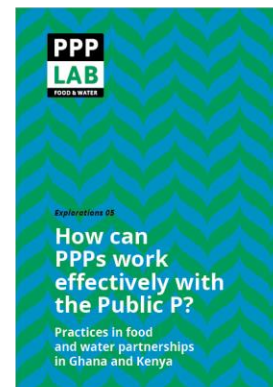
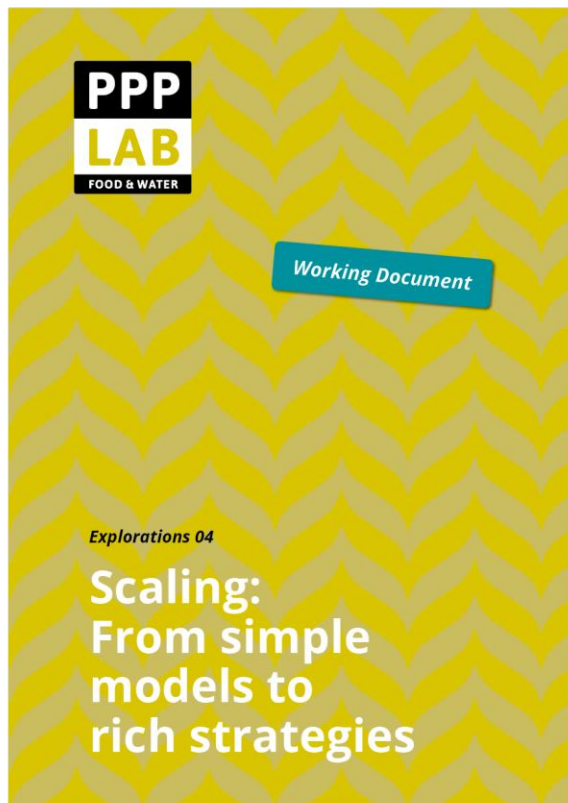
- ERASMUS UNIVERSITY ROTTERDAM
- WAGENINGEN UNIVERSITY
- SNV NETHERLANDS DEVELOPMENT ORGANISATION
- AQUA 4 ALL

PPP

Publications at www.ppplab.org

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Results so far: PPPCanvas

13. Business Ecosystem



Presentation blocks

- I. PPP understandings and instruments
- II. PPPs on different 'locations' in the Value Chain
- III. Three examples
- IV. Understanding scaling & system change dynamics
- V. Four concluding observations and perspectives



PPP understandings and instruments

*PPPs in Agriculture are unlike conventional ones
in infrastructure or basic services delivery!*

SYSTEM / MARKET CHANGE NEEDS JOINT ACTION

PRINCIPLES OF JOINT INVESTMENT AND JOINT RISKS

- **Public** *is after public goods and objectives and helps to buffer risk for innovative (private) engagement*
- **Private** *provides drive, knowledge / capacities and co-invests for own strategic business and CSR reasons*

FDOV – Entrepreneurship and Food Security

57 PROJECTS

€ 100M

FDW – Water, incl. agriculture and

23 PROJECTS

€ 110M

G4AW – Geodata for agriculture and

17 + ? PROJECTS

€ 60M

2SCALE – Agribusiness clusters

50 PARTNERSHIPS

€ 45M

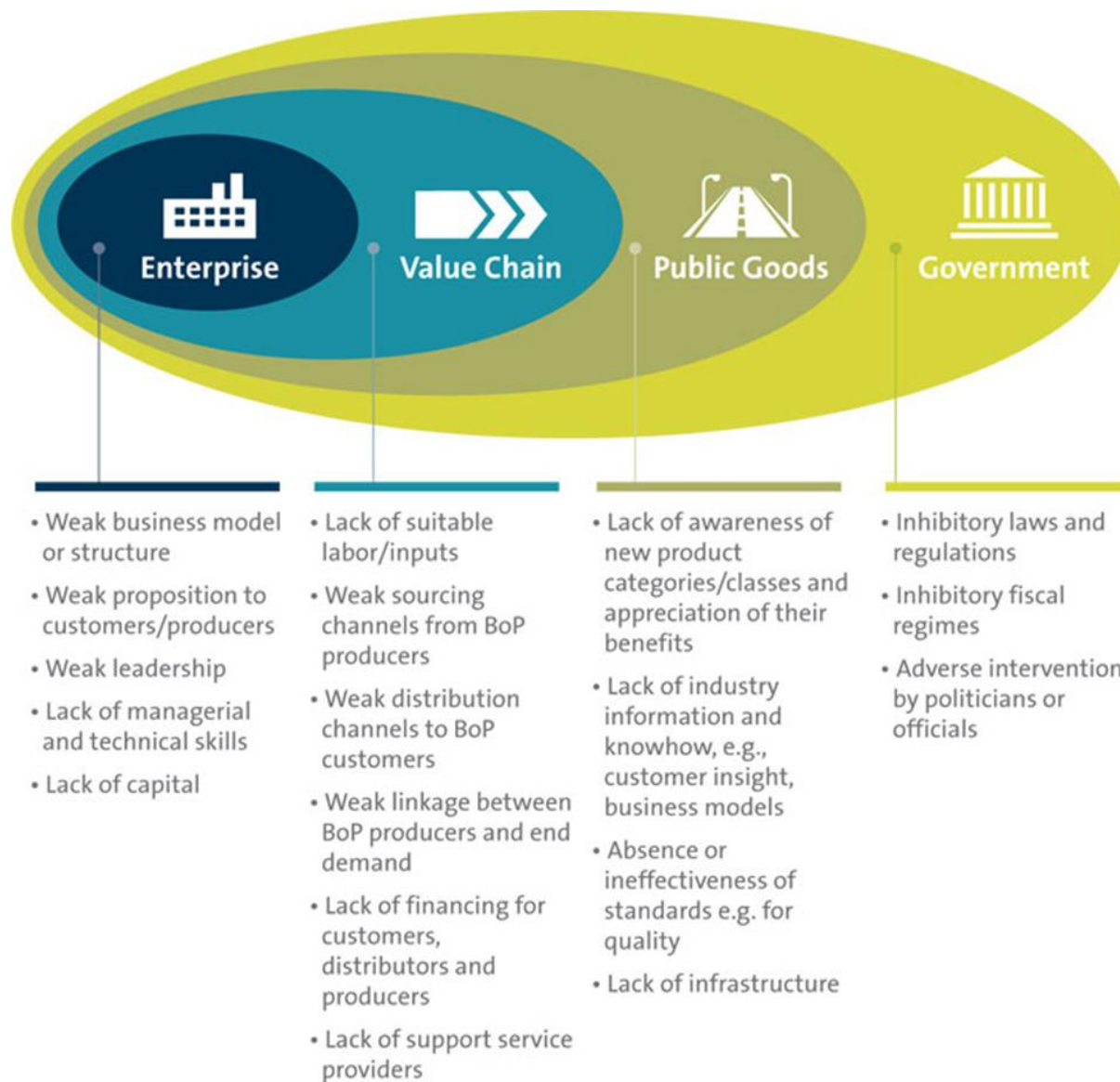
GWW – Ghana WASH Window

11 PROJECTS

€ 40M

All match public and private money – ca 50/50

Why PPPs: Scaling Barriers



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How PPPs: the 'Dutch Diamond'



Multi-actor engagement needed for:

- Inclusiveness and Sustainability
- Market transformation



PPPs at different places in the Agricultural Value Chain

FDOV Portfolio

A1. Local agribusiness

A2. Producer organizations

- Cashew Nuts
- Dairy
- Poultry
- Tomatoes
- Coffee
- Fish
- Potatoes
- Vegetables
- Crickets
- Fruits
- Rice



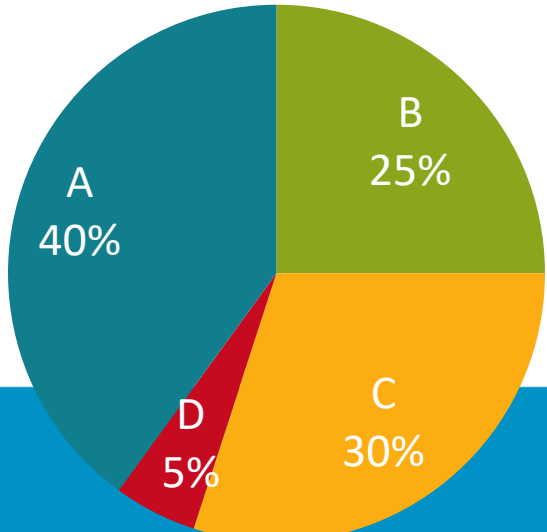
B1. Financial services

B2. Technical services

B3. Farming services

B4. Public services

Percentage of total portfolio



Three examples:

- From Asia, Africa and LA
- For a range of commodities

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Sugar - India

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“INCREASING WATER USE EFFICIENCY IN SUGARCANE CULTIVATION IN INDIA”

€ 4.828.774 (50% NL MoFA) (2014-2019)

Lead actors: * Solidaridad (NGO), * 3 sugar mills, * Vasantdada Sugar Institute, * Osmania University, * eLEAF (tech firm) * Hindustan Unilever Foundation.



Results: 35,000 farmers trained, 300 micro-entrepreneurs trained in support services, renewed extension services of 3 mills

Water consumption per acre reduced by 16%, water productivity increased 33%, viable business cases for farmers, mills and micro-entrepreneurs.

Scaling and system change: Project produces a proof of concept, empowers ‘first movers’ (firms), deliberately pursues a sub-sector platform and is used to influence policy issues on systemic water challenges.

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2SCALE Program - Agri-Business clusters

“INCLUSIVE AND SUSTAINABLE AGRIBUSINESS CLUSTERS THROUGH LEARNING IN ENTREPRENEURSHIP” (2012-2018)

€ 32.5 m NL ODA leveraged 47.5m private investment (end '16)

Lead actors: * Int. Fertilizer Development Center (INGO), * Int. Centre for Research in Agriculture (K), * BoP Innovation Centre (NGO/K), * 52 IB champions.

Results so far: 52 ABC and VC partnerships established in 9 countries in range of value chains. Reached 550,114 farmers, 1,221 SMEs, 1,414 POs. Attracted € 47.5m in private investment + larger amount in additional credits/financing.



Scaling and system change: Through working on the ABC partnerships with IB champions (POs and SMEs), 2SCALE stimulates the growth of new viable, inclusive and sustainable business models and relations (production, sourcing, processing, BoP consumers food). Pursues competitiveness and market efficiencies (lower margins, higher numbers).

How 2SCALE uses the partnerships to facilitate inclusive development processes in Agri markets

FOUR KEY PROCESSES	ROOTED IN THEORIES ON	'ASSOCIATED CAPACITY OF PARTNERSHIP FACILITATORS
1. <u>DECISION-MAKING</u> <u>WITHIN AND AROUND</u> the partnership	'Deliberative Democracy'	DELIBERATIVE CAPACITY
2. <u>ALIGNING</u> aims of inclusive <u>DEVELOPMENT AND BUSINESS MODEL</u> of commercial lead agent(s)	'Business Models' and 'Value Chains'	ALIGNING CAPACITY
3. <u>EMBEDDING</u> partnership strategies <u>IN LOCAL ACTOR NETWORKS & PUBLIC DOMAIN</u>	'Business Systems' 'institutional Fit'	FITTING CAPACITY
4. <u>CO-CREATING</u> INTERVENTION REPERTOIRE and institutional work of partnership	'Institutional work'	TRANSFORMATIVE CAPACITY

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“INTELLIGENT WATER MANAGEMENT IN COLOMBIA” (2012-2017)

€ 20.500.000 - 50% NL ODA, 35% business, 15% Col. Ministries

Lead actors: * Federacion National de Cafetores de Colombia (FNC) (NGO/PO),
* Nestlé, Nespresso (firms), 2 ministries, Wageningen UR (K)

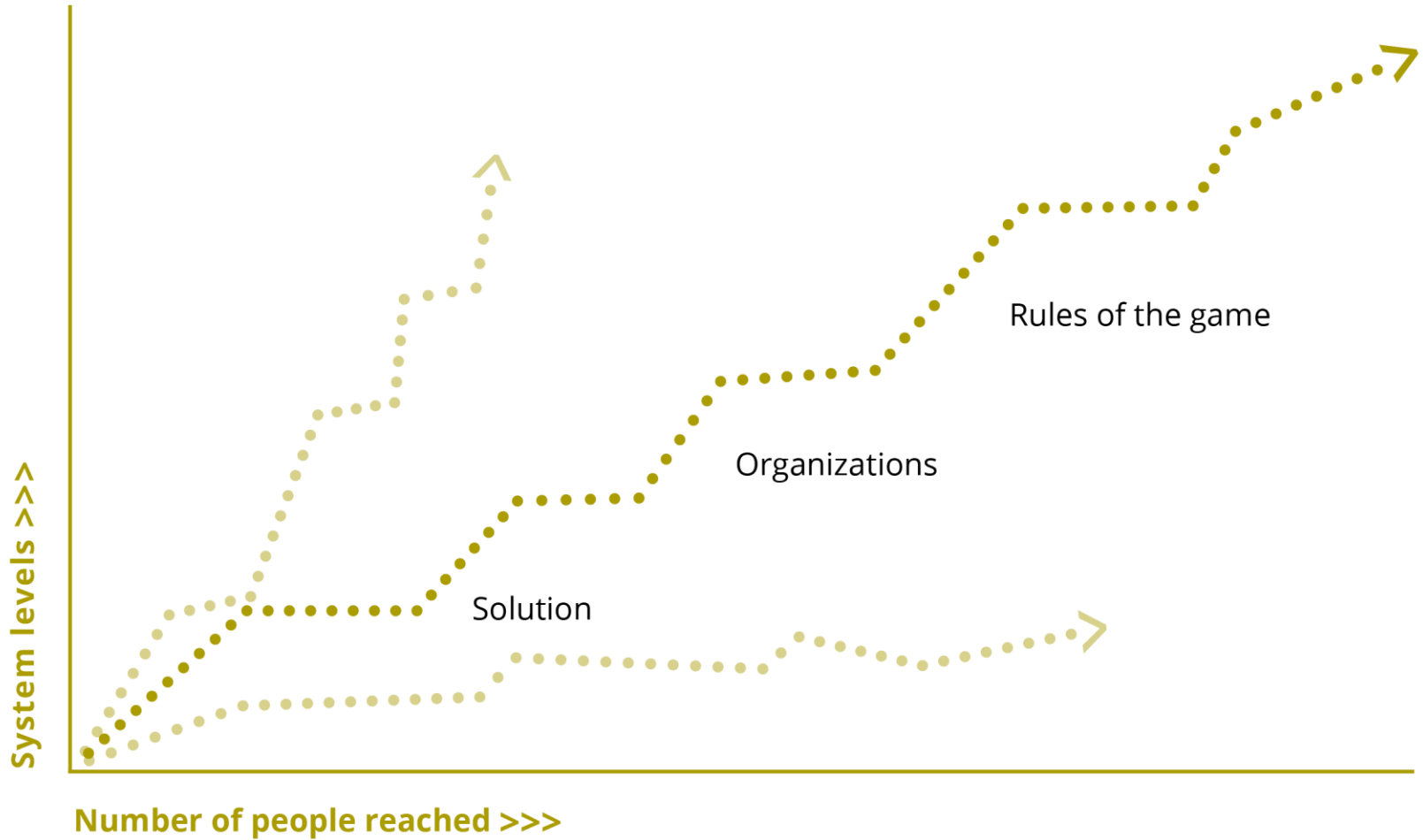
Results: Water & Coffee Platform, Webpage and Learning Network operating, covering 5 depts, 25 muni. Realised: 25 basin mgt plans, 75.000 producers + 1000 profs trained, 4700 on-farm impr. plans, 300 waste water systems, 25 measurement stations. Positive ec. returns for farmers, coffee firms and tech providers.



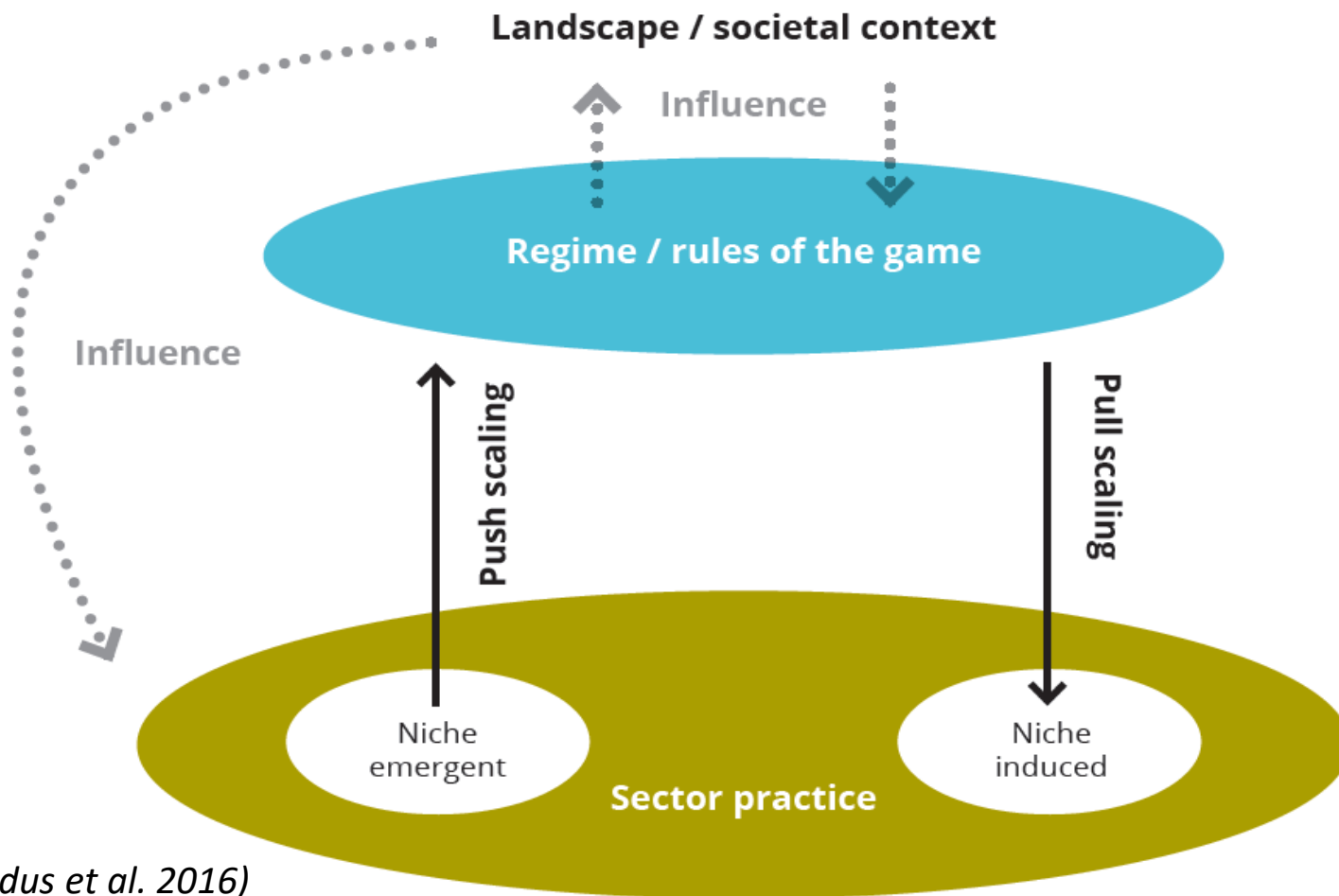
Scaling and system change: Cross-sector platforms are scaling mechanisms in themselves. Revitalises IWRM (public good & task). 33 additional partners joined. Govt. shifts funding. Interests in replication other regions, countries.

Understanding Scaling and System Change dynamics

- **Vertical-horizontal**
- **Ingredients**
- **Stages (and financing)**

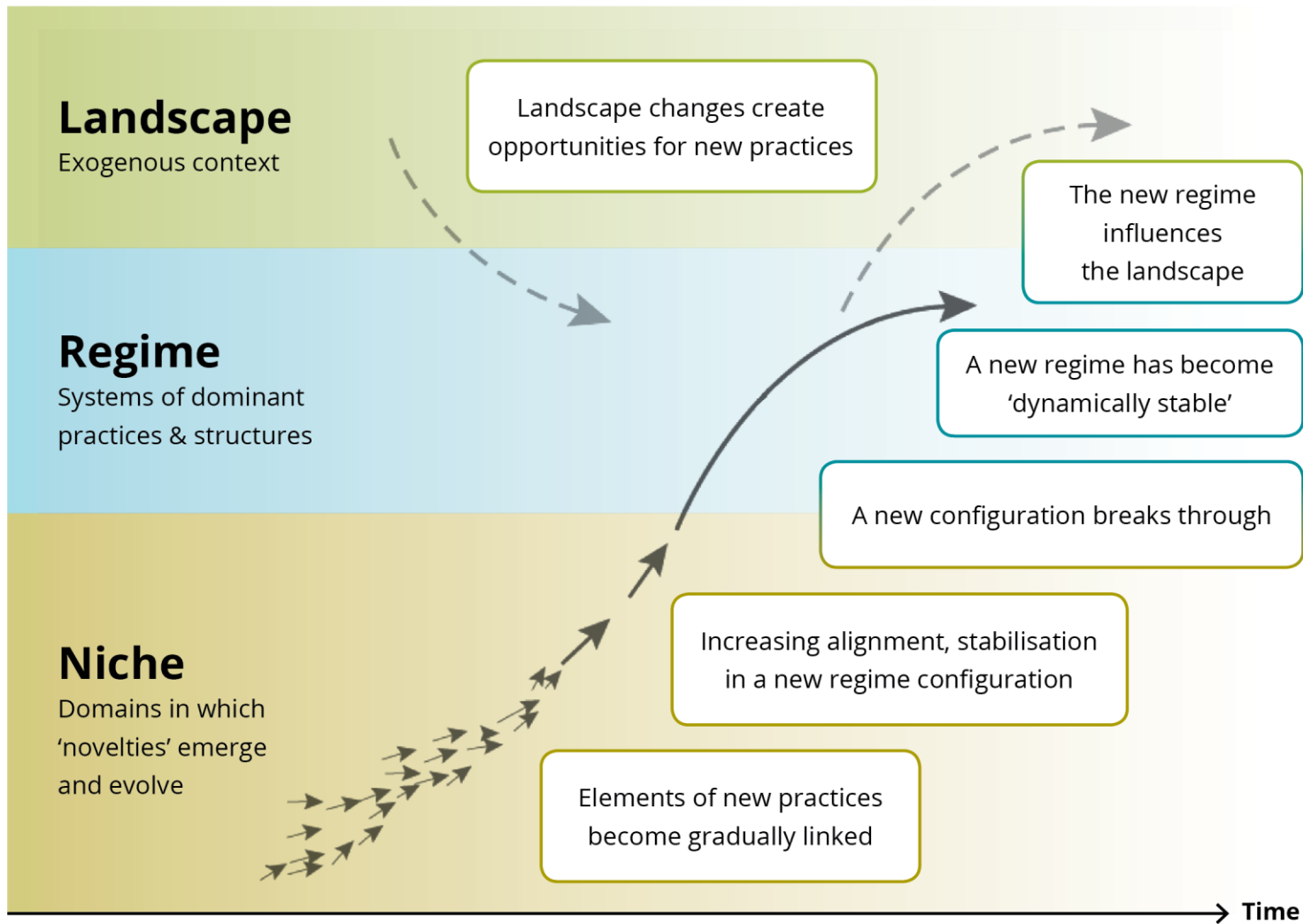


Push and pull dynamics



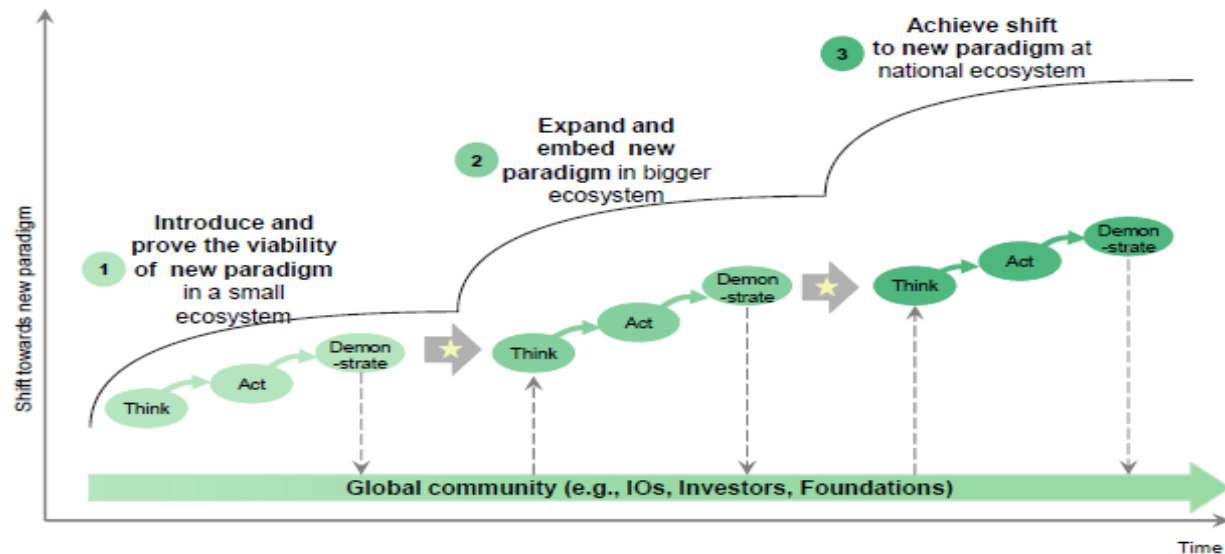
(After Wigboldus et al. 2016)

Vertical: innovation and regime change



Pharmaccess: Scaling example

Three development phases constitute the shift towards the new paradigm



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- PAI in driver's seat
- with local partners
- Support sought with local (gov, financial, etc) stakeholders
- PAI one of many players
- Focus on advocacy and TA
- Working towards decreasing subsidies
- Ownership in hands of local entities (gov. , banks)
- Fully embedded in ecosystem
- Only TA, no subsidies

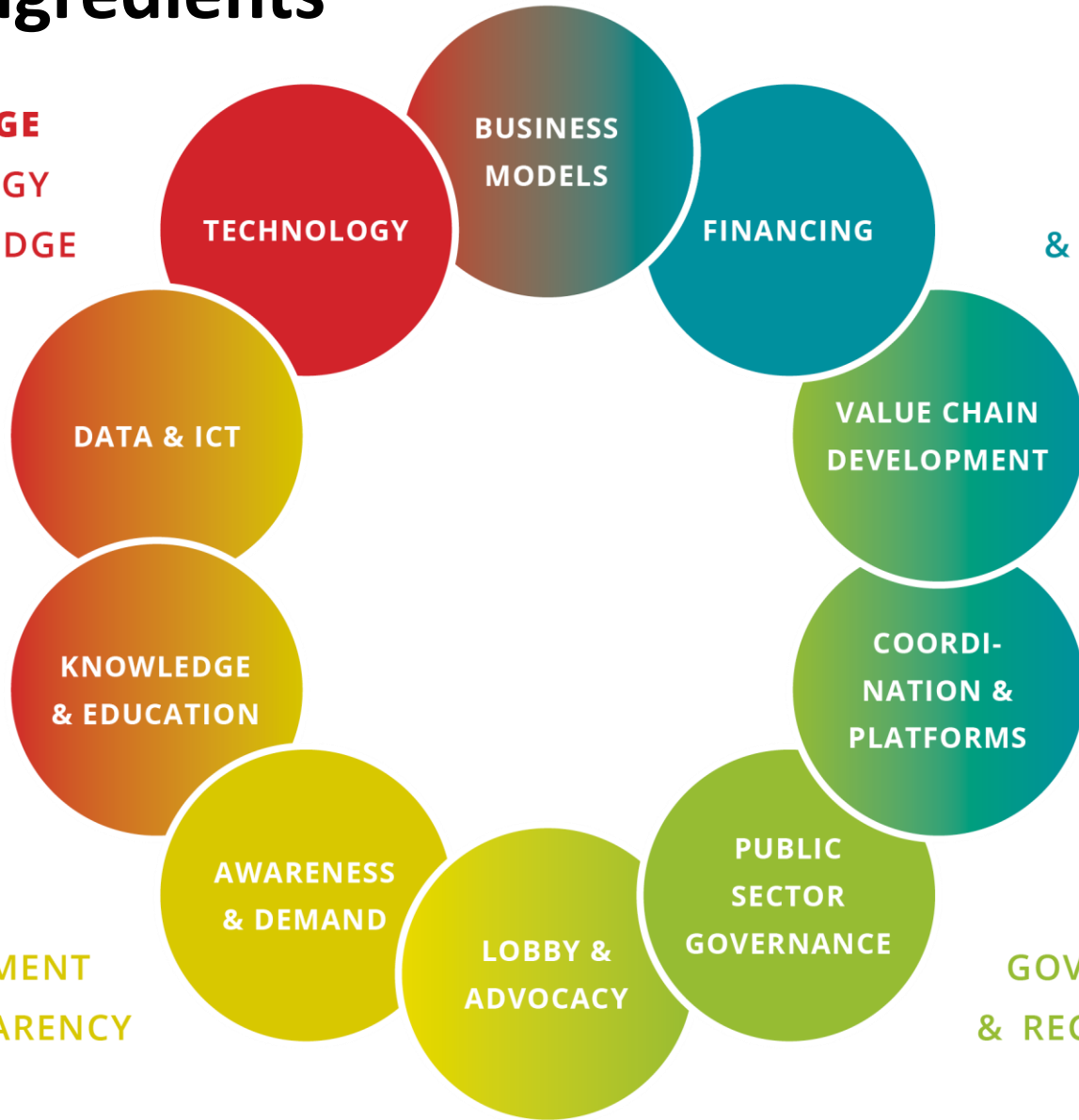
How: caling ingredients

SCALING INGREDIENT	WHAT IT PROVIDES TO SUPPORT SCALING
Technology	An effective and efficient solution for the issue at stake
Business case	An attractive financial/economic proposition for users and others
Awareness & demand	A wish and readiness for the consumer / producer to use the solution
Financing	Effective financing options for users and providers or buyers
Value chain development	Effective input and supply provision and other support services

SCALING INGREDIENT	WHAT IT PROVIDES TO SUPPORT SCALING
Coordination platform	Strategic collaboration between key stakeholders
Public sector governance	Enabling policies, regulations and mechanisms
Lobby and advocacy	A 'change coalition' that pursues scaling and influences others
Knowledge and education	The required knowledge and professional capacity and recognition
Data & ICT	Evidence and facts that underpin and communicate the scaling ambition

Scaling ingredients

**KNOWLEDGE
TECHNOLOGY
& KNOWLEDGE**

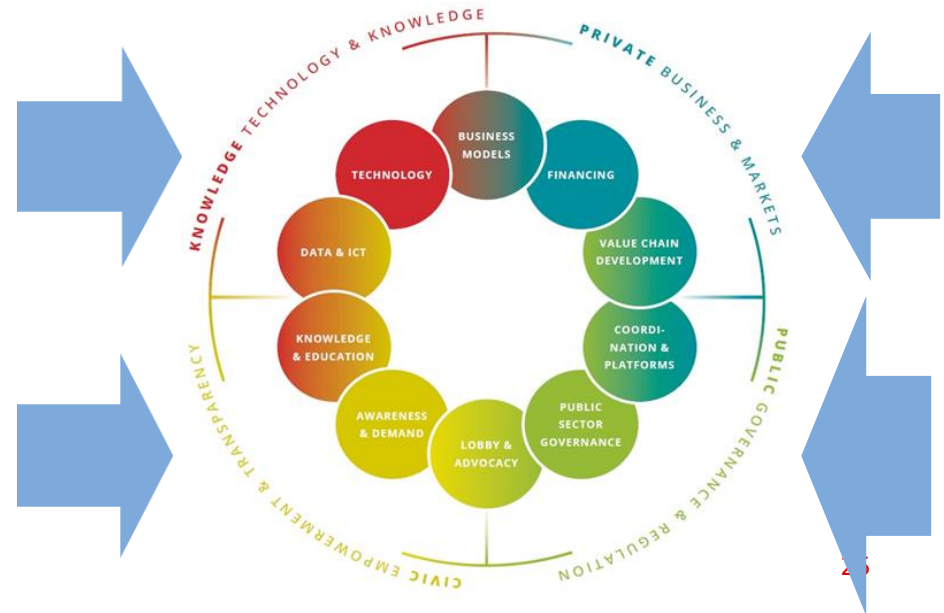
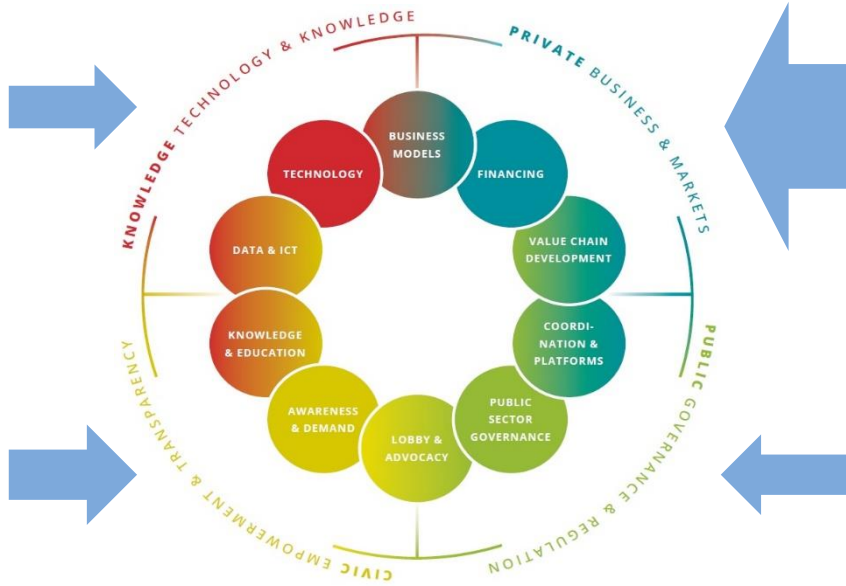


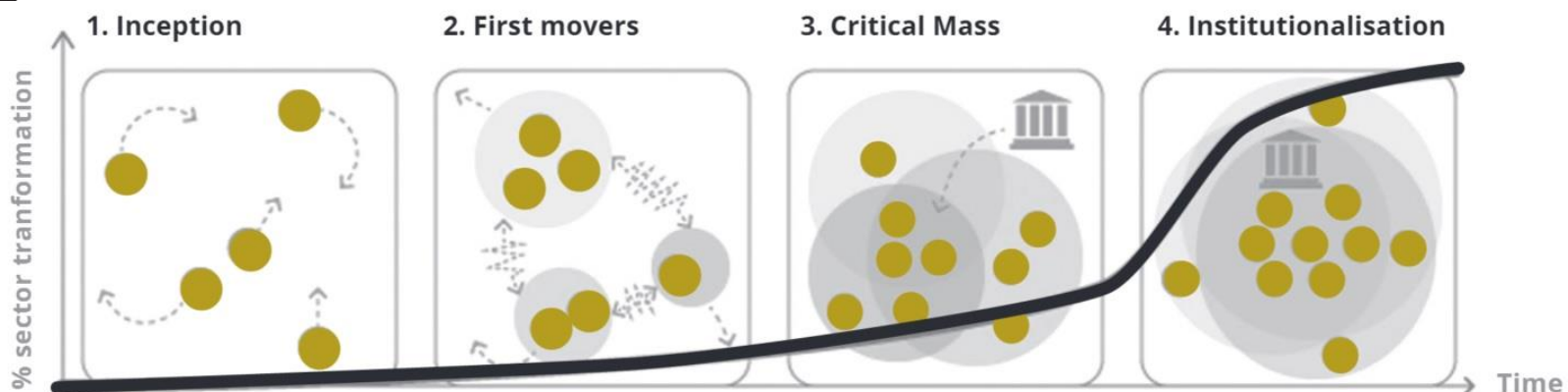
**PRIVATE
BUSINESS
& MARKETS**

**CIVIC
EMPOWERMENT
& TRANSPARENCY**

**PUBLIC
GOVERNANCE
& REGULATION**

Pharmaccess: mixes FDOV and Kwara programs





Developing the blueprint for the future business

Testing and refining the business model

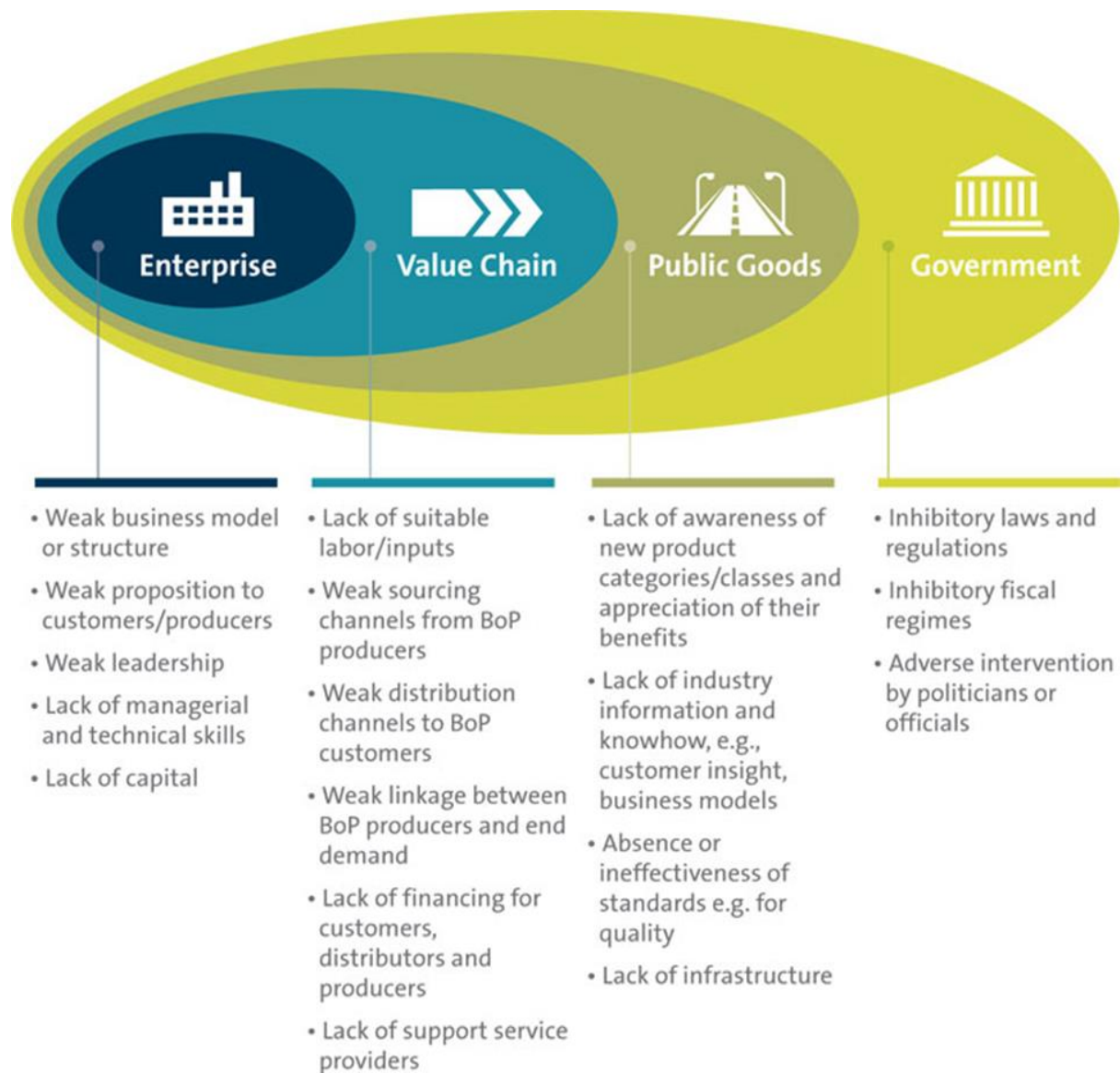
Enhancing the conditions required for scaling

Rolling out the model to reach large numbers of customers and suppliers

(© New Foresight Consultancy B.V.)

(after Koh et al. 2012)

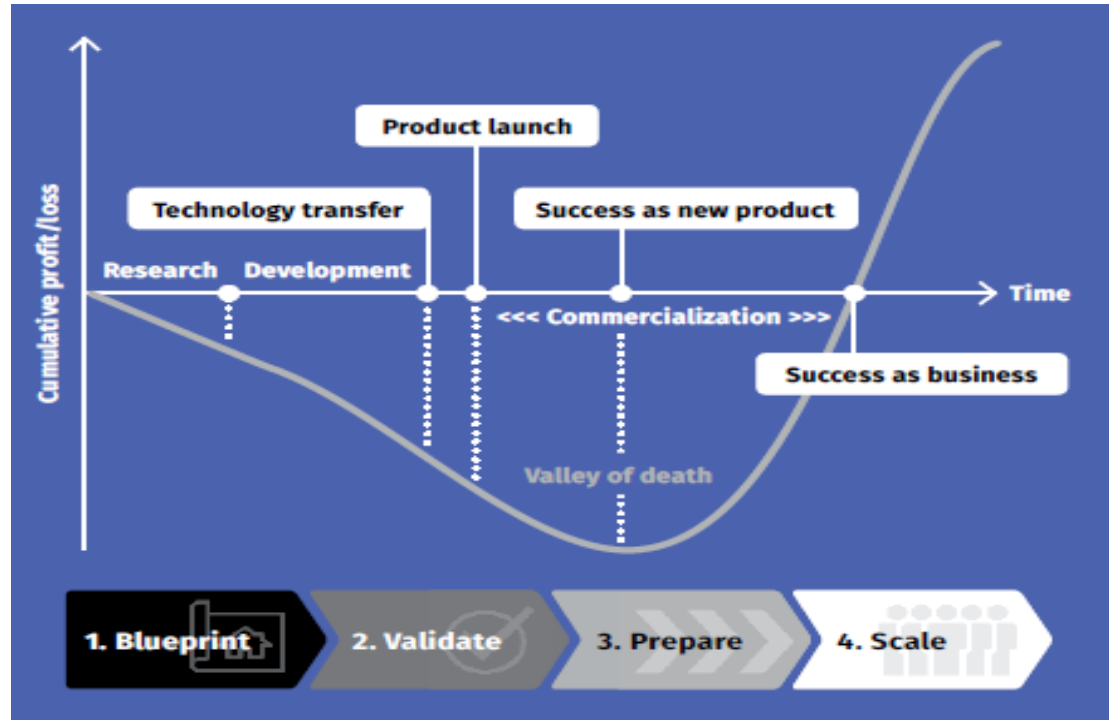
Scaling Barriers



What do you fund and why?

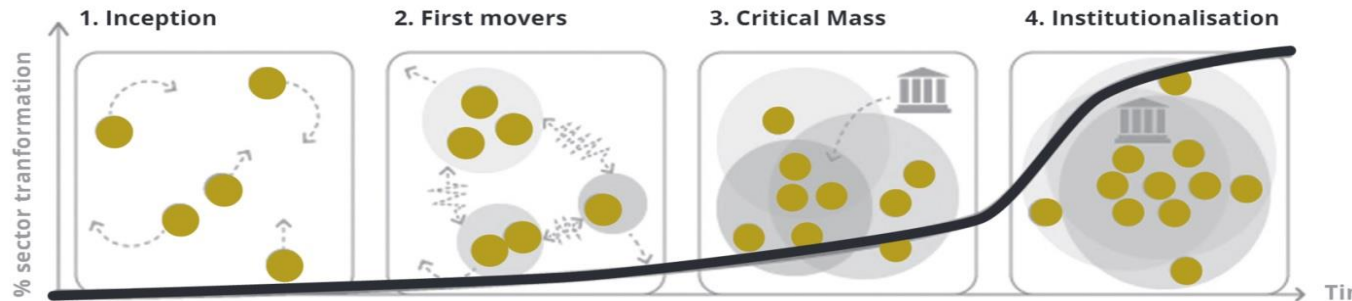
CONSIDER:

Stage of Business Model



AND

Stage of Sector Transformation



Some concluding observations and perspectives

I.

PPPs can be incubators & boosters for innovation and shifting market relations / system dynamics.

- Top-down agricultural change often fails to adequately deal with context specificity/variability
- PPPs provide new models for service delivery & knowledge transfer (woven into market relations)
- Indications of both effectiveness and efficiency dimensions

II.

Design challenge as much in the public good dimension as in the business case.

- History of PS instruments - but buffering risks for private sector is not enough!
- Strengthen strategies towards public goods & objectives in terms of market and system change
- Vital roles of NGOs and knowledge institutes in the above

III.

The appropriate engagement of the public P is a key challenge with a range of dimensions.

- Not too close – need of freedom to innovate
- Public P to focus on enabling environment and stimulating / backing bottom-up dynamics
- So strategic and financing partner, not necessarily implementing partner

IV.

A range of operational lessons on modalities and organisation of PPP matching grants.

- Keep it simple!
- Invest in appropriate analysis (market failures, competitive playing field, firm position/drivers)
- Search vs competitive approach
- Choice / nature of executing agent of the facility
- Importance of facilitation & TA, delivery models

*Beyond single actor focus: work with **networks, actor ecology** to achieve change effectively.*

*Beyond leverage: not just to boost impact, but to grow **market/system transformation** from within.*

Awareness creation, capacity development, new relationship patterns/deals, platforms, enabling environment, policy impulses, catalysing long-term thinking and action.

On the PPPLab learning agenda till end 2018:

- Scaling pathways in specific Agri sub-sectors/domains
- Deepening grip on Public P roles & engagement
- Financing patterns, blended finance and graduation
- International comparison of PPP instruments
- Key lead actor practices, incl. facilitation



Thank you!