

## Theme 3 – Inclusive business development for food security

Conference “Research & Policy: two peas in a pod? A dialogue for food security impact”

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### Key statements

- Inclusive business is a donor-driven concept that lacks sustainable interest of the private sector: incentive schemes to enhance inclusive business development are not viable, as they limit potential for businesses to develop, and the focus on inclusiveness disappears with the end of public funding.
- Integration of small-scale operators in value chains cannot reach more than just a part of the target population, as it implies exposure to competition from elsewhere. Policy aimed at promoting “inclusive business” will inevitably exclude the weaker members of the target group.
- Responsible corporate (large-scale) operations deliver better livelihoods to local workers than a dogged pursuit of linking small-scale operators to commercial value chains. Inclusive development is better achieved by focusing on delivering adequate and sustainable livelihoods, irrespective of the business model used.

### Rationale

Inclusive business models are presented as an effective way to avoid a widening rift between small-scale producers and mainstream food chains by means of linking small producers and commercial value chains. It is not just the challenges of sustainability, poverty and equity at the global level that make inclusive business models fashionable, but also the shift in development policy that favours a leading role for the private sector. If the private sector is to deliver equitable and sustainable development outcomes, then it must integrate societal objectives beyond the firm interest. Inclusiveness has become a popular catchphrase. However, in both academia as well as practice there is a wide diversity of perceptions and conceptualizations of what is meant with “inclusive business”, leading to misunderstanding and confusion in debates and policy interventions. Successive definitions have put more emphasis on realizing inclusiveness by means of (1) functionally integrating the poor in corporate value chains, and (2) ensuring that part of the benefits accrue to these “beneficiaries”. How this works in practice is an open question. For inclusive business models to succeed, effective partnerships between unequal actors in a chain or industry must be realized<sup>1</sup>, and this is not easily accomplished.

While such business models are obviously more inclusive than centralized systems (- compare smallholder chains with plantations), this is not necessarily the whole story. Positive examples notwithstanding, business models with large numbers of small suppliers/vendors/etc. have very mixed performance records<sup>2</sup>. Transaction costs tend to be high, while inclusion in value chains of more than local reach incur considerable competitive pressures, either limiting inclusion to a selection of “fit players” or necessitating support from outside - thus challenging sustainability. In some cases, a business model that is not intrinsically inclusive – for instance, large-scale agribusiness using wage workers – may end up offering better livelihood opportunities than a contract farming system linking smallholders to agro-food corporations. There is every reason to be cautious with the use of large-scale centralized business models – especially when these entail the transfer of rights, such as ownership or use rights on natural resources such as land and water from poor populations to corporations, but the point here is that “inclusive” does not always translate neatly into successful pro-poor growth.

### Key lessons, good practices and experiences from ARF and GCP projects

What can be done to make inclusive business models more effective? Research conducted within the framework of NWO-WOTRO’s ARF and GCP programmes suggests a number of potential approaches:

- One is the pursuit of collective efficiency through more effective chain collaboration and perhaps a shortening of chains;
- Another is the pursuit of a vigorous innovation agenda, improving quality, reducing costs; in other words: upgrading (possibly involving upscaling as well).

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<sup>1</sup> Chamberlain & Anseeuw 2017.

<sup>2</sup> Cf. Prowse 2012 on smallholder systems.

A range of projects work on Inclusive Business development and present the following issues and angles for debate with Dutch food security policy representatives :

- ARF-1 project [Land, Inclusive Business & Food Security Mozambique](#): The researcher looks back at “the study of unfulfilled promises and neglect”. Investors come and go, leaving communities with various promises of inclusion (as workers, outgrowers etc.) but never even achieved concrete contracts. So, not even the slightly “better-off” poor get any benefits from the investments studied. This at least partly results from the investors' incapacity to make their business genuinely successful in peripheral regions, and a lack of local consultation.
- ARF-2 project [Cassava for food security in Uganda](#): The private sector in Uganda is weak, still developing capacity to support the different nodes of the value chains. Farmer cooperatives are being revived to provide the much needed alternative to innovation and technology uptake. This creates a policy dilemma in a fully liberalized economy whereby farmers lack entrepreneurial skills.
- GCP-2 project [Follow the Food](#): Food systems are increasingly “global”, linking various stakeholders over long distances. This may promote production, productivity, sustainability and food/nutrition security, but can also harm vulnerable groups depending on the local resources base. What are the possibilities and limitations of inclusive business models with respect to local food security? The results so far question the use of business models and value chain approaches to grasp “inclusiveness”.
- GCP-2 project [IBM intermediaries](#): Inclusive agribusiness among NL and LMIC enterprises can contribute to improved food security. Institutional and cultural voids cause barriers for these cross border collaborations. The research reveals the vital role of innovation intermediaries in facilitating successful collaborations that reach scale, by mapping key characteristics, approaches and business model innovations.
- GCP-2 project [Women Food Entrepreneurs](#): For women food entrepreneurs (producers, processors and marketeers) in Kisumu (Kenia) and Ouagadougou (Burkina Faso) the social and economic transaction costs for upscaling their food business are too high. What role could local business and other stakeholders play to reduce these? Our research project points out that the food value chains of women food entrepreneurs are typically *very short* in Kenyan and Burkinabé urban markets; with few nodes on the chain and low value addition at each node (e.g. through processing or branding). How to create *shared value* in *short food value chains* in which women food entrepreneurs have a relatively high presence?

### Purpose of the session

This session aims to link (interim) findings and approaches of ARF and GCP projects on the development of inclusive business (IB) with Dutch FNS policy representatives and other public and private actors working on FNS issues. This should lead to reflection on the assumptions underlying policies on the promotion of IB; assessment of the viability of IB models in the studies contexts, and identification of requirements for more informed development of Dutch FNS policy for enhancement of IB.

### Outcomes of the session

- Increased mutual understanding between researchers and Dutch FNS policy makers; who is working on what, where and how in the field of Inclusive Business.
- Increased understanding of the potential and limitations of Inclusive Business models to promote food security, and how this could inform Dutch foreign and economic policy.
- Evidence-based and impact-driven proposals to better integrate Inclusive Business in food systems and improve the livelihoods of farmers and other low-income food system players
- Insights on the possibilities and limitations of Dutch public and private sector involvement in the development of Inclusive Business.