

F&BKP AND NWO-WOTRO EXCHANGE AFTERNOON ON INCLUSIVE AGRIBUSINESS STRATEGIES



Reporters:

Joyce Marangu (Aga Khan University) & Lucy Adoyo, (Center for Africa Bio-Entrepreneurship)

Editor:

Vanessa Nigten (F&BKP)

HELD AT AZURE HOTEL, NAIROBI

JANUARY 18, 2018

Table of contents

Table of contents	2
Summary	3
1. Welcome and Introduction	4
2. Presentations	4
2.1 Inclusive business models and poverty reduction in agri-development	4
2.2 Inclusive agri-business experiences from Kenya market-led Horticulture Program (HortIMPACT).....	5
3. Panel discussion	6
3.1 Reflections on inclusive agri-business strategies	6
3.2 Conclusions from the panel & the way forward	7
4. Breakout sessions	8
5. Conclusion	9

Summary

The mini-conference aiming at connecting research with policy and practice in inclusive agribusiness (IAB) was organized as a knowledge exchange platform to develop recommendations that could contribute to the improvement of approaches for inclusive agribusiness. On the one hand NWO-WOTRO Global Challenges Programme Call 2 international multi-stakeholder research project results formed a basis to feed the discussions. On the other hand Kenyan agribusiness practices from the Food & Business Knowledge Platform network as a case served as input to feed the second research term of those GCP-2 projects. In line with the goals of this public forum, a number of recommendations were made to improve joint strategies for inclusive business. To start off, a multi-stakeholder approach was recommended, where effective collaboration between different actors such as public and private sectors and research can help promote inclusive business. Strategies to achieve sustainability and scalability in IABs were discussed, such as training programmes, knowledge sharing, creating shared value, and building genuine partnerships. Lastly it was concluded that, national and company level policies are also needed to be aligned to inclusiveness by finding creative ways to integrate marginalized groups in agribusiness.

1. Welcome and Introduction

Facilitator: Loise Wachira

The short conference themed “Connecting Policy, Research and Practice: Inclusive Agri-Business strategies” was organized by the Netherlands Organisation for Scientific Research (NWO-WOTRO) and the Food & Business Knowledge Platform (F&BKP). The goal of the mini conference was to develop recommendations on improved joint strategies for inclusive agri-business driven by findings from the Global Challenges Programme (GCP) international multi-stakeholder research. Experts, among them research and academia professionals, private sector, local and international non-governmental organizations (NGOs), donors and others who are active in the area of inclusive agri-business and food value chains in Kenya were invited to reflect on these findings and develop recommendations for improvement in agribusiness.

This report presents proceedings of the afternoon’s sessions. It is structured as follows: introduction, presentations on inclusive business and poverty in agri-development, and inclusive agribusiness (IAB) experiences from Kenya. This is followed by panel reflections on IAB strategies, and lastly presentations from three thematic group discussions.

Vanessa Nigten (F&BKP) & Corinne Lamain (NWO-WOTRO) started the mini-conference with a brief introduction of the Food & Business Knowledge Platform for food security and the NWO-WOTRO Global Challenges Programme (GCP), indicating that the convening was the culmination of the midterm review (MTR) joint meeting for the 9 projects funded in the GCP-2. Participants from GCP-2 and the wider Kenyan F&BKP network in the field of agribusiness development were also introduced to the sessions and topic of focus, ‘Inclusive Agri-Business’ (IAB). IABs were conceptualized as sustainable business solutions that expand access to goods, services, and livelihood opportunities for stakeholders such as smallholder farmers in commercially viable [ways](#).

2. Presentations

2.1 Inclusive business models and poverty reduction in agri-development

Guus van Westen, Utrecht University (GCP-2)

In this presentation, by one of the GCP-2 project members, Inclusive Business Models (IBMs) were seen to be businesses which include disadvantaged groups such as the poor, women and youth in a sustainable and commercially viable way. From the GCP research it could be concluded that IBMs are a promising development strategy as they can build businesses and help alleviate poverty, when combined with specific poverty reduction policies. They can result from a mutual interaction of value chains, business model or investor decisions, and local context. There are also new technologies that may enhance inclusiveness such as cooperatives, and access to key services like credit. Businesses in IBMs mostly work in partnership with NGOs or operate as Public-Private Partnerships (PPPs), where large costs such as infrastructural development are borne by the public sector. Two main recommendations for IBMs were made. The first was that subsidies channeled to IBMs should be regulated, and proceeds can then be used to support pro-poor policies such as social services and food and nutrition schemes. The second was that businesses which cannot keep up with the competitive commercial environment, and which face inevitable shake-out seek an should exit strategy to mitigate risks .

GCP project members

After mister van Westen three pitches were given by GCP project members on their main midterm findings in the field of Inclusive Business Models. Firstly concerning bottom up vs company led models

it was mentioned that different interests of actors initiating IBMs, leads to variation in models. They can focus on Vertical integration; Horizontal integration; or Hybrid integration (a model wherein actors have equal decision making control). Also it was brought forward that it should be taken into account that inclusivity always means exclusivity in one or another way. Concerning the role of the public sector, secondly, it was stated that policy should be coherent, and not undermine IBMs. Also was mentioned that government is very vital in IBM development and can play different roles: facilitating, hindering, and competing. Furthermore research needs to focus on different governance levels – local to international. Related to the sustainability of inclusive business projects over the long term, thirdly, GCP work showed that a transition from subsidy to market-based models is needed. That if IBMs are only subsidy based their durability will be limited. And that empowerment is key – building capacity, and addressing health and nutrition. For viability government should also legislate inclusiveness of more marginalized people: ‘force companies to hire’, and ‘stimulate companies to recruit’.

2.2 Inclusive agri-business experiences from Kenya market-led Horticulture Program (HortIMPACT)

Klaas de Vries, HortIMPACT (F&BKP network Kenya)

HortIMPACT is a program funded by the Netherlands Embassy with specialization in fruits, vegetables and potatoes. All business cases in this program are inclusive of small and medium size enterprise farmers. HortIMPACT incorporates them in domestic and export value chains, and empowers them to improve food safety and reduce post-harvest losses. Two business cases were presented to illustrate the program’s IAB strategies in its operations.

Business Case 1: Enhancing food safety of green leafy vegetables and tomatoes through improved production technologies

Co-development in this case was necessitated by limited skills among the small and medium enterprise (SME) farmers, presence of too much chemicals in foods, and poor market linkages. To solve this, HortIMPACT supports farmers in integrating technology, such as integrated pest management. It also engages supermarkets and other suppliers, and provides private extension farmers. So far 75% of farmers have adopted one or more technology promoted in this business case. However, there have been challenges in the form of water scarcity and limited access to credit.

Business Case 2: Promoting the use of conservation agriculture for canola production through SME farmers out-grower scheme

This project aims to reduce soil degradation and the resultant decreased yield which is caused by mono-cropping. This is achieved through climate smart / conservative agriculture. A center of excellence has been set up by partner Agventure, where farmers are trained in conservation agriculture. They also assist farmers improve market linkages for other crops. The main challenges have been the difficulty in establishing the project, especially with very small scale farmers. Agventure therefore had to start off with medium scale farmers. Crop rotation is also not easily adopted by farmers.

Some of the main lessons from these two business cases are:

- Various projects have different levels of success: some projects take long to actualize e.g. the canola case. A heavy initial investment by private company is sometimes needed;
- There are no silver bullet solutions;
- Different business cases, means different partnerships;
- Sector-wide change is hard to achieve in a few years;
- An enabling environment is needed: Factors like environment and political stability are crucial;
- Policy support is key. The Netherlands government has made it possible;
- A broader, coherent knowledge agenda is needed with different NGOs and different agencies or research institutions to identify useful indicators for successful IBMs.

3. Panel discussion

3.1 Reflections on inclusive agri-business strategies

Kenyan companies, the Netherlands Embassy, and Kenyan Research

This session presents deliberations on IAB strategies from stakeholders in the public, private and research sectors each with representation in the panel:

- **Nushin Ghassmi (NG)** *Sustainability & Communications Manager - IPS Kenya*
- **Sanne Willems (SW)** *First Secretary, Food Security - Netherlands Embassy*
- **Catherine Kilelu (CK)** *Project Coordinator, ACTS and 3R (Robust, Resilient, Reliable. Kenya from Aid to Sustainable Trade Project)*

Q. In the concept note released for this meeting based on GCP and other F&BKP findings it is said that ‘Inclusive business is a donor-driven concept and that incentive schemes to enhance inclusive business development are not viable’. Do you agree with this statement? Why/why not?

SW: This is a matter of terminology. Initiatives and practice in inclusive business are not donor-driven per se. Governments and other actors have initiated different programmes for youth and gender and corporate social responsibility (CSR). Although CSR is not inclusive business, it is a starting point in addressing the needs of marginalized groups, and is driven by the business community.

Q. Would you say that you apply IBM for your companies in agro-food value chains? Why/why not?

NG: Kenyan vegetable processor Frigoken is an example of how you can have an IBM and make profit at the same time. Value addition is what helps in making something commercially viable. The company does contract farming and therefore buys directly from smallholder farmers, thereby facilitating their inclusion in the value chain.

Q. How do you deal with side-selling?

NG: Frigoken does contract farming and uses technology to track where the vegetables are being grown, and therefore can access and track activities in the farms easily. This has contributed to minimizing side-selling. There are however still a few cases of side-selling.

Q. Can you briefly describe the 3R Project and what you aim to achieve?

CK: The 3R Kenya Project is funded by the Embassy of the Netherlands in Kenya. Its aim is to contribute to robust, reliable and resilient agri-food sectors in Kenya and investigate agri-business initiatives that can be scaled up. 3R's main collaborators are projects funded by the Dutch government. An example of collaborative work is in the SNV model engaging young people in rural areas to become service providers in the dairy sector. A study on this program shows mixed results in the extent to which youth can be engaged in service provision. It shows that there has been increased productivity, and reducing fluctuation in productivity.

Q. Scalability and sustainability: To what extent are you confident that the inclusive agri-business models that you have been engaged in will remain in place and even scale when your support ends and why?

Monica Waiganjo, KALRO (audience) : There is a lack of involvement of government institutions that are responsible for training and extension services. For KALRO to be sustainable it has to involve local institutions.

SW: The Dutch government is already supporting training programmes. It is also involved in other activities such as partnering with local institutions, offering scholarships to the Netherlands, and developing customized trainings in inclusive agri-business. Tackling one issue at a time is the way to scale. In order to create shared value, all actors need to understand that building trust and working together helps outcomes for everybody. NGOs and governments fund projects for a specific time.

Indeed it happens sometimes that afterwards the projects fails to take-off. To address this challenge, it is important to build genuine partnerships with shared interests.

Samuel Waterberg (GCP-2 member, People's Pension Trust, Ghana): What is required is a link to external capital. Although a lot of capital is available through investor networks looking to invest in agri-businesses, many startups are not accessing these funds. Apart from weak links, another possible reason for the gap in accessing capital from investors is that impact investors tend to fund very huge investments, but there remains a gap in small scale funding opportunities.

NG: Market-led businesses are driven by market demand. As long as there is market, they will continue to scale. Models need to be adapted to the context, what works in one context may not work in a different context. Scalability needs to be informed by evidence, since for instance, some benefits may accrue to producers whereas processors incur significant costs.

Plenary: A distinction was made between scaling out as expanding to different locations, and scaling up as increasing capital. It was then suggested that scaling out can be promoted through infrastructural development, and by streamlining or eliminating intermediaries so as to have direct contact with producers.

Q. Are policies aligned to inclusivity?

NG: We are gradually going in that direction, but the policy environment is still not supporting small scale farmers adequately. The key when working with small scale farmers is maximizing on yields. Yet, there is no clear understanding on where actors can come in and help businesses to help farmers to increase yields which would result in the growth of businesses. Frigoken, as an example of inclusivity efforts, pre-finances farmers and supports them in various ways.

Q: Is there an explicit role for groupings of farmers?

NG: Aggregation is common in smallholder farmers. This helps them build connections with processors and builds their bargaining power.

Q: How do different stakeholders assimilate research on IBM?

CK: There has been a shift in recent times, like in the NWO-WOTRO Global Challenges Programme, where researchers have become more engaged in getting their findings to the right forums, and seeking engagement with different stakeholders. The agenda of research is increasingly being set by stakeholders. It is not easy to get to the right platforms but it is starting to happen.

SW: 3R's mandate is, like GCP, to feed into the Dutch government's projects. It is pegged to PhDs studies and research. There are lots of outputs from 3R that can feed into the agenda for inclusive business. A strong assessment informs on whether there is a compelling case for the policy makers and practitioners to go forward with a particular project.

NG: Frigoken works with input suppliers to integrate research findings. This informs on how best to tailor our models effectively.

3.2 Conclusions from the panel & the way forward

- There is need for research or evidence-base to inform policy and practice;
- Implementing inclusive agribusiness is very possible. It entails working with multiple stakeholders. What is required is to ensure there is a business case for everything that is being done;
- As the Dutch Embassy policy for Kenya moves from aid to trade, it will become stronger in influencing Kenyan policy, and more critical of what businesses to support. Inclusivity is one of the important considerations.

4. Breakout sessions

After the panel, all GCP and F&BKP Kenya participants jointly split up into 6 groups discussing 3 different themes (one per group) based on their experiences and practices. Hereafter reporters per group presented the main feedback from the breakout group discussions. The discussions were centered on knowledge gaps in three thematic areas:

1. To what extent do IAB models and activities that the participants have experience with achieve positive development impact?

IAB models promote value addition to farmers. Cooperatives are success factors in IAB models. Co-ownership through shareholding within processing firms is considered a tool to minimize side selling. Examples where these models have been successful in the Kenyan context are the Githunguri, and Meru cooperatives. IABs have also promoted scaling out into other counties/regions, and scaling up by venturing into value addition and export markets. Positive development requires trust between farmers, industry and business. IAB models are often faced with challenges such as weak institutions, and price fluctuation. Price fluctuation may be addressed through processing or value addition.

The follow-up activity identified in this group was exploring co-ownership throughout the value chain.

2. What sorts of multi-stakeholder collaborations can drive the pace and scale of IAB initiatives? And what kind of capacities are essential in such collaborations?

Three models of partnership were identified: 1) integration which is initiated by a powerful lead such as a processor 2) diffusion, and 3) the broker model which brings people together for transactions. The challenges encountered in such multi-stakeholder collaborations are primarily sustainability and power relations.

These problems may be resolved in a number of ways:

- Context relevant produce;
- Disentangle the relationships and the kinds of impacts that they have in adaption of new technologies;
- Engage different stakeholders such as government, banks, civil society, and researchers;
- Financial products should be well suited or tailor-made e.g. for the youth;
- Develop a monitoring and evaluation framework;
- Infrastructural development – both hard (e.g. roads) and soft (e.g. technology);
- Increasing land access and providing land tenure rights;
- Forming PPPs.

3. To what extent have policies enabled the application of IAB models to achieve their objectives? And if examples of IAB models that were (partly) successful because of enabling policy can be identified, which (policy) components made them successful?

Three policies were identified in the Kenyan context that have enabled the application of IAB models: procurement policy, lowering of taxes for malted beer, and funding for youth and women through the Women Empowerment Fund and the Youth Empowerment Programme.

The procurement policy makes a 30% quota for marginalized groups to afford them an opportunity to do business with government. Group cohesiveness, finance and capacity are some of the challenges experienced in this policy. The proposed solutions were threefold: capacity building and training, improvement on governance structure and accountability in groups.

Lowering taxation on malted beer has increased sorghum production. The challenges in this policy are that there is low impact because of pricing, bird infestation, low investment in input, and lack of collectiveness among farmers. These problems could be resolved through improved farmer group governance structures, enforcement of legal systems within cooperative movements, adjustment the cooperatives policy to reduce government interference, and improving access to financial services.

Other examples of enabling policies from different countries mentioned were the Brazil policy that guarantees land owners access to loans, and Zimbabwe's registration of tobacco farmers to eliminate side-selling. Challenges associated with these policies are that big businesses have more clout and use it to lobby for funds which poses a problem to small businesses. Also, there is exclusion of some groups.

Follow-up activity: government engagement at the national and county levels, and multi-stakeholder engagement were some of the solutions identified for these challenges .

5. Conclusion

It was determined, with evidence of GCP projects, that inclusive business models play a crucial role in development and poverty reduction since they aim to include disadvantaged groups in sustainable and economically viable ways. They however need to be paired with other pro-poor strategies in order to be successful in improving livelihoods. Agri-business experiences such as those from HortIMPACT provide practicable ways in which businesses can have inclusiveness of smallholder farmers in the value chain, along with lessons learnt for effective implementation.

In line with the goals of this public forum, a number of recommendations were made to improve joint strategies for inclusive business. To start off, a multi-stakeholder approach was recommended, where effective collaboration between different actors such public and private sectors and research can help promote inclusive business. Moreover, different strategies to achieve sustainability and scalability in IABs were proposed such as capacity building and training programmes, knowledge sharing, creating shared value and building genuine partnerships. Importantly, IABs inevitably faced with stiff competition should identify effective exit strategies to mitigate against risks. Research activities were also seen to be crucial in building an evidence base for inclusion. Lastly, national and company policies need to be aligned to inclusiveness by finding creative ways to integrate marginalized groups in agribusiness.

Participants agreed on continuing working on those issues, whether or not supported within the F&BKP possibilities.