PARTNERING WITH THE PRIVATE SECTOR TO REACH SMALLHOLDER FARMERS

PRESENTATION AUDIO TRANSCRIPT
AUGUST 7, 2019

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Julie: Good morning, afternoon or evening, everyone. We’re just about ready to get started. As we get started, I always love to see if a few people in the chat box can let me know that you can hear my voice clearly. That’s always helpful. This is Julie McCarty with USAID Bureau for food security. Just getting things started. I see Kevin has said yes, Lysa yes. Great. You can hear me? Fine. Thanks. All right, I think that’s good. Thank you very much everyone. On behalf of Agrilinks, speed the future and the USAID Bureau for food security, I would like to welcome you to our webinar today on partnering with the private sector to reach smallholder farmers. My name is Julie McCarty and I am your Agrilinks Webinar host with the USAID Bureau for food security. I’ll be your facilitator today so you’ll hear my voice periodically, especially during our question and answer session.

Julie: Before we dive into the content, I would just like to go over a few items to orient you to the webinar. First, please do use the chat box to introduce yourself, to ask questions and to share resources. And I see many of you have done that already which is great. We love seeing where people are joining from. We’ll be collecting your questions throughout the Webinar and we’ll have two Q&A sessions, one in the middle of the presentation and one at the end. And the speakers will also attempt to answer some of your questions in the chat box along the way, so please don’t hesitate to post your questions, whenever they come to you go ahead and post them in the chat box. You’ll see that the slides are available for download in one of the boxes on the left of your screen as well as some of the resources that we’ll be talking about today so keep your eye on those boxes as well.

Julie: And lastly, we are recording this webinar and we will email you the recording, the transcript and some additional resources once they are ready which should be in about a week and a half or two weeks time and they will also be posted on the [inaudible 00:01:58] site so we encourage you to share them with your network. All right, we might as well go ahead and dive into the content since we’ve got a lot to get through today. And I’m going to introduce our first speaker who will be providing an introduction to the other speakers and just a brief overview of what we’ll be talking about today. So I will pass the microphone over to Rana El Hattab who is the commercialization and scaling advisor with the USAID Bureau for food security. Rana.

Rana: Hi everyone. Good morning, good afternoon, good evening. Thanks for joining us today. She’s a teacher partner in for Innovation Program from the USAID side which will be the focus of the conversation today. And I just wanted to share a little bit of context and background and set the stage for what we’re going to be talking about today. So as USAID is looking to implement the new private sector engagement strategies, there’s a lot of conversations about evidence and how do we measure the impact of this work, and we had a unique opportunity with the future Partnering for Innovation Program
given that it has 55 partnerships and works in over 16 countries and it's been structured in a way where it's now about to start year eight so we are lucky to have this rare chance to go back and look at what happened with partners in years one through six.

Rana: Are they still working with smallholders? Are they still engaged in these markets? What happened? So that's going to be the focus of the study today and we have Jeff Berger. Sorry, I went out of step, we'll get [inaudible 00:03:42] but we engage the investment support program, it's implemented by Dahlberg to run the study and go talk to folks for us and how this is going to go as Laura Harwich, the program director from Feed the Future Partnering for Innovation is going to give you guys a briefing about the program. In case you're not familiar with it, I'm going to give you a couple of seconds to sort of read through our bio, and then we're going to move to Emily Blinn from Dahlberg who's going to start walking us through the study followed by Jeffrey Berger, also from Dahlberg to walk through the study. So thanks everyone. I look forward to talking to you all about it after.

Laura: All right. Thanks so much Rana. So as Rana mentioned, I'm more of her way guy. I'm the program director for Feed the Future Partnering for Innovation. I wanted to start by thinking Rana and the NPI team at BFS for sponsoring this study.

Laura: So I want to thank Rana and the NPI team at BFS for sponsoring this study. We think is a really important look at the Partnering for Innovation Model and it has helped us think about the way we talk about impact and look at impact a little differently which is really exciting in year seven is around I mentioned, it's good to have new ideas seven years into a project. I also wanted to thank the Dahlberg team, especially Emily who's in the room with me today for being super collaborative throughout this process and really working hard to understand the work that Partnering for Innovation has undertaken again over such a long period of time.

Laura: So if you've read the report, you're somewhat familiar with Partnering for Innovation, I think it was a really great overview of the program. But for those of you who haven't read the report, I'm just going to give a brief introduction. So Feed the Future Partnering for Innovation is a USAID funded program that built partnerships with agribusinesses to help bring new agricultural products and services to emerging markets. These partnerships are changing the landscape for supporting agriculture in these markets by catalyzing the private sector to lead efforts that raise smallholder farmer incomes and food security in targeted communities. So we at Partnering for Innovation have found that private sector agribusinesses want to sell products and services to smallholder farmers and see the value in targeting that market segment because it represents a market of more than 500 million customers. However, that being said, because smallholder farmers are a harder to reach market segment and because they're a riskier
investment, sometimes private sector agribusinesses need help to effect this lead targets that market or need to be incentivized to reach out to that market.

Laura: So that's where Partnering for Innovation comes in. That's our job. We have developed a shared value pay for results. We develop shared value pay for results grant agreements with private sector partner agribusinesses to give them the resources and tools they need to sell their products and services to smallholder farmers. This includes two primary components, we'll say. The first is that we provide these partners with investment and this form of milestone based payments through the grants. And the second is that we provide partners with guidance and technical support to build their capacity to successfully and sustainably sell to smallholder farmers.

Laura: So every aspect of our approach is designed to be useful and user friendly to the private sector, obviously because they're the ones we're working with while also presenting the greatest opportunity for success. We select the most promising partners that are competitive solicitation process. This process is designed to be as simple and easy to use as possible to ensure a low barrier of entry for new applicants because we want to work with new private sector partners, ones that are emerging in the market place, ones who've never worked with USAID or donor funded project before. So we want to get as many new partners into our project as possible so we need to make it easy for them to do that. At the same time, we designed the solicitation process to clearly define the goals of our activities, to ensure that we attract targeted partners in interventions to support supply chain and market development.

Laura: As I mentioned in the last five, all of our agreements are designed to be based on a pay for results model. If you're not familiar with this model, it only, it pays partners only when they complete pre-determined goals against milestones. Super importantly, we align the goals of our milestones with a private sector partners own commercialization priorities like sales volumes of a new product or technology for example, so that we're speaking the same language as our partners and measuring the same things. We know that our partners are invested in and committed to these results because we asked them to cost share activities on a one-to-one basis. So for every dollar they get through a grant per Partnering for Innovation, we also ask them to commit a dollar to achieve the stated objectives. Finally, we provide partners with support and capacity building over the entire life of the agreement.

Laura: This component of the project is designed to be dynamic and flexible so that every partner is provided with the support he, she or they need specifically. Some partners need help developing internal processes and strategies, including business plans and financial projections. Some partners need stronger local and regional networks to market and sell their products. Some partners need assistance with external investments at the end of the partnership to ensure that activities continue and scale.
So Partnering for Innovation works with each partner at every phase of the partnership to ensure that it has the tools and resources it needs to meet its goals and ensure sustainability. So this is our impact over the last six years is around, imagine we’re entering your seven now. We worked with 59 private sector partners across 20 countries so that's a really huge geographic reach. Through the partnerships we've introduced 116 new agricultural products and services to over 1.4 million smallholder farmers.

Laura: This has included working with seed companies to introduce improve varieties to the smallholder market, working with post-service and storage companies to introduce new technologies to reduce post-harvest law, working with financial institutions to introduce new blending and insurance products and much more. So if you're interested in learning more about Partnering for Innovation, I encourage you to visit our website. There's a link to the website in the Webinar portal you'll see on your left there. And I'd also encourage you to sign up for our newsletter which you can do through the website because that's where we share information about previous and ongoing partnerships and you can learn more about our project that way.

Jeff: Great. Thanks so much Laura. This is Jeff from the investment support program team, but it's all breaking and just thanks so much Laura for setting that context and all as well for you and the whole fintrac team and the support throughout this project. So I guess just to set the stage a little bit in terms of the study itself and what we were trying to achieve, essentially we're looking at whether and how partnering with donors can help companies market the smallholder farmers and understanding of how that can be a way to achieve development outcomes. And again, using this partnership as a way to help answer these central questions which you'll see on the slide these three questions were really guiding our analysis throughout. Firstly, to what extent did partnering with USAID help companies market and sell their technologies and services to smallholder farmers?

Jeff: Exactly which aspects of the partnership actually helped achieve those outcomes and understand the extent which the the partnerships between donors and the private sector can help address the gaps in the value chains and drive development outcomes. So really trying to use the conversations under the partnership analysis that we were able to do in order to help drive some insights around these central questions. Just to give a bit of background in terms of the types of partnerships that we were looking at and who we were really speaking to. So we essentially have the 50 partner companies. We were able to speak with 24 and look at some of the details behind them. We also spoke to eight investors that are involved in this space and have some perspectives about the different partners in this value chain.

Jeff: Also looked through all the documents that were available, whether it was sales data, exit interviews that were conducted by the partner for innovation team. And you'll have
a quick snapshot here of the 24 partners, the areas that they were primarily involved in, inputs, production processing, storage equipment were the two biggest and others as well across the value chain and other aspects that were important for the smallholder farmers. Primarily they were in Africa, although there were also a decent amount in Latin America and South Asia.

Jeff: What if I just call out a few limitations of this study and describe what this study was not trying to do, but essentially this wasn't really intended to be a technical guide or a full holistic in a causal evaluation of pardon for innovation in and of itself and its impact on smallholder farmers. It's important to note that these findings were largely based on the conversations we were having with the various companies and again the investors. So it's based a lot on their perceptions and their understanding of what was actually driving their ability to reach smallholder farmers. And it's important also that in our methodology we try to be as consistent as possible and really asking all the same questions to all of our interviewees. Although with time constraints, it wasn't always possible to speak with every single one of them about every single question.

Jeff: So there were things in the report where you'll just see a different number of let's say the N, the amount of people that were able to feed into that particular analysis. But for the most part, it was the preponderance of folks that we spoke with. We were able to speak through the entire interview guide and the structured questions that we had as well as just getting some additional color behind what was really behind these results. And I think the important point here is that despite some of these methodological limitations, I think where you feel pretty confident about is that a lot of the insights that came through this report have really started to point to some interesting insights and some hypothesis that really can hopefully inform the program going forward but also others that are looking to work with a private sector in this sector or others. So hopefully this is a starting point rather than an end point. And with that, I will pass it over to my colleague, Emily, who can talk us through some of the findings and recommendation as well.

Emily: Thanks so much, Jeff. So as Jeff mentioned, this is a really exciting opportunity for us to get to look at some of the companies that participated in the Partnering for Innovation Program. And so I’ll talk about some of the key findings from our reports but encourage everyone to download and read the full report itself as well, will have additional detail. I think the top line finding from the study is that all of the companies that we interviewed for this report expanded their customer base within the smallholder farmer market segment as a result of the program. Of the company is that reported a sales data through the partnership, almost all of them, 82% more than doubled their sales within this segment during the partnership. And we also spoke to companies about what has happened since the program and all but one of the companies that we interviewed
continued to actively sell to smallholder farmers. So really has seen some sustained success.

Emily: Since the partnership ended, companies that have also continued to scale and grow within the market and not just maintain their operations. And most of the companies that we interviewed continue to actively invest in scaling their operations within the smallholder market, whether that's investing in additional infrastructure, scaling to different geographies, really have developed this segment as a focus for their operations since the partnership ended. And interestingly, something that we found was that growth of companies within the smallholder farmer market didn't actually markedly vary by geographic region, the type of product or service offering. Suggesting that the partnership approach was actually very effective across a diverse set of companies is one of the more interesting findings I think for us.

Emily: In terms of success in the program, one of the key metrics that we wanted to delve into was profitability and the degree to which companies were able to become profitable within the smallholder farmer market. 80% of the companies that we interviewed self reported sales data that they have achieved profitability within the smallholder farmer market or expressed optimism that they will achieve profitability in the next couple of years. This did vary a little bit. There were about four companies that reported either some variability and profitability across different geographic regions and there are some that still continue to cross subsidize their smallholder focus products with business lines that sell or are engaged with more commercial farmers. But I think the highlight here is that most of the companies that we interviewed were able to become profitable within this sector which is really exciting.

Emily: So we tried to get underneath that finding a little bit and understand what was it that enabled companies to become profitable within the smallholder segment. And I think, again looking at geography, type of product or service, there weren't a lot of differences there. What we did find was that the degree of market readiness was actually a factor that influenced the company's ability to be profitable by the end of the partnership. And when we talk about market readiness, there are really two aspects of that that we looked at. The first was, did they have a proven technology, a technology that was ready for the smallholder market. So something that was through the R&D process and required just maybe a few adaptations for the smallholder market.

Emily: The other aspect was a business plan, a well-developed strategy for market entry and sustainability within the smallholder market, including their pricing model, a good understanding of the customer profile and the way in which they would distribute or buy products from smallholder farmers. And so when we looked at companies and their degree of readiness across these two factors, we really found that those that had a well-defined strategy to sell to smallholder farmers appeared best position for profitability.
When we looked at the readiness of the technology that was important, but actually those that had a business plan ready definitely performed best in terms of profitability.

Emily: So it was clear that USAID influenced company's ability to expand into the smallholder farmer market, or really helped them to be able to do it much faster. And as Laura mentioned at the beginning, most companies were interested in marketing to the smallholder farmer market segment due to the sheer scale of this customer base, but they did face certain constraints that had limited their ability to either get into this segment or to scale to the degree that they had hoped. Of all the services that Laura explained at the beginning, we found in talking to these companies that in the investment element was the most important for them and their ability to expand because it alleviated certain constraints for entry into the smallholder sector and derisked this expansion. There were a couple of important constraints that they cited.

Emily: First was primarily financial. So either a lack of available capital, the AG sector is perceived as risky in particular the smallholder farmer market perceived as risky for some lenders and so some companies weren't able to access capital that they needed to expand. Or the cost of capital was too high up to 30 or 40% in some markets and so companies weren't able to access capital they needed to invest in this expansion. And so Partnering for Innovation was able to help them to alleviate this financial constraint. Some companies also cited a lack of knowledge around the smallholder farmer sector. This is a sector that they hadn't actually been able to explore.

Emily: And many of the companies that we interviewed mentioned how important fintrac was in really helping to educate them about the smallholder farmer market sector and help them develop their business plans, really understand how to adapt their business model and their product for the smallholder sector and so that was a constraint they were able to also help alleviate. I think one really good quote that illustrates the ability of the program to alleviate some of the financial constraints that one of the companies had said that the partnership gave them the 'freedom to fail' which led to their success. That they weren't the ones that were taking on the financial risk and so it allowed them to make a move that otherwise may have been seen internally as too risky to fund on their own.

Emily: So one of the key ways that companies have been able to be sustainable in this smallholder market since the partnership ended is through accessing additional external capital from investors. And this is something that we looked at as an impact of the partnership though I think it's important to note that although this is something that the program facilitated, it wasn't a main goal of the partnership. Nevertheless, over half of the companies that we interviewed had explored external investments since the partnership ended or towards the end of the partnership, and of these over half of those were able to secure it so were very successful. And there were additional
companies that also reported they’re close to closing an investment. And there are a couple of reasons for that success which I'll talk about when we get to some of the key findings.

Emily: We’ve talked a lot about the impact of the partnership on the companies themselves, but I also think it’s important to note that the ultimate aim or the end point of this theory of change is the impact on smallholder farmers themselves. And as Laura mentioned at the beginning, through the partnership, and this is again beyond the companies that we’ve interviewed, but the partnership as a whole was able to commercialize over 100 technologies for smallholder farmers and has benefited over a million smallholders. And companies consistently said that the program helped them reach more farmers, improve agricultural productivity, livelihood to smallholder farmers and also to alleviate market barriers. I think one of the things that was interesting for us is that some of them also reported that the partnership helped them to target more marginalized or less traditional groups of customers, including women. So through the milestone based approach push them to develop metrics around reaching certain groups of smallholder farmers that might not have otherwise been their target customer.

Emily: Beyond the direct impact on smallholders themselves, there are also some evidence that we found that the partnerships can have sort of a ripple effect and strengthen markets for smallholder farmers as a whole. And a couple of interesting examples that we found, one was around increased competition. There were companies that noticed during and after the partnership, new companies that had arisen as competitors and they think that this had something to do with their success. One interesting example was the metal which sells mechanized reapers in Bangladesh. They observe that they were the first company to do this but after they had had some success in the smallholder market, they started noticing new companies coming in and selling mechanized reapers, and things that had something to do with the fact that they’ve been so successful within that market. Another interesting example is around companies that created market structures through which other companies could then more easily access smallholder farmers and sell to them as customers.

Emily: One example is Twiga, which I’ll talk about in more detail in some slides later. But Twiga they created warehouses to sell smallholder produce and they became an entry point for other companies to market products to smallholder farmers including companies who sold off grid solar products and others. So to talk through some of the key findings from this report, just to summarize what we found at a high level, I think it’s clear to us through this analysis that there are really a large group of companies today that have products that are well positioned for the smallholder market and could really benefit from marketing to the smallholder segment, but are constrained in some way, whether it be financial or otherwise from accessing that market. And companies like these are
really uniquely positioned to receive funding from a donor or a funder like USAID or other grant based funders that can provide capital without the expectation of return. This is really important. I think it’s a unique role that USAID can play on helping to catalyze entry of these types of companies into the smallholder market.

Emily: In looking at the companies that are best suited to this type of program, I think it was clear that companies need to have a technology or service that is ready to launch or just need some adaptation to the smallholder market. As I mentioned before, it's also really important to have clarity around and go to market strategy, and also at the beginning to plan for the way that the company will be sustainable within that market in the longer term. And also important to note I think are companies that really need capital for one time entry or expansion into the market and have a good understanding of how then once they've entered, they can continue to fund expansion once they are able to generate sufficient revenue. I think companies that don’t see a pathway towards profitability or sustainability are probably less well positioned for this type of activity.

Emily: So we wanted to dig into that investment piece a little bit and understand what was it about the investment that made it so impactful and that made it that really critical element of these companies success, and really found that there were four main features that made this type of program incredibly well-suited to these private sector companies. I think first is the fact that it was results based funding and so the companies received these tranches of the next investment upon completion of the predetermined milestones. And companies reported and this allowed them to remain focused on the outcome rather than the process by which they achieved those outcomes which gave them the flexibility to design their own means of achieving those goals. And some have found this so helpful in achieving their goals that they have continued to use the milestone process internally for their planning.

Emily: In addition to the way that the milestones were structured, many companies also reported that the negotiation process or the process of determining the milestones upfront actually really helped them refine their business model at the beginning and determine how they would sustainably market the smallholder farmers. And so was part of that process of developing the go to market strategy that we found was so critical for profitability. In addition, there are a couple of companies that said that the milestone process pushed them to achieve more ambitious goals than they might have set for themselves otherwise if they weren't in the program. And then lastly that the way the funding was distributed and the fact that the money was given to them up front was really helpful because it helped them to fund the activity to reach the next milestone. The second piece of this was that the amount of the disbursements was cost-based. Actually, many companies found that they would have underestimated the amount that was required to them to funds expansion and going through this process with fintrac really helped them understand how much they needed to scale.
Emily: Additionally, the fact that it was one time, as I mentioned before, gave them a strong incentive to achieve their objectives in the given timeframe. And lastly that it was matched by the company which gave them some skin in the game and really strengthened their internal commitment to the program goals and many companies reported and that was true. In terms of the other elements of the program, so beyond the investment they received several other types of support. In terms of the capacity building, companies really found most value in the activities that help them strengthen some of the key internal pieces like developing strategic plan, business plan development, designing these prostates for expansion. And although their companies did I think acknowledged that the milestone process and the reporting that comes along with donor funding was at times arduous, that the commitment was well worth the time and that actually the milestone process led to better commercial outcomes than they would have achieved otherwise.

Emily: And lastly at around some of these other more indirect effects of the program. When we spoke to investors, we found that company's participation in the partnership program didn't inherently make them more or less attractive, but however it did provide a strong signal to investors that the company's had some critical level of internal operational capacity that they're able to manage a big grant from a donor like USAID. And so that was a positive signal and almost a form of pre diligence at foreign investors. And although going into this, we actually had a hypothesis that perhaps an investors actually acknowledges that receiving grant funding could almost be a warning sign that the actual underlying business model isn't sustainable, that you need grant funding.

Emily: There were several investors I mentioned that really what was most important to them was the way in which the company had used that funding, and once they could see that they have used it in a way to invest in their business to scale that are now profitable, that actually really improved investor confidence. So with that, I think we've summarized the high level on some of our key findings from the report. But I think for now we can pause since we've gone through a lot of the content and for some questions and answers. So I'll turn it over to Julie.

Julie: Great. Thank you so much Emily, and thank you all who have been asking so many excellent questions. It's quite a flurry and we've been collecting them all and we'll do our best to answer a wide range of them throughout the course of this webinar both now and at the end of the presentation. We still have some more slides to get through. And then any questions we can't answer, we'll also do our best to share answers or useful information in our followup email after the event. Let's see. So there was a question that Laura already answered partially in the chat box but we thought that perhaps Emily you could speak about some of your findings, and that was from Leila
Ahlstrom who said, has P4I companies got an outside investment, either debt or equity? Has P4I assisted the companies in accessing capital outside these grants?

Emily: Yeah, that was definitely one of the things that we talk to companies about was their ability to obtain additional debt or equity investment since the program ended. And this is actually somewhere where companies had a lot of success. As I mentioned earlier, I think there were 13 companies that we spoke to that were able to obtain external investments and a few more that have obtained investments since the program ended. And there were a couple of ways I think in which the partnership helped them to access investment. I think one were through a couple of different conferences that I think Laura can probably speak to better but where they had competitions and where they are able to network with investors. And I think also even if the companies didn't meet investors specifically through activities during the partnership, there were a couple that mentioned to us that just being able to get out there, get their name out there, talk to different people, that somewhere down the line those connections would be helpful to them.

Laura: Yeah, this is something Dahlberg did look at in the report so I encourage you to read that section on external investment. I think it was 13 firms wanted external investment and 10 had received it or would receive it. I think the Dahlberg report is great. This is the one tiny thing where I just interpret the data a little bit differently. External investment isn't the only way for a company to grow so we think it's great that only 50% of the partners who have wanted external investments, growing with just internal investment is a great way to grow as well. And the fact that 10 of the 13 received that external investment I think is a real success of the project.

Laura: So we do work hard to give our partners networking opportunities as Emily mentioned. This is actually something in the last, we just launched nine new partnerships which you can see on our website if you’d like to visit that. And those partnerships we’ve really placed an increased importance on how companies are going to scale and grow after the end of our partnership and that includes talking to partners about sustainability and scaling plans throughout the life of the partnership but with a special emphasis at the end and we are providing acceleration matchmaking services and all of that kind of stuff to the partners. So it's something that I think is becoming increasingly important and something we've kind of started incorporating into the way we handle these partnerships.

Julie: Excellent. Thank you very much. Let's see, we also had an interesting question from John Potter come in, and I think this might be good for you to start with Emily. Did you hear of any companies relate anecdotal reports or stories as to the income improvements trickling down to the farmers? Did you measure that in any way?
Emily: Yeah. So I will say the focus of our report was really the impact on the companies themselves, but agree that ultimate impact on smallholders is really the goal of the program. While it’s not where our report is focused, we really did hear a lot of anecdotal evidence from companies about the way that the partnership helped them grow and had an influence on smallholders. I think one example is FTO chicken where, I’m going to talk about that more in detail in the next section. But they have done a lot of studies on this and actually found that if you have a customer and they on average buy five to 10 chickens, it leads to an increase of four times in productivity. They consume about 30% of the meat and eggs in the household but are able to sell the rest to the market which has a substantial income effect as well as the nutrition effect on the family. So I think just one anecdote but certainly had a lot of positive examples through our conversations with the company.

Laura: Yeah. This is Laura. I can add on that as well. So none of the results are tied to farmer impact. So we’re not paying for results on farmer productivity or income. That’s just not the model that we're implementing here. The results that we pay partners against are sales and service provision milestones. So the way we approached that is we really vet technologies before we fund them to make sure that they will have an impact on smallholder farmers. So that’s the primary thing we're evaluating when we get applications from partners is what will the smallholder impact be. So every partnership we're funding should be impacting smallholder farmers. We have on a number of occasions gone back and done impact assessments at the smallholder level and we do have information on that which I believe is on our website, I'm going to have to confirm that.

Laura: But we do have information about how these technologies are impacting smallholder farmers. But again, that's not something we hold the partners to in the grant agreement themselves because that's just not how we approach this. And we have found that these technologies greatly impact smallholder farmers. I would say that, I don't know [crosstalk 00:42:02] that off the top of my head but these technologies are improving smallholders incomes productivity, food security, and working through the private sector partners.

Julie: Great. Thank you. I think we have time for one or two more questions before we move along and then we'll have more at the end of the presentation. So I thought I would ask a question from Romaine Kensack FAQ who asked, how is the performance measured and reported under the pay for results data or self-reported? How is the data validated and the impact to smallholders measured?

Laura: I think I can answer that one. This is Laura again. This is I think a really important and unique thing about our approach. So we don't want to burden private sector partners with additional reporting requirements. Their business model is not being compliant
with USAID reporting requirements. Their business model is selling a product. So we want to align milestones and how we talk about results was the way that private sector partner also talks about results. So that's usually sales of a certain technology, the number of times a service has been provided to smallholder farmers, stuff like that. The partner does self report that information, we require supporting documentation for that based on whatever the milestone is. So if it's sales numbers, if they're selling a certain number of packets of seeds, we ask for sales receipts.

Laura: But what that looks like depends on how the partner tracks that information themselves. So we want to use the data the partner is already gathering to make this as little of a burden to them as possible. If they don't have any way to track sales, that's something we'd work with them on the capacity building side because all private sector partners should be tracking sales and should have information on their customers so that's something we work with. So they report the data, we ask for supporting documentation to verify ourselves and then we also hire independent consultants who additionally verify the information on the ground. So we're confident that all the sales are happening, all the services are being provided but the way we structure that depends on the partner, their business model and the information they have at hand.

Julie: Okay. And before we move on, I thought I'd address one of the questions from Judy Payne who asks about some insights about what didn't work. Could you possibly be concrete about some things that just were not as effective or what didn't work in the study?

Emily: Yeah, sure. I'll just start by saying that companies overwhelmingly were really, really positive about the partnership. And you can see by just the number of the quantitative results that companies did really well. However, I think that was largely in terms of the investment piece. I think companies really felt like that was the critical element. I think maybe the part where we did hear some feedback where things could be improved in future iterations of the program, perhaps around the additional capacity building pieces. I think while they were really helpful for some companies, there were a couple that were in later stages of growth or that were more sophisticated in terms of their managerial or operational capacity that felt like some of the activities were a bit too basic for their team although they recognize that they could be really useful for others. I think there was also some feeling that some of the capacity building activities could be more tailored to their local context or their business. So I think that was some of the feedback that we got around maybe suggestions for improvement for future iterations. But like I said, I think largely they were very positive about their experience.

Julie: Great. Well, why don't we move along to our next set of slides and then we'll pick up with more questions asked again?
Emily: Sounds good. I’ve talked a lot about the high level findings, the report but thought it would be helpful to delve into a couple of company examples to ground this and what the partnership actually looked like and what some of the results looked like and key learnings that we found out of speaking to some of these companies. So the first one I’ll talk about is FTO chicken which is a company in Ethiopia that is a poultry hatchery and sells an improved breed of chickens that wasn’t in Ethiopia before through a network of village based agents who work on commission. And they had some really great success in the program, some of the most successful companies that we spoke to, and they were able to, from investment through the partnership, quickly scale their hatchery operations and expand their network of sales agents much more quickly than they said they would have been able to do otherwise.

Emily: They also received a $10 million debt investment at the end of the program from Finnfund. Some of the learnings that we found in talking to FTO chicken. I think one of the key insights that they highlighted was that the funding was really the right amount for them and hit this critical balance between being enough that it really made them pay attention to this grant and really track along with the milestones and really enabled them to scale to the degree they were hoping to do, but also wasn’t so big that it made all of their focus go toward how to satisfy the requirements of the grant and didn’t detract from their core business of revenue generation within the smallholder market. That was really important for them.

Emily: Also he said that in managing the grant, those did really help them improve their internal capacity and get their books in order, which as I mentioned earlier with a positive signal for investors. They were also one of the companies that I think had more sophisticated internal capacity prior to the partnership. And so they were one of the ones that felt they could have benefited from more specific training that was tailored to the level of their stage of growth. And that if investor readiness is a primary goal of the program, that including this as more of a focus of the milestones would make them focus more on preparing for investors, talking to investors and networking, which it seems like that’s something that Fintrac is already thinking about for this next round of companies.

Emily: The next one I’ll talk through is Twiga which is a produce aggregator in Kenya. And they use the investment from the partnership to expand their network of rural warehouses, and were able to access three times the number of smallholder. They also received a $10 million investment from Lambda capital after the program ended.

Laura: Yeah. And just there's been additional investments since then. If there's anybody on from Twiga, you guys are doing great. I know they have at least gotten five million more dollars in external investments since I think Emily you talked to them. So I think that's a real success story in terms of using our grants to really catalyze external investments.
Emily: Some of the key learnings that we learned from speaking with Twiga is this point around strengthening the market for smallholder farmers. The warehouses that they built have become entry points for others to access smallholder farmers and really diversify the offerings that smallholders have at their disposal. And that the milestone structure can also push companies to evolve their business model. When we were speaking to Twiga they were talking about how the targets that they had around a certain number of smallholders reached really shifted the way that they were thinking about smallholders as customers as opposed to selling to them or buying produce from them as one time customers, really thinking about how they could scale within that segment and think about them as returning customers.

Emily: They were a company that expressed a desire for more flexibility around the milestones. Their business model depends on infrastructure based investments of building these warehouses and in terms of the permit requirements and construction delays, they felt especially around these more infrastructure related milestones that flexibility would be useful so that they could take into account some of these external factors. Another example I wanted to highlight that's slightly different is a company called Stuart cold. They sold these mobile refrigeration units in Guatemala and Honduras. And they were a company that was really in the early stage. They said that without the partnership they wouldn't have expanded into Central America at all and that fintrac was really helpful in helping them redesign their product and develop a new model for sales and distribution within the smallholder market.

Emily: And they are actually one that I think found that the smallholder market was not well suited for their products and their model, and sales within this market continue to be small and really their focus is still on the domestic US market. I think a key learning from them was that with these companies that are very much in the exploratory phase that a sort of phase zero if you will would have been helpful where they could test and learn about the market through maybe a little bit of seed funding to determine the real viability of their product within the market, that perhaps maybe they were just a bit too early. And they also did say though that in this process of exploring the market for them, that having an implementing partner with this real deep understanding of the market and the smallholder customer base was really critical for them to even be able to enter the market in the way that they did.

Emily: So what does all of this mean for the way forward? I think a couple of key findings and recommendations for programs in the future, the way that the grant funding was structured was really, I think for us, the critical piece that related to company's success. And the four principles that we outlined earlier in terms of the results, big milestones, cost-based funding amount, the one time investment and the matching investment by the companies. I think that was really key to the success and the company's ability to enter the market and grow in the way that they did. I think it was important also that
the milestone struck the balance between the impact type goals and commercial objectives to ensure that companies were not only growing their business but also achieving impact targets as well which they certainly did.

Emily: In terms of the other aspects of the partnership beyond the investment, I think in future iterations important to tailor the capacity building efforts as much as possible to the level of capacity and the context of the individual companies and also planning for the future from the beginning. I think this is something Laura mentioned that there is a focus of theirs that it's really important to at the beginning of the partnership, define what that exit from the program is going to look like and co-creating that plan for sustainability beyond the partnership. And then finally, I think just to explore a bit more the early evidence that we found around the market system strengthening effects that partnerships like these can have. We found that there's some interesting examples of where the partnership was able to work with companies that are trying to address different points of the value chain or identifying a specific piece of the value chain where if you address it really can create more efficiencies across. So what are the next steps? I think we're trying to figure out getting the slide.

Jeff: Yeah, you can keep going. Somehow or another the presentation got changed.

Julie: Sorry about that. We have the chatbox takeover.

Emily: The last light is high level. But in terms of next steps, I think where we go from the findings of this report, as we mentioned at the beginning, important opportunity to take a look back at the partnership and the experience companies have had. But I think it's important to do a more rigorous quantitative analysis than we were able to do through our interviews with the company and really start to explore some of the causal links between the partnership and impact they're able to have. And I think some further exploration into the role that this type of program can play in strengthening market systems and analyzing more in depth some of those markets strengthening effects in terms of more competition or strengthening an entire value chain would be interesting to look into.

Emily: And then finally, I think all of us on our team got really excited by these examples of just how this results based funding can be applied to other development challenges in other sectors. I think we found this is a really exciting, positive example of a way you can catalyze companies, to enter hard to reach sectors. And so interested in seeing how this model can be applied to explore other challenges as well.