

# AGRILINKS



## Partnering with the Private Sector to Reach Smallholder Farmers

**Panelists:**

**Laura Harwig**, *Feed the Future Partnering for Innovation*

**Jeffrey Berger**, *Dalberg Advisors*

**Emily Blynn**, *Dalberg Advisors*

**Rana El Hattab**, *USAID Bureau for Food Security*

**Moderator:**

**Julie MacCartee**, *USAID Bureau for Food Security*

**Date:**

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# Laura Harwig, Feed the Future Partnering for Innovation



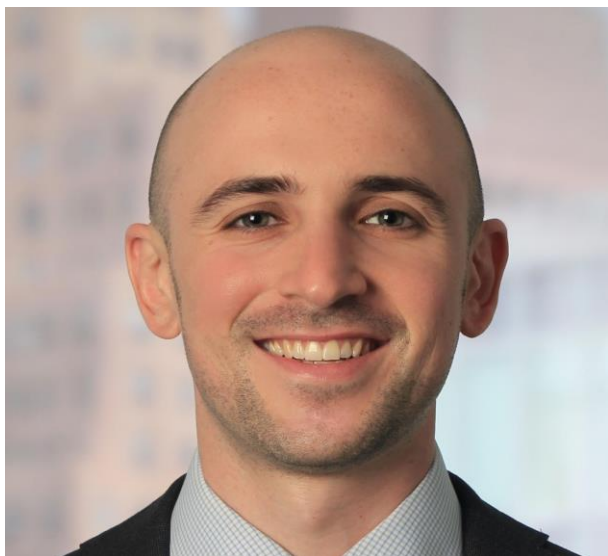
Laura Harwig is the Program Director of Feed the Future Partnering for Innovation where she catalyzes the expansion of private sector companies and entrepreneurs into rural, agricultural markets. Working with input providers, off takers, financial institutions, and technology firms, Laura co-designs solutions to commercialize their agriculture technologies that have so far transformed the lives of more than 1 million smallholder farmers worldwide. She is an expert in using pay-for-results approaches and market-based interventions to achieve food security goals. Prior to joining Partnering for Innovation, Laura was Fintrac's Vice President of Field Activities and oversaw implementation of market systems and value chain development programs in Africa, Asia, and Latin America.

## Emily Blynn, Dalberg Advisors



Emily is a Senior Consultant in Dalberg's Washington, DC office. She has experience in areas spanning agriculture, financial inclusion, gender, and health. In addition to her work on the USAID Feed the Future Partnering for Innovation program, she recently worked with the Bill and Melinda Gates Foundation to define a strategy to improve inclusion of women smallholder farmers in agriculture markets. She also worked with a German development bank to estimate the unmet demand for agricultural finance in sub-Saharan Africa. Emily holds a Master's in Public Health from the Johns Hopkins Bloomberg School of Public Health and a Master's in Business Administration from the Johns Hopkins Carey Business School, in addition to a Bachelor's of Science in Foreign Service from Georgetown University's Edmund A. Walsh School of Foreign Service.

## Jeffrey Berger, Dalberg Advisors



Jeff Berger is an Associate Partner at Dalberg Advisors, Co-leader of the firm's Latin America practice, and Office Director in NY. Before leading the review of USAID's Partnering for Innovation program, Jeff led a project for USAID's Center for Transformational Partnerships, which assessed USAID's partnerships with the private sector to better understand what results and/or activities from these partnerships endured two years after a given partnership's formal award period ended. Jeff also recently advised The Bill and Melinda Gates Foundation on taking a systems approach to pursuing agricultural transformation and helped the Millennium Challenge Corporation develop a strategy to attract private sector investment in El Salvador. Prior to joining Dalberg, Jeff was an Engagement Manager at McKinsey & Company where he advised public and private sector clients in Brazil and the U.S. Jeff holds a Master of International Affairs from Columbia University's School of International and Public Affairs and a Bachelor of Arts from McGill University.

## **Overview: Feed the Future Partnering for Innovation**

Objectives and methodology of study

Key findings

Partner company snapshots

Recommendations & next steps



# Feed the Future Partnering for Innovation

**Bringing new agricultural products and services to emerging markets.**

Feed the Future Partnering for Innovation is changing the landscape for supporting agriculture in emerging markets by empowering the private sector to raise incomes and reduce hunger.



## Our Model

- **We build partnerships with agribusinesses** to help them sell new products and services to a market comprising more than 500 million smallholder farmers.
- **We provide the investment assistance, expert guidance, and technical support** that businesses need to expand in emerging markets and create a growing and lasting customer base.



## Our Approach

We consider factors that determine business market success and strive to strengthen each link in the agricultural supply chain through:

- A competitive process to select the most promising partners.
- Pay-for-results agreements with milestones that enable businesses to meet food security and sales goals.
- High-touch partnership management to deliver specific know-how and support strategy development.



## Our Achievements & Impact



**20** Countries



More than **\$99 million**  
in sales of technologies  
to smallholder farmers



**59** Partnerships



Over **1.4 million**  
smallholder farmers benefitting from  
**116** new products and services

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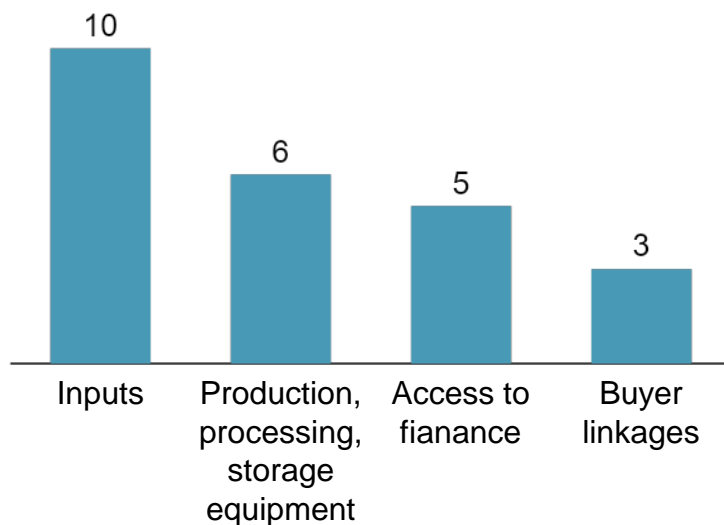
Recommendations & next steps

**Explore whether and how partnerships with donors can improve the ability of private sector companies to market to smallholder farmers, while ultimately pursuing development outcomes:**

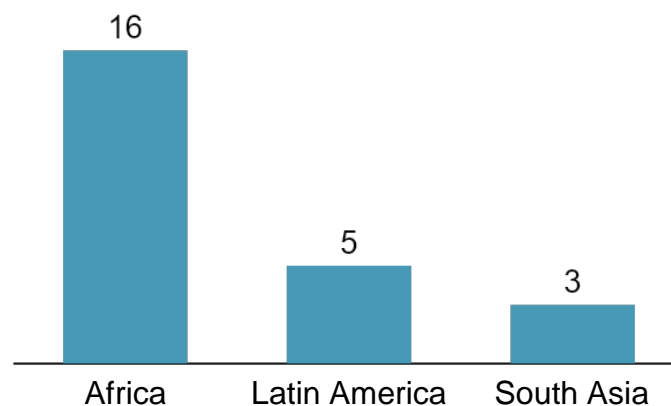
- To what extent did partnering with USAID help private sector companies sustainably market and sell technologies and services to smallholder farmers?
- Which aspects of the partnership helped achieve these outcomes?
- To what extent can donor partnerships with the private sector help address weaknesses in value chains and contribute to development outcomes?

**This report is informed by interviews with 24 of the 50 partner companies, 8 investors, and documents available<sup>1</sup>**

Number of partner companies interviewed by type of product/service offering (n=24)



Number of partner companies interviewed by region (n=24)



(1) Documents reviewed included sales data, exit interviews

## Limitations of this study

- The report is **not intended to serve as a technical guide nor a holistic or causal evaluation** of Partnering for Innovation and its impact on smallholder farmers
- Findings are largely based on the **perceptions of various companies**
- While all interviews covered the same overarching topics, **time constraints did not allow every question to be covered with each partner**; as such, the number of respondents varies between questions

Despite these limitations, preliminary insights and hypotheses can inform future design and implementation, and serve as a starting point for future studies



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## 100%

Companies that **expanded to serve smallholder farmer segment** during the partnership

## 82%

Companies<sup>1</sup> that **more than doubled their sales to smallholder farmers** during the partnership

## 96%

Companies that **still actively sell to smallholder farmers** after the partnership

(1) Of the 11 companies that shared self-reported revenue data; no other revenue data was available for the other companies

Half of companies interviewed continue to **experience substantial growth** since the partnership ended

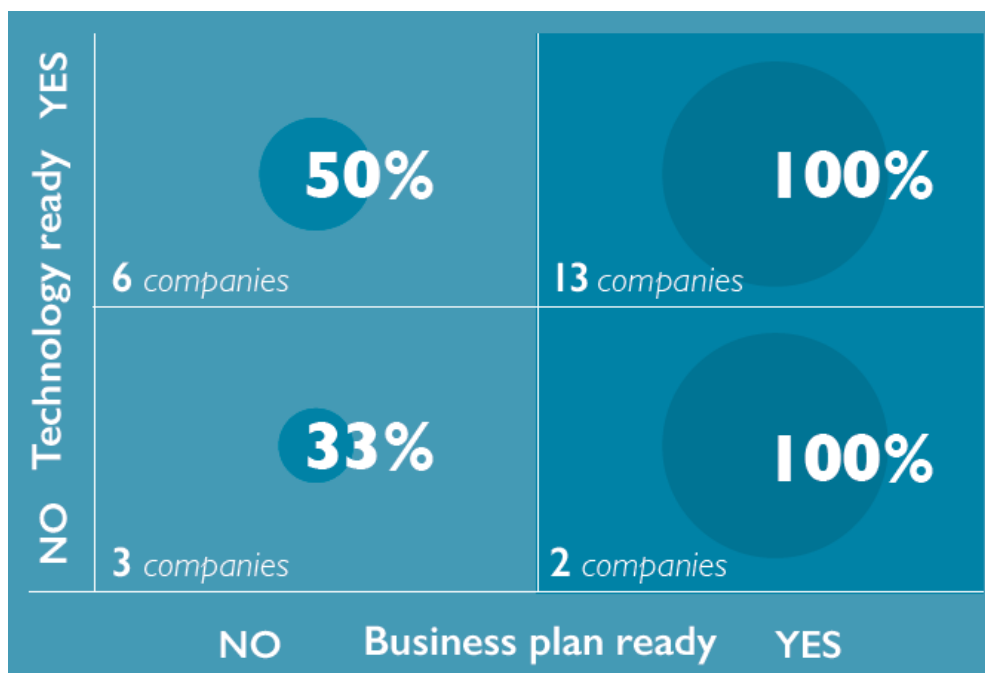
However the degree of continued expansion within the smallholder market segment varies:

- **40 percent of companies continue to maintain operations** and grow slowly
- **Most companies actively continue to invest in scaling** their smallholder farmer customer base



## 19 of 24 companies have achieved profitability or expressed optimism about future profitability in the smallholder farmer market segment

Portion of companies reporting profitability (or projecting to be profitable soon) by aspect of market readiness (n=24)

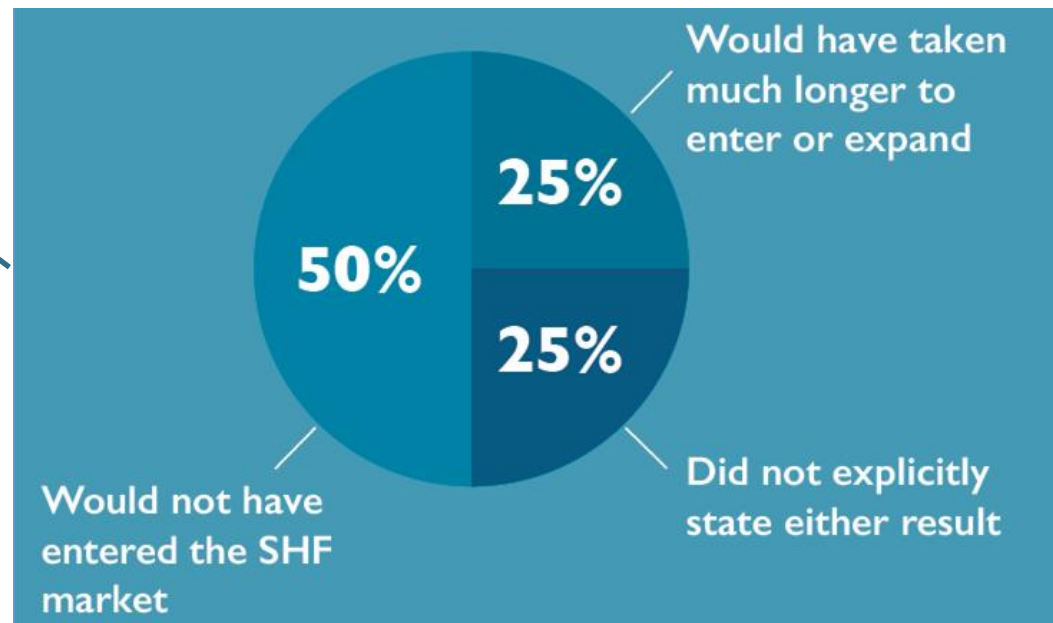




**Companies strongly attributed their expansion to the USAID partnership, which helped de-risk market entry**

Proportion of companies citing impact of partnership on market entry or expansion (n=24)

**Main constraints companies previously faced:** lack of available capital, high cost of capital given perceived risk, internal opposition from management





- **13 of 24 companies interviewed explored external investment<sup>1</sup>** from impact investors or commercial banks after the partnership ended
- **Of these, 7 have successfully secured it**
- **An additional 3 companies reported that they are close to closing an investment**

(1) Crowding in additional investment was not a core focus of the program, however the study looked at the extent to which supporting businesses to expand and improving managerial and operational capacity might indirectly spur additional investor interest



- **100+ technologies were made commercially available** to smallholder farmers
- Resulted in **benefits for 1.4 million smallholders**
- **Companies reported reaching a greater number of farmers**, which improves smallholder productivity, and ultimately supports better incomes and livelihoods



## Observations on impacts for smallholder farmers (2/2)



- **Some evidence that partnerships strengthened markets by stimulating competition** – five companies noted that the USAID partnership drew new companies into the smallholder farmer market segment
- **A few partner companies created smallholder farmer networks** that enabled other companies to more easily sell to them



- **A host of companies in frontier markets today have proven technologies and services**, but require catalytic funding with a high risk appetite in order to enter the smallholder market
- **Donors like USAID are well-positioned to partner with these companies and fill the funding gap** through grants that de-risk entry

- **Companies best suited to this type of funding have**
  - ✓ **ready-to-launch technologies or services**
  - ✓ **some clarity around a go-to-market business plan**
  - ✓ **proposed market entry or expansion activities that require one-time funding**

### Four key features made the Partnering for Innovation investment 'private sector friendly:'

- 1) **Results-based disbursements** provided upon completion of pre-agreed milestones
- 2) **Cost-based total funding** (i.e., amount determined by costs required to achieve desired scale)
- 3) **One-time investment and directly targeted** to commercialization activities
- 4) **Company-matched funding**

**Companies got most value from capacity-building efforts around internal processes** (e.g., strategic planning, business plan development, operational processes for expansion, and creating financial projections)

While aspects of the partnership were viewed as bureaucratic, **nearly all companies felt that the time commitment** was well worth it as the milestone process led to better commercial outcomes



- **Partnering with USAID did not appear to make companies more (or less) attractive to investors;** impact investors expressed that they do not look to donor programs to develop their pipeline
- That said, **donor relationships generally are seen as a valuable sign that a company has a desired level of internal capacity** (e.g., adheres to compliance requirements, meets impact goals)

- **More commercially-oriented investors may perceive grant funding as a warning sign** that a business model is not sustainable
- However, the **size and structure of a grant, along with the way a company uses funding, improves investor confidence**

# *Questions and Answers*

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## Partnership Overview



USAID  
Investment

~\$400,000



Duration

Mar '15-Dec '16



Country

Ethiopia

**Description:** poultry hatchery that produces and sells improved poultry breeds and feed through a network of village-based commissioned sales agents

## Results

- More quickly **scaled hatchery operations and expanded network** of sales agents than would have otherwise
- **Received \$10 million** debt investment from FinnFund

## Learnings

- **Funding amount achieved the right balance** between big enough to be impactful, but not enough to detract from core business
- **Grant management process is helpful in getting company's books in order**, and is positive signal to investors
- **Need for more specific training**, tailored to capacity, stage of growth, and needs
- **Including milestone specific to investor readiness** would make investment more of a focus





## Partnership Overview



USAID  
Investment

~\$690,000



Duration

Mar '17-Aug '18



Country

Kenya

**Description:** company that uses a proprietary mobile platform to connect SHF to informal urban produce markets through a sorting and packing warehouse

## Results

- **Expanded network of rural connection centers by 60%, and can serve 3x the number of SHF**
- **Received \$10 million investment from Wambda Capital**

## Learnings

- **Investments can expand offerings for SHF outside partner companies.** Twiga's warehouses became a source for others to market to SHF.
- **Milestone structure can push companies to evolve their business model.** Twiga's farmer targets shifted their thinking on how to market to SHF as returning customers.
- **More flexibility around milestones,** especially those related to infrastructure, would be helpful.





## Partnership Overview



USAID  
Investment

~\$900,000



Duration

Jan '16-Aug '18



Country

Guatemala,  
Honduras

**Description:** US-based company that develops and markets refrigeration units to small-scale agriculture consolidators and marketers

## Results

- **Without P4I, would not have expanded to Central America**, redesigned product, or developed sales/distribution model for SHFs
- **Sales in Central America are still small**, without enough volume to generate profit; remain subsidized by US sales

## Learnings

- **Smaller-scale, more rapid early exploration phase would have helped** company test/learn about market through seed funding to study SHF market and determine viability
- **Implementing partner with deep understanding of the market is critical** for adapting the product to the market, designing entry strategy, and anticipating challenges

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- **Structure grant funding to be “private sector friendly”** (in line with four principles previously mentioned)
- **Strike a balance** between impact-oriented objectives and commercial goals when developing milestone metrics
- **Tailor capacity building** and focus on core internal processes (e.g., strategic planning, financial projections, operations, etc.)
- **Support companies early on in identifying what their program exit might entail** and co-create a plan for sustainability
- **Take a market systems approach** (e.g., work with companies that are trying to address one or more critical value chain weaknesses that, if solved, could increase efficiency across the entire value chain)







**Build on and refine learnings from this study by:**

- **Improving data collection** at the baseline, during, and after the partnership (e.g., sales data, internal growth data, and long-term profitability and sustainability indicators)
- **Continuing to explore donors' role in driving/contributing to market systems changes**
- **Exploring how the partnership approach can be replicated in other sectors** to solve broader development challenges

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