

INCLUSIVE AGRIBUSINESS: THE STATE OF PLAY

BACKGROUND WORKING PAPER

Prepared for the
Global Donor Platform for Rural Development

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Global Donor Platform
for Rural Development

Note: This is background working document, the content and views expressed are those of the author, based on literature and discussions with a diverse range of stakeholders in the sector, and do not necessarily reflect the views, positions or policies of the Global Donor Platform for Rural Development or its members.

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CONTENT

Executive Summary	2
1 Introduction	5
2 The Global Context	6
3 What is Inclusive Agribusiness?	8
3.1 The Wider Inclusive Business Agenda	8
3.1.1 Inclusive Business in the AgriFood Sector	10
3.2 Inclusive Agribusiness, Value Chains and Markets Systems	13
3.3 The Business Case for Inclusive Agribusiness	14
3.4 Requirements for AgriFood Sector Development	17
3.5 Summary – Articulating Underlying Assumptions and a Theory of Change for Inclusive Agribusiness	17
4 Developments and Results to Date	19
4.1 The Inclusive Agribusiness “Ecosystem” – an Overview	19
4.2 Inclusive Agribusiness Development Programs and Financing Mechanisms	19
4.3 Private Sector Initiatives	21
4.4 Financing Inclusive Agribusiness	23
4.5 Results to Date	25
5 Emerging Issues and Opportunities In Going to Scale	27
5.1 Developing the Evidence Base	27
5.2 Integrating Public and Private Goods	28
5.3 Aligning Policy	28
5.4 Incentives for Business	28
5.5 Mobilising Responsible Investment and the Catalytic Role of Donor Funding	29
5.6 Food Systems Transformation	30
5.7 Effective Multi-stakeholder Partnerships	30
6 Enhancing the Knowledge and Learning for Inclusive Agribusiness	30
6.1 Who Needs to Know What?	31
6.2 Learning Questions	32
6.2.1 Strategic Questions	32
6.2.2 Operational Questions	33
6.3 A Learning Systems Approach	34
6.4 Creating an Effective Inclusive Agribusiness Knowledge and Learning Network	35
7 Implications for The GDPRD and Recommendations	37
 Annex 1. Indicative Directory of Donor Strategies and Initiatives	 39
Annex 2. Initiatives related to Inclusive Agribusiness	53
Annex 3. Key Resources	54
Annex 4. Illustrative Mapping of Initiatives	58

EXECUTIVE SUMMARY

This working paper has been prepared as background for the inclusive agribusiness work stream of the Global Donor Platform for Rural Development's (GDPRD). The paper outlines the concept of inclusive business and its application to the agrifood sector, it maps the current state of play and explores implications for donors and the GDPRD.

Inclusive agribusiness is one perspective or "lens" from which to view transformations in the the agriculture and food sectors. This perspective recognises the critical role the private sector, from small local businesses through to large international corporations, can play in contributing to poverty reduction. It also recognises that the resources of donors and development agencies must be used in catalytic ways to help drive solutions to poverty that can achieve scale through smart use of market solutions. However, public investments and enabling policies are also critically important - the private sector cannot succeed on its own. So inclusive approaches require the matching of public and private investments to achieve both commercial and public good outcomes.

There is a long history of donor support for agricultural value chain and market systems development projects. More recently, for example, the work of the World Economic Forum's New Vision for Agriculture, there is increasing private sector engagement in the issues of inclusive and sustainable agriculture. At times these two "worlds" are intersecting and reinforcing each other, and at others they are operating in parallel and not necessarily sharing the lessons they could.

Inclusive agribusiness provides a perspective that can contribute to a deeper understanding of how to align public and private interests and investments in pursuit of the Sustainable Development Goals.

There is a vast body of experience and knowledge about how agricultural markets can help to tackle poverty and encourage sustainable practices. However, this has not been fully tapped, synthesised and communicated in ways that can help to tackle the ongoing structural barriers of taking inclusive agribusiness initiatives to scale. Consequently, inclusive agribusiness is a field where the GDPRD can potentially make significant contribution through its knowledge sharing, advocacy and networking functions.

An inclusive business benefits poor producers and/or consumers by providing access to markets, services and products in ways that improve their livelihoods, while at the same time being a profitable commercial venture.



Progress on Inclusive Agribusiness

- 1) Widespread renewed recognition that commercial development in the agriculture sector still has a key role to play in helping tackle poverty and driving inclusive growth
- 2) Substantial engagement from leading agrifood sector companies with clear commitments to embedding inclusive and sustainable practices into their core operations.
- 3) Engagement from ministers and heads of state with public acknowledgment of the importance of the sector and the needs for policies that enable inclusive growth.
- 4) The implementation of a vast number of inclusive agribusiness related projects/business initiatives that have generated a broad base of practitioners with a growing understanding of how to put inclusive agribusiness models into practice.
- 5) Numerous business, government, donor and NGO partnerships again with a rich base of experience for future learning.
- 6) A substantial investment by donors into inclusive agribusiness, running in the order of 3–4 billion, funded both directly through agriculture initiatives and indirectly through general market development, and private sector development mechanisms.
- 7) A growing and increasingly interconnected network of senior practitioners from business development organisations and researchers knowledgeable on the subject and motivated to deepen the available evidence and understanding.

Emerging issues and Opportunities

- 1) Developing a sound evidence base to justify investment.
- 2) Better integration public and private goods and costs and with policy aligned to create a supportive environment for inclusive agribusiness.
- 3) Understanding improving the incentive structure for inclusive agribusiness especially for small and medium scale enterprises.
- 4) Mobilising responsible investment and optimising the catalytic role of development finance.
- 5) Driving wider scale food systems transformation through inclusive agribusiness to ensure long term sustainability, secure supply and nutrition and women's empowerment.
- 6) Improving the effectiveness of multi-stakeholder partnerships.

Implications for the GDPRD

There are five areas where the GDPRD could add value in line with its role and focus on knowledge-sharing, networking and advocacy:

- 1) Fostering multi-donor support for integrated evidence gathering and research initiatives that work across donor and international agency programs in a coordinated way underpinned by a framework of indicators and metrics for assessing impact.
- 2) Encouraging and mobilising support for a global inclusive agribusiness learning alliance that better connects and coordinates knowledge sharing and capacity development activities.
- 3) Providing a networking and learning opportunities for the staff of GDPRD members who have operational roles and need to be kept informed of latest developments.
- 4) Keeping abreast of the implications of emerging evidence and research for development policy and programing and fostering high level engagement on these issues.
- 5) Promoting and supporting enhanced coordination and support by donors for national level policy dialogue on creating an enabling environment for inclusive agribusiness.

Recommendations

- 1) The GDPRD proceed with a work stream on inclusive agribusiness and establish a strong network of practitioners within its member organisations that cuts across, agriculture, trade, private sector engagement and market development themes.
- 2) Donors, supported by the GDPRD establish a coordinated mechanism for funding cross program impact assessment, meta-evaluation and research, driven by a knowledge and learning agenda jointly developed by key stakeholders.
- 3) Knowledge institutions and practitioner networks engaged with inclusive agribusiness form a global learning alliance to better coordinate activities reduce duplication and strengthen research activities, capacity development and knowledge sharing
- 4) The GDPRD host a workshop in early 2017 to develop a knowledge and learning agenda for inclusive agribusiness.

1

INTRODUCTION

This working paper has been prepared as background for the inclusive agribusiness work stream of the Global Donor Platform for Rural Development's (GDPRD). The paper outlines the concept of inclusive business and its application to the agri-food sector, maps the current state of play and explores implications for donors and the GDPRD.

It follows from the Annual General Assembly (AGA) pre-event on Investing in Inclusive Agribusiness, Geneva, 19 January 2016. The work has been undertaken in the context of the Platform's new strategic plan that will focus on rural transformation.

There is a long history of donor support for agricultural value chain and market systems programs. More recently the concept of inclusive business has gained traction and the inclusive term is increasingly being used in relation to the agrifood sector and work with small-scale farmers. There is also increasing private sector engagement in the issues of inclusive and sustainable agriculture for example, the World Economic Forum's New Vision for Agriculture with its Grow Africa and Grow Asia initiatives.

Donors are increasingly looking at how they can most effectively catalyse inclusive growth to help overcome poverty through partnerships with the private sector.

There is a vast number of initiatives currently underway that could be considered as "inclusive agribusiness". The paper provides an initial mapping of this work and identifies emerging issues and opportunities.

In particular, the paper highlights a weak and fragmented evidence base regarding impact, which risks undermining the case for the much needed investment to take promising example to scale. Critics note that few inclusive business models have gone beyond pilot stage and reached scale.

The paper has been prepared through desk literature reviews, discussions with representatives from donors and development organisations, outcomes from the AGA pre-event on Investing in Inclusive Business and attendance by the author at the Grow Africa Investment forum and the BEAM Exchange Conference. It was beyond the scope of this initial work to fully consider all programs and activities being supported by donors, instead the focus has been on understanding the emerging broad contours of the field.

Inclusive agribusiness provides a perspective that can contribute to a deeper understanding of how to align public and private interests and investments in pursuit of the Sustainable Development Goals.

2

THE GLOBAL CONTEXT

Agriculture is back on the global agenda as a key driver for sustainable development. For several decades up until the 2008 food price crisis, there was a substantial de-investment in agriculture by the international development community. This was fuelled by views that the economic growth need to overcome poverty would largely come from other sectors.

The 2008 crisis brought a rethinking of the role of agriculture in development and a renewed commitment to the sector. This was reinforced by the analysis such as the World Bank's Development Report on "Agriculture for Development"¹, the FAO High Level Expert Forum² and the UK Government's Foresight report³ on the "Future of Food and Farming".

For many emerging economies, the agriculture sector continues to make a significant contribution to GDP, be an important source of export income, and employs a large proportion of the population⁴ (REF). Some 2-3 billion people at the bottom on the economic pyramid remain highly dependent on agriculture for their livelihoods and ensuring global food security and nutrition is fundamental to global stability and prosperity.

There has been a realisation that while jobs must be created outside agriculture, agriculture will remain a critical instrument of development for decades to come and that it underpins other economic and development processes.

For example, in Sub-Saharan Africa growth generated by agriculture is estimated to be 11 times more effective than reducing poverty than GDP growth in other sectors⁵. Evidence of the increasing importance of agriculture sector can be seen in the African Union's 2014 Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods⁶. The Malabo Declaration was built on the AU's Comprehensive Africa Agriculture Development Programme (CAADP) principles of agriculture-led growth, regional cooperation, evidence-based planning and policy, partnership, and expanded African financial commitments.

However, transformation of the agriculture sector cannot be achieved by governments alone. It requires a coordinated effort by all stakeholders, including farmers, government, civil society and the private sector. The role that agribusinesses need to play is vital: Agriculture and food production systems are largely driven by private sector enterprises be they small-scale farmers, global agrifood companies or small and medium-sized enterprises.

Reflecting a wider trend in development thinking, over the last decade, donors too have shifted their agricultural programming to engage more significantly with the private sector. Programs now typically seek to leverage private sector investment, knowledge and market access to help achieve development outcomes. In part, this reflects a desire for

¹ World Bank. 2007. *World Development Report 2008: Agriculture for Development*. Washington, DC. World Bank

² FAO High Level Expert Forum, 2009. *Global Agriculture to 2050*.

³ UK Government Office for Science, 2011. *Foresight. The Future of Food and Farming*.

⁴ World Bank. 2007. *World Development Report 2008: Agriculture for Development*. Washington, DC. World Bank; DFID. 2014. *Agriculture and Growth – Agriculture and growth evidence paper series*. DFID. London; Adam Smith International. 2015.

Final Report: Agriculture and Economic Growth Study for the Department of Foreign Affairs and Trade. DFAT. Canberra

⁵ World Economic Forum, 2016. *Grow Africa: Partnering to Achieve African Agriculture Transformation*. p. 2.

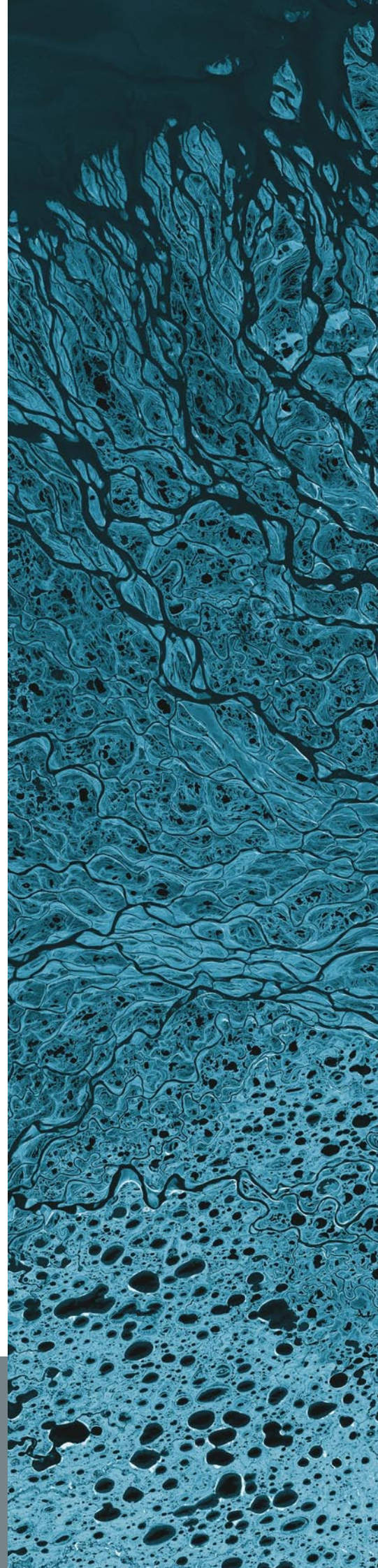
⁶ http://pages.au.int/sites/default/files/Malabo%20Declaration%202014_11%2026-.pdf

donor funding to play a more ‘catalytic’ role in the agriculture sector – that is, to catalyse the changes needed in agriculture value chains for pro-poor outcomes. In part, this reflects a shift with many donor governments to the centre-right, with accompanying emphasis in private sector (rather than government or civil society) driven solutions to address development challenges. From a technical perspective, many donors are now adopting market systems (also referred to as Making Markets Work for the Poor or M4P) approaches in their agriculture programming. Using the market systems approach, agribusinesses are key market actors and are partnered with to drive systemic change in the agriculture sector. The recognition that trade can play a transformative role in many agriculture value chains has also led to many donors funding aid for trade (A4T) initiatives with the aim of supporting developing countries to export their agricultural products.

At the international level, initiatives such as the World Economic Forum’s New Vision for Agriculture⁷ seek to strengthen collaboration through multi-stakeholder platforms such as Grow Africa and Grow Asia.

Simultaneous to these changes in donors, many private sector players –in particular larger agrifood companies– have recognised the importance of developing inclusive and sustainable business models to secure their long term supply base, manage reputational risks and create market growth.

⁷ <https://www.weforum.org/global-challenges/projects/new-vision-for-agriculture/>



3

WHAT IS INCLUSIVE AGRIBUSINESS?

BOX 1
INCLUSIVE BUSINESS
DEFINITIONS⁸**G20 Inclusive Business Framework**

Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BOP) making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers. In addition to these commercially inclusive activities, businesses may also pursue broader socially inclusive goals. Inclusive business should promote sustainable development in all its dimensions – economic, social and environmental.

The Asian Development Bank (ADB)

Commercially viable core business models that provide – at scale – *innovative* and *systemic* solutions to the relevant problems of the poor and low income people.

3.1 THE WIDER INCLUSIVE BUSINESS AGENDA

An inclusive business benefits poor producers and/or consumers by providing access to markets, services and products in ways that improve their livelihoods, while at the same time being a profitable commercial venture. The term was given prominence by the **World Business Council for Sustainable Development** as far back as 2005 and has become a widely understood concept that bridges the interests of business and development organisations. Inclusive business was a significant focus of the **G20 Development Working Group** during Turkey's 2015 presidency.

Given the requirement for scale and systemic change, inclusive business goes well beyond philanthropy and corporate social responsibility (CSR)⁹. It aims to integrate inclusive approaches into the core commercial operations of a business. It recognises that better functioning markets for the 4 billion or more people at the bottom of the economic pyramid is a key to tackling poverty and inequality while also creating opportunities for business growth.

As the ADB highlights, there is a need for clarity on the terminology around inclusive business¹⁰. The G20 framework¹¹ distinguishes between:

⁸ <http://www.inclusivebusinesshub.org/page/ib-asia-definitions>

⁹ *ibid*

¹⁰ Bauer, Armin, 2015. *The under-exploited potential of Inclusive Business in Asia*. Blog post on The Practitioner Hub on Inclusive Business.

¹¹ G20 Development Working Group, 2015. *G20 Inclusive Business Framework*, p. 5

- **IB models** as commercially-viable and scaled-up core business models often promoted by medium-sized family-owned national companies or as a dedicated business line of larger companies
- **IB activities** as smaller non-core actions of companies to promote social and/or environmental purposes, and often sponsored through CSR; and
- **IB initiatives** as for-profit or not-for-profit work with the poor and low income people, often locally focused without scale and bankability, often promoted by social enterprises.

There is a need to define *what is*, and *what is not*, an inclusive business as many businesses do involve the poor (as customers, suppliers, workers or distributors) without providing innovative or systematic solutions to tackle the challenges faced by poor and low income people¹². For example, do businesses have to reach a certain number of poor people to be considered inclusive and is this in absolute terms or a proportion of those reached¹³? Using the G20 definition, *IB models* need to be commercially-viable and scalable solutions, while *IB activities* and *initiatives* may be smaller in impact and often commercially not viable or not core business work.

For the poor and for businesses there are many barriers – many of which are structural – to creating inclusive business models. The G20 Development Working Group (2013) notes four broad policy constraints in doing business with low-income communities: limited information about the target market; missing or burdensome regulations, while market informality can make it difficult to establish formal business relationships; incomplete public structures and capacity such as transportation

TABLE 1
DIFFERENCES BETWEEN INCLUSIVE BUSINESS MODELS, ACTIVITIES AND INITIATIVES¹⁴

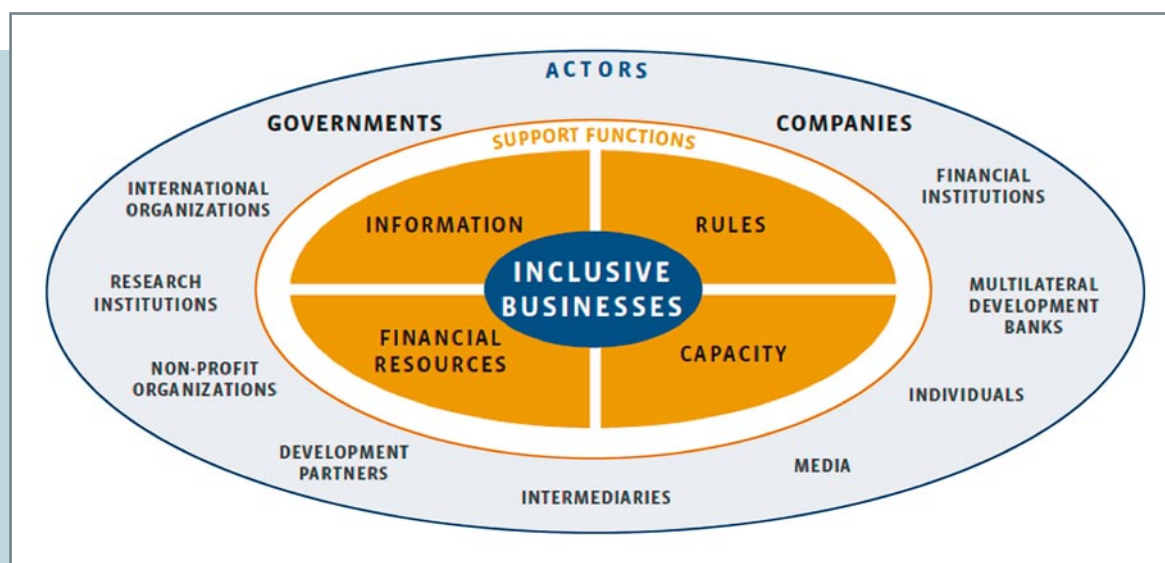
	INCLUSIVE BUSINESS MODELS	INCLUSIVE BUSINESS ACTIVITIES	SOCIAL ENTERPRISE INITIATIVES
BOP's Relationship to Business	Core Value Chain	Ancillary	Ancillary or Core Value Chain
Financial Returns Expectations	Market Returns	Market returns or Below Market Returns	Not Profit Maximizing
Primary Funding Type	Commercial	Commercial	Mixed

12 Also see Wach, Elise, 2012. *Measuring the Inclusivity of Inclusive Business*. IDS Practice Paper 9

13 Wach, 2012.

14 G20 Development Working Group, 2015. *G20 Inclusive Business Framework*, p. 5

FIGURE 1
G20'S INCLUSIVE BUSINESS ECOSYSTEM¹⁵



systems, energy grids or healthcare services; and limited financial resources and access to further finance, both to fund company growth and allow low-income groups to actively participate in markets (see diagrammatic representation in Figure 1).¹⁶

The G20 work also identified policy related constraints to inclusive business as outlined in table 2¹⁷ (see page 11).

Many donor agencies and development organisations, including DFID, SIDA, SDC, Canadian Global Affairs, and Australian DFAT, now have strategies of using market systems approaches to help achieve development outcomes. This reflects on one hand a philosophy of economic empowerment, rather than only charity, and on the other realisation that reducing poverty at a significant scale can only be achieved through addressing systemic constraints in markets and changing how markets work for the poor.

3.1.1 Inclusive Business in the AgriFood Sector

Inclusive agribusiness is simply the inclusive business idea applied to the agriculture and food sectors. This document, take a broad definition of 'inclusive agribusiness'. Using the G20 distinctions, inclusive agribusiness is "an inclusive business model, activity or initiative within agrifood market systems, at local, national, regional or international scales, that seek to achieve pro-poor outcomes while being commercially profitable for the business entities involved".

From this perspective it is important to clarify that inclusive agribusiness is not just what businesses do but includes how business, government, development organisations partner and invest to create the incentives for viable inclusive business models. It would perhaps be more accurate to talk of creating inclusive agrifood markets, however to align with the broader work on inclusive business in makes

¹⁵ Ibid.

¹⁶ G20 Development Working Group, 2013. *Policy Note on Inclusive Business Policies: Recommendations for Governments and Donors*. p. 2-3, as summarised in the *DCED Synthesis Note* on inclusive business models.

¹⁷ From http://www.g20challenge.com/wp-content/uploads/2013/09/G20_Policy_Note_on_Inclusive_Business_Policies_G20_Summit_September_2013.pdf

TABLE 2
CONSTRAINTS TO INCLUSIVE BUSINESS

Type of approach \ Type of constraint	INFORMATION	RULES	FINANCIAL RESOURCES	STRUCTURE AND CAPACITY
Enable companies to enter low-income markets	<ul style="list-style-type: none"> • Data • Research • Peer learning 	<ul style="list-style-type: none"> • Overarching policy frameworks • Legal forms • Industry regulation • Standards 	<ul style="list-style-type: none"> • Market-rate credit 	<ul style="list-style-type: none"> • Infrastructure
Encourage companies to invest in inclusive business	<ul style="list-style-type: none"> • Awards 	<ul style="list-style-type: none"> • Obligatory inclusion 	<ul style="list-style-type: none"> • Subsidies and tax relief • Impact investing funds • Guarantees • Public procurement 	<ul style="list-style-type: none"> • Development partnerships
Empower low-income people to participate in markets	<ul style="list-style-type: none"> • Awareness raising 	<ul style="list-style-type: none"> • Formalizing informal markets 	<ul style="list-style-type: none"> • User subsidies • Insurance schemes 	<ul style="list-style-type: none"> • Capacity building

sense to keep with the business term. It also reinforces that in the end it is businesses who implement inclusive strategies and that the whole idea only works if it is commercially viable for them.

In 2012, the Seas of Change international learning workshop brought together 100 leaders from business, development organisations, government, farmers' organisations and research for an exchange of experiences, innovations and questions around inclusive agrifood markets (business). This work led to the criteria below for inclusiveness in the sector. Since this workshop, there has been a growing body of work on inclusive agribusiness. For example,

the UN Food and Agriculture Organisation (FAO) developed and piloted their inclusive business model (IBM) approach across 16 countries (see their definition of an IBM in Box 3, page 12). Similarly, GIZ developed a guide to inclusive business that is aimed at helping companies interested in developing business relationships with smallholders¹⁸.

The agrifood sector has very significant opportunities from an inclusive business perspective, but also significant challenges. There are some 500 million small scale farmers on whom the over 2.5 billion people directly depend and seventy percent of the poor still living in rural areas and depend largely

¹⁸ GIZ. 2012. *Growing Business with Smallholders, A Guide to Inclusive Agribusiness*. GIZ. Bonn

BOX 2

WHAT IS AN INCLUSIVE AGRI-FOOD MARKET OR BUSINESS? – SEAS OF CHANGE, 2012¹⁹

Agribusinesses are inclusive when they:

1. Create opportunities that enable small-scale farmers and their cooperatives to become economically viable business partners in supply chains.
2. Support small- and medium-scale enterprises to flourish as processors and service providers along the supply chain.
3. Provide employment opportunities under fair labour conditions.
4. Establish agri-clusters/centres that help to drive overall rural economic prosperity.
5. Deliver healthy, affordable, accessible food products and services for low-income consumers in rural and urban areas.
6. Give all stakeholders and in particular marginalised groups (small-scale farmers, women, youth, unorganised labour) a voice in governance and investment.

BOX 3

WHAT IS AN INCLUSIVE BUSINESS MODEL? – FAO 2015²⁰

An inclusive business model:

1. provides a living wage for vulnerable groups, such as smallholder groups, small enterprises, women- and youth-run enterprises, while also enabling buyers to profit;
2. uses flexible trading arrangements that make it easier for smallholders or MSEs to supply a buyer, such as cash on delivery, accepting small consignments, providing reliable and regular orders;
3. supports farmers and small enterprises to establish a stronger negotiation position through skills development, collective bargaining and access to market information and financial services;
4. builds on the skills and expertise of existing market players, including traders and processors, and promotes value chain collaboration, transparency in pricing mechanisms, and risk sharing;
5. is scalable in the medium-term so that the numbers of small actors involved can be increased and/or the type of business model can be replicated in other value chains or parts of the sector;
6. allows for diversified income streams in the long term to enable the dissemination of upgraded skills to the rest of the sector, avoiding overdependence on any single buyer or market outlet.

¹⁹ Woodhill et al, 2012. *From islands of success to seas of change: a report on scaling inclusive agri-food markets*. Seas of Change Initiative p. 4

²⁰ FAO, 2015. *Inclusive business models – Guidelines for improving linkages between producer groups and buyers of agricultural produce*, by Kelly, S., Vergara, N. & Bammann, H. Rome, Italy. p.4.

on agriculture for their livelihoods. Consequently, linking small-scale farmers into new market opportunities can have a significant impact on poverty. And there are also many opportunities for pro-poor economic development along the entire supply chain.

The agrifood sector has particular features and challenges that require unique approaches and innovations when developing inclusive business.

These include:²¹

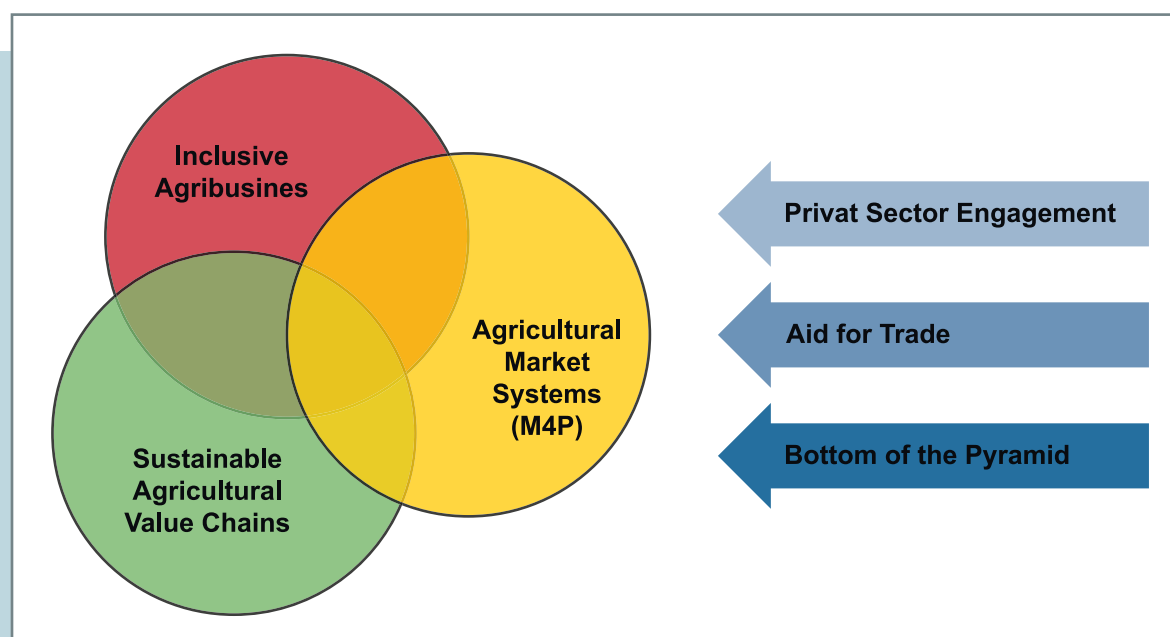
- high levels of uncertainty and risk due to dependence on weather conditions and global market forces;
- a dispersed supply base involving large numbers of producers. Aggregation and bulking can often be cost ineffective;
- limited human capacity

- a dispersed client base for goods and services such as agricultural inputs, credit, training, market information and so on;
- product perishability, requiring process, storage and logistical systems;
- high levels of agricultural and food waste;
- requirements of global agricultural trade systems, including sanitary and phytosanitary standards, that must be met.

3.2 INCLUSIVE AGRIBUSINESS, VALUE CHAINS AND MARKETS SYSTEMS

Inclusive agrifood business overlaps with a range of other concepts including making markets work for the poor (M4P) now often referred to as the market systems approach, the Bottom of the Pyramid (BOP), and sustainable value chain development, see Figure 2. While some businesses use the term ‘inclusive’ others embed the idea in the broader concept of sustainable supply chains.

FIGURE 2
KEY CONCEPTS



²¹ Adapted from Woodhill, J. et al, 2012. *From islands of success to seas of change: a report on scaling inclusive agri-food markets*. Centre for Development Innovation, Wageningen UR

TABLE 3
EXPLANATION OF CONCEPTS

CONCEPT	FOCUS	TYPICAL IMPLEMENTATION MECHANISMS
Inclusive Agribusiness	Businesses (of all scales) changing the way they operate and invest to be inclusive of the needs and economic opportunities for poor people. The focus is on the incentives for business to operate in this way and how this can be influenced by policy, advocacy and the funding mechanisms of development agencies.	Explicit business sustainability/ inclusiveness strategies; business platforms (Grow Africa/Grow Asia; commodity round tables); public private partnership funding mechanisms (enterprise challenge funds, granting mechanisms; Sustainable Trade Initiative); Impact investment and social entrepreneurship; innovative development financing (equity, underwriting risk, soft loans); business development services; enabling policy.
Sustainable Agricultural Value Chains	Improving the coordination communication and incentives between actors along value chains to improve efficiency, sustainability and access for poor producers.	Stakeholder platforms for value chain coordination; facilitation of market linkages; organisation of small scale producers; financial services for producers; improved agricultural extension;
Agricultural market systems	Intervening in market systems to create systemic changes so that the market works in a beneficial way for poor consumers and producers and be commercially viable.	Donor funded market development programs that target specific market opportunities and facilitate market linkages and broker deals with private sector actors to achieve pro-poor impact

3.3 THE BUSINESS CASE FOR INCLUSIVE AGRIBUSINESS

The World Bank estimates that by 2030 agriculture and agribusiness in Africa will grow to a US\$1 trillion industry, up 3 fold from 2010²². This is a vast economic opportunity for local African businesses, farmers, and national economies as well as for trade and foreign investment. In Asia, while the agribusiness sector is less significant in terms of

overall GDP the Asian Development Bank²³ notes that it remains critical to the long term economic structural change in the region due to continuing high levels of employment in the sector.

Broadly the business case for inclusive agribusiness is that with growing demand for agricultural and food products and constrained resources the world's small-scale producers (along with small-scale entrepreneurs along the food chain) will be key to meet-

²² World Bank. 2016. Enabling the Business of Agriculture 2016: Comparing regulatory good practices. World Bank. Washington DC

²³ ADB, 2013, Agriculture and Structural Transformation in Developing Asia: Review and Outlook

ing future demand. In reference to sustainable food value chains, David Niven from FAO has illustrated the overall economic and food security benefits from greater commercialisation of small-scale agriculture as illustrated in Figure 3 below.

The inclusive business case for agrifood sector firms is driven by three main dimensions:

- 1) **Securing a supply base:** With rapidly growing demand for agri-food products, businesses will need to stabilise their supply base by using the potential of small-scale producers and processors
- 2) **Market growth:** Generating a positive spiral of wealth with large numbers of people at the base of the economic pyramid, which creates new markets for business
- 3) **Reputation management:** Businesses are able to enhance and protect their reputations for social responsibility and ensure a 'licence to operate' in the face of growing public scrutiny of business practices and rapid communication technologies.

The business case for inclusive agribusiness needs to be considered from the perspective of different market actors with the following 6 groups being particularly critical (see Table 4, following page):

- 1) small-scale producers and micro-enterprises (and their organisations)
- 2) national and regional agribusinesses
- 3) multinational agribusinesses
- 4) financial service companies
- 5) national governments
- 6) donors and development organisations

Further, inclusive agribusiness depends on investment from, and relations and partnerships between these different groups and will only be successful when there is a clear business case for all actors, given public and private interests, in a particular market context.

FIGURE 3
THE SUSTAINABLE FOOD VALUE CHAIN DEVELOPMENT PARADIGM

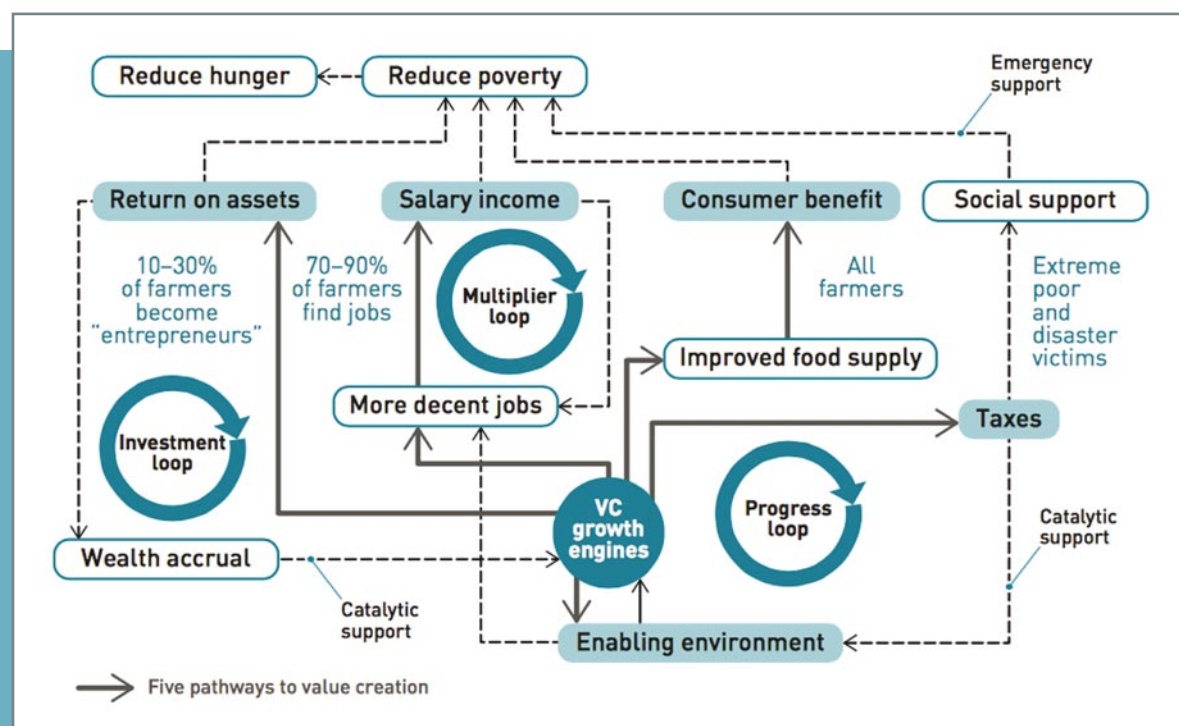


TABLE 4
OPPORTUNITIES AND RISKS FOR MARKET ACTORS

MARKET ACTOR	OPPORTUNITIES AND BENEFITS	RISKS AND CONSTRAINTS
Small-scale Producers and Micro-Enterprises	new market opportunities; increased income; access to technical advice, inputs and finance; guaranteed contracts	marginal income increase; unfair/exploitive contractual arrangements; dependency on single buyer; benefits mainly flow to already better endowed producers; lack of organisational capacity; limited public infrastructure and services
National and Regional Agribusiness	Reliable access to better quality supply, new market opportunities, increased profitability, brand identity	Side selling by producers, limited return on inclusive practices, lack of knowledge and resources to engage, poor business enabling environment
Multinational Agribusinesses	Reliable access to better quality supply, new market opportunities, increased profitability, brand identity, social licence to operate, access to dialogue with government, managing global reputational risks	Side selling by producers, limited return on inclusive practices, embedding across entire business operation, negative campaigning by NGOs, poor business enabling environment
Financial Service Companies	New market opportunities, increased profits	High transaction costs, high agricultural risks, poor understanding of agricultural sector
National Governments	Reduction of rural poverty, increased taxes, greater foreign investment, increased export income	Lack of large scale impact on poverty, free riding by private sector, wealth/resource capture by elites, NGO criticism, lack of resources to provide infrastructure and services, weak capacity to develop enabling policy
Donors and Development Organisations	Greater impact on poverty through mobilising private sector resources and market forces, creation of more sustainable solutions to poverty	Unable to reach the poorest, limited scale of impact, association with exploitive/unsustainable practices by business, NGO criticism of working with private sector, inability to align funding mechanisms with market/private sector needs; lack of capacity to work with the private sector

3.4 REQUIREMENTS FOR AGRIFOOD SECTOR DEVELOPMENT

It is important to recognise that inclusive agribusiness is no panacea to the wider requirements and challenges of agricultural development. Broadly, an integrated set of public and private investments are needed to:

- Raise awareness, understanding and commitment for agricultural development
- Develop agricultural technology and management practices
- Provide advisory services, extension and develop capacity
- Create access to financial services
- Create access to agricultural inputs
- Provide transport, market and processing infrastructure
- Create enabling policies and regulations

BOX 4 PERENNIAL CHALLENGES FOR AGRICULTURAL DEVELOPMENT

- Poor rural infrastructure
- Limited access to financial services for small-scale producers, micro-entrepreneurs and SMEs
- Poor rural services
- Lack of secure and land tenure
- Gender inequality
- Corruption
- Poor social protection

3.5 SUMMARY – ARTICULATING UNDERLYING ASSUMPTIONS AND A THEORY OF CHANGE FOR INCLUSIVE AGRIBUSINESS

- Agriculture continues to play an important role in the economies of low and middle income countries and remains a critical sector for tackling poverty, reducing inequality and enabling women's economic empowerment.
- A socially inclusive and environmentally sustainable commercial transformation of small-scale agriculture is required to realise the potential of agriculture for inclusive development
- This transformation requires:
 - Structural change recognising that the route out of poverty for many will be to leave agriculture, while for others they will need to scale up to be more market oriented and commercially viable.
 - Maximising the benefits the poorest of the poor can realise from agriculture in the short term to provide pathways out of poverty for next generations.
 - Optimising the role of agriculture as a driver of vibrant rural economies with value adding and service sectors, integrated with the off farm-economy, to maximise employment opportunities in rural areas.
 - Creating conditions for responsible investment in the sector by small, medium and large scale businesses.
 - Creating business models and livelihood strategies that help to economically empower women and create agriculture and rural sector jobs for youth.

- Ensuring resilient local and global food systems, that can ensure food demands can be met at affordable prices for rural and urban populations in the face of climate change, natural disasters disease outbreaks and extreme market volatility.
- Creating food systems that enable good nutrition
- To drive this transformation there is a need to shift focus from agricultural production to agricultural value chains markets that connect business and investment from production through to consumption in an inclusive and sustainable way.
- The scale of the change needed is such that it will only occur through using the catalytic force of markets and private sector investment.
- Strong enabling policies are needed to enable both private sector investment and to ensure agricultural development is social and environmentally desirable.
- Business and policy dialogue are essential for driving inclusive and sustainable business approaches and creating supportive policies and there is a need for public private partnerships to better integrate public good and private good outcomes from the sector.
- There are a series of key constraints to realising the potential of more inclusive and sustainable agricultural value chains that need to be overcome, these include:
 - limited capturing and sharing of lessons from and between projects,

- development organisations and knowledge institutions lacking the capabilities to analyse development market opportunities and to engage effectively with private sector players,
- weak enabling policy environment,
- limited knowledge by business players about how to make their operation more inclusive and sustainable and lack of an evidence base to justify investment or changed practices.
- These constraints require strategic level engagement and often regional collaboration and dialogue that bring business, government, civil society and research players together.
- To engage effectively such players need to develop their own capacity and have access to good information.

4 DEVELOPMENTS AND RESULTS TO DATE

4.1 THE INCLUSIVE AGRIBUSINESS “ECOSYSTEM”

The inclusive agribusiness field has evolved rapidly over recent years, particularly since the 2008 food price crisis. As illustrated in Figure 4, there is now a wide range of interconnected initiatives being supported by individual businesses, governments, business platforms, donors, NGOs, multilateral organisations, foundations and research institutions.

This has resulted in thousands of specific projects working to link small-scale producers with markets to help tackle poverty. These have been initiated through a combination business, NGO, and donor program efforts. To date most efforts of business to work explicitly in an inclusive way (as opposed to simply buying from or selling to small-scale producers have been linked to some form of donor or philanthropic financing.

As detailed below many large agrifood business firms have specific strategies and programs addressing inclusive practices in their supply chains, which are also supported by a range of business platforms. There is a wide array of programs from donors and international agencies that either directly or indirectly support inclusive agribusiness.

Most NGOs involved in agriculture and rural development have established value chain and market development programs and increasingly work in

partnership with agri-food sector businesses. There is a broad spectrum of the roles and philosophies NGOs bring to their work in this space from those who are working collaboratively with largely corporations to those who play a more critical advocacy role. The rich diversity of NGO work provides a vitally important context for the development of inclusive agribusiness business especially around creating transparency and standards, bringing a critical voice, helping to build capacity and supporting multi-stakeholder partnerships.

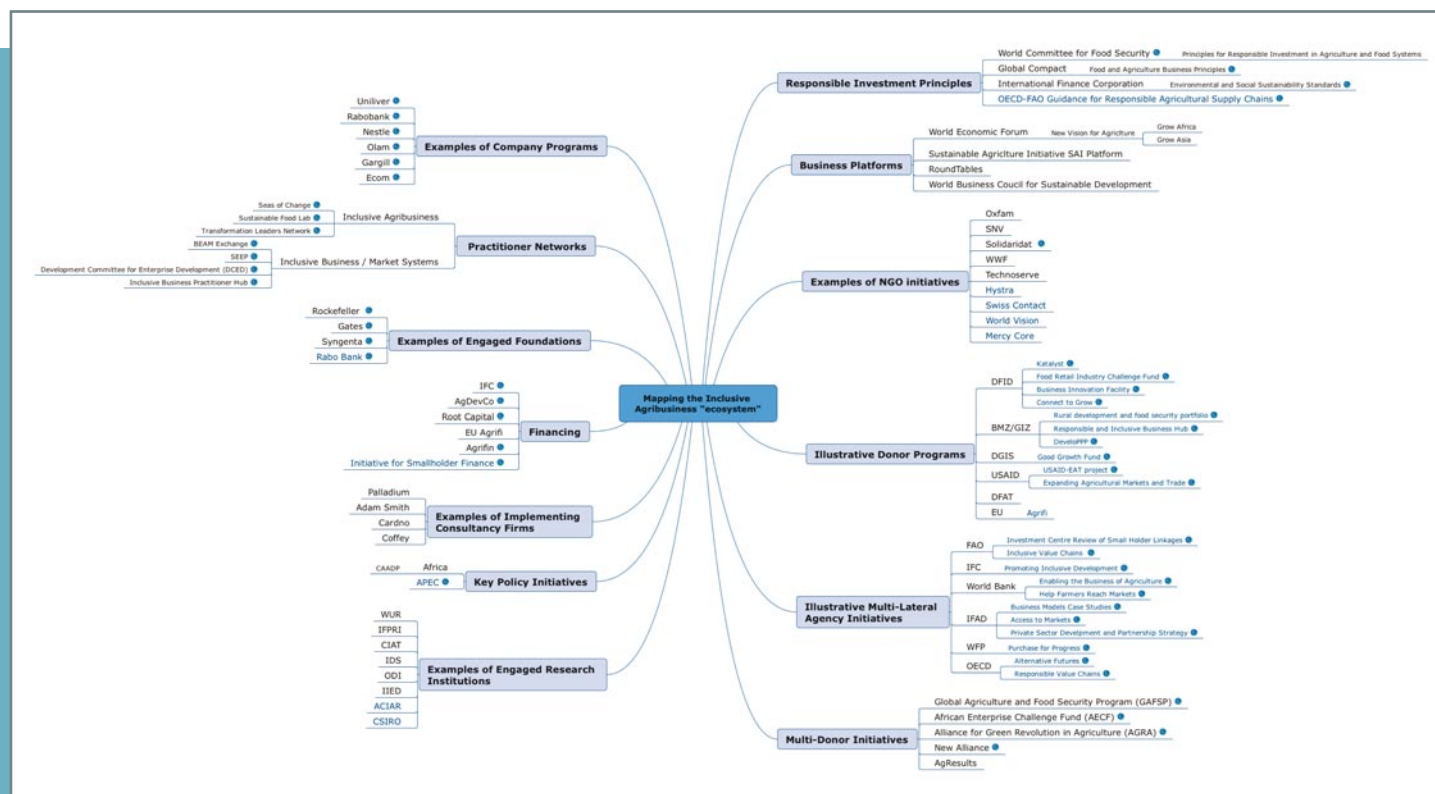
There are at least seven significant practitioner knowledge hubs/networks, some of which are agriculture focus and other that are inclusive business/market systems focus but still with a significant agriculture sector engagement.

Many universities and research institutes have research programs focused on various aspects of inclusive agribusiness. These range from academic studies to very applied work that is of more relevance to business players. There is an emerging alliance between a number of institutes. However, overall the field still lacks investment in a coordinated applied research effort.

4.2 INCLUSIVE AGRIBUSINESS DEVELOPMENT PROGRAMS AND FINANCING MECHANISMS

Through a diversity of mechanisms bilateral donors, multi-lateral agencies, development banks and foundations are all heavily involved in supporting and financing inclusive agribusiness initiatives (although they may use the terminology of value chains or market systems). Currently there is no overview of this support and it comes variously from thematic work that includes agriculture and food security, rural development, market develop-

FIGURE 4
MIND MAP OF ILLUSTRATIVE INCLUSIVE AGRIBUSINESS INITIATIVES



ment, financial inclusion, improving the enabling business environment and private sector engagement. Broadly this work is split between initiatives that are agriculture specific and those that are private sector and market oriented but which nevertheless have a significant agriculture and food focus because of the sectors importance for poverty reduction.

Assessing the scale of funding for inclusive agribusiness is difficult. There is no specific OECD Development Assistance Committee (DAC) code for inclusive agribusiness. Further complicated by donor funding for inclusive agribusiness coming from across agriculture, private sector development and trade budget lines. Judging on the size of some

key programs and the overall size of donor expenditure on the agriculture sector funding related inclusive agribusiness could well be in excess of US 3 billion per year. This would be for inclusive agribusiness programs where there is some form of partnership or engagement with private sector actors to drive more inclusive practices in business operations. Expenditures that help to create an overall enabling environment for inclusive agribusiness would be much higher and arguable include the entire development spend on the agriculture sector.

Annex 1 provides an overview of different programs and initiatives by key donors and multi-lateral agencies in the inclusive agribusiness space.

Figure 4:

Note: this is illustrative of the dimensions of inclusive agribusiness and not intended to list all initiatives.

The details of this mind map can be viewed in Annex 4 and is available online at <http://www.xmind.net/m/sCmZ>

Broadly this support falls into 4 categories:

- 1) **Value chain and market development programs:** these are initiatives focused on a specific value chain or markets mostly in one country and generally funded by individual donors, working through implementing consultancy firms or civil society organisations. The large bulk of the funding for inclusive agribusiness is tied up in these programs.
- 2) **Support for business platforms:** Donors are also supporting a range of business driven platforms that encourage inclusive agribusiness. These include the work of the World Economic Forum's New Vision for Agriculture Grow Africa and Grow Asia initiatives and commodity round tables. While strategic, the level of funding for these initiatives is quite small relative to support for value chain and market development programs.
- 3) **Specific initiatives:** There are a number of specialised initiatives that have been set up to support inclusive agribusiness most notably, the New Alliance and the Sustainable Trade Initiative.
- 4) **Multi Donor Trust Funds:** These include initiatives such as the Global Agriculture and Food Security Program (GAFSP), in particular its private sector window, the Multi-donor Trust fund for CAADP and the African Enterprise Challenge Fund (AECF)

This donor support seeks to address a wide array of challenges or barriers to inclusive business (see Table 5)²⁴. Actions target a range of actors, from smallholders to SME value chain actors to big agribusiness. Their ultimate aim may be to support smallholders as producers, or as consumers of inputs such as irrigation, fertiliser, financial products, or ICT products.

An ongoing challenge for donors and the public sector is to find ways of working with the private sector that ensures “additionally” in terms of impact on poverty. It is clear that the private sector is critical for achieving inclusive and sustainable development in the agriculture and food sectors.

However, finding mechanisms for effective partnering and co-investment that are transparent and avoid any reputational risks for the use of public resources is an ongoing challenge.

4.3 PRIVATE SECTOR INITIATIVES

Most large global agri-food sector companies, for example, such as Unilever, Nestle, Olam, Rabobank, Swiss-Re and Syngenta, have company plans for how they will work in an inclusive and sustainable way in the sector. These plans are driving change within how companies operate internally and leading to collaboration with other companies and stakeholders.

Alongside individual company efforts are business platforms. These include, The World Economic Forum's New Vision for Agriculture, the Sustainable Agriculture Initiative Platform (SAI), the Sustainable Food Lab and a range of sector specific round-

²⁴ See also IFC, 2010. *Inclusive Business Solutions: Expanding opportunity and access at the base of the pyramid*, p. 3-4 for inclusive business solutions that are not specific to the agriculture sector.

TABLE 5
EXAMPLES OF DONOR INCLUSIVE BUSINESS INITIATIVES

CHALLENGES THAT THE IB INITIATIVES SEEK TO ADDRESS	EXAMPLES OF ACTIONS	EXAMPLES OF DONOR INITIATIVES
1. Smallholders' poor linkages to value chains (as producers and consumers)	Support to farmers' cooperatives or other forms of aggregation, quality improvement, joint marketing, designing appropriate products (e.g., smaller fertiliser sachets, low cost irrigation)	Value chain and M4P programs of many donors, e.g., GIZ's Africa Cashew Initiative, DFID's Katalyst program, DFAT's PRISMA program, Europeaid's Small Farmers' Organisations in Africa Program (SFOAP)
2. Poor linkages to global value chains	Working capital, certification programs, improving traceability, trade facilitation, multi-stakeholder platforms, matchmaking services between businesses or with funders	DFID's Food Retail Industry Challenge Fund (FRICF), The Sustainable Trade Initiative (IDH), ASEAN's Standards in Southeast Asian Food Trade, IFC's loans and technical assistance, BMZ's 'Cotton made in Africa' initiative, DFID's Connect to Grow, Business Call to Action (BCtA), WEF's Grow Africa and Grow Asia
3. Lack of capital (for agribusinesses)	Development capital, enterprise challenge funds, fund matchmaking services	Africa Enterprise Challenge Funds, African Agriculture Fund, BMZ's develoPPP.de, IFC, GAFSP's Private Sector Window
4. Lack of information, financial resources or services for smallholders	Mobile phone price information systems, financial services for smallholder farmers	DFID support for Safaricom's M-Pesa, BCtA pledge by Thomson Reuters to develop an agricultural information tool for farmers
5. Lack of infrastructure	Improved transport, ICT, storage facilities	Loan programs of AfDB, ADB, and World Bank
6. Lack of access to technology	Technology transfer, agriculture research for development (AR4D) programs	USAID's Ag TechXChange, DFID's Agriculture Technologies Catalyst Fund

table platforms (e.g. palm oil, fisheries, cocoa, soy). There are also a range of business initiatives promoting inclusive business generally and not specifically focused on the agriculture and food sectors, these include, for example, the World Business Council for Sustainable Development (WBCSD), Business Fights Poverty.

Over the last 5 years, the work of the World Economic Forum's New Vision for Agriculture has gained momentum with the establishment of the Grow Africa and Grow Asia and the Transformation Leaders Network. This work is being supported by USAID, DFID, DGIS and Canadian DFATD and Australian DFAT. In September 2015 an ASEAN Regional Roundtable on Inclusive Agribusiness was held linked with the establishment of Grow Asia. The GDPRD was an active partner in this roundtable.

To date larger international agrifood companies have been at the forefront of inclusive agribusiness initiatives and gained most of the attention. In part this has been driven by consumer demands of Northern markets. There is now an increasing number of local businesses becoming engaged, however the scale of this engagement is currently hard to assess.

4.4 FINANCING INCLUSIVE AGRIBUSINESS

Limited finance for agriculture is widely recognised as one of the key constraints for development of the sector in general and in particular for inclusive agribusiness and the linking small-scale farmers to markets. There are now a wide range of initiatives across donors, development banks, NGOs and the

BOX 5 MANAGING RISKS IN DONOR-FUNDED INCLUSIVE AGRIBUSINESS INITIATIVES

Partnering with business is always going to be a contentious issue for donors and NGOs. On the other side, for business demonstrating the results from their stated commitments to responsible, inclusive and sustainable practices is import for their brands and for a social licence to operate.

Inclusive agribusiness does have its risks or what Oxfam has called moral hazards. These potentially include creating a veil for exploitive practices; debate and policy influence being dominated by powerful interests; problems in the global food system being reduced to technical focus while ignoring deeper political economic issues; the critical voice of development organisations being co-opted due to partnerships with business; or development efforts being side-tracked away from where they can have the most benefit for the most in need.

Recognising and avoiding these hazards is essential to gain broad stakeholder support for innovative partnerships between the public and private sectors. Especially in an era where the boundaries between public and private goods increasingly overlapping. Ways of doing this include having clearer vision of the role and transformation of small-scale agriculture; clarifying the public and private good aspects; investing in transparency and accountability mechanisms; encouraging a strong civil society voice; and ensuring open and effective processes of multi-stakeholder engagement.

BOX 6

REFLECTIONS ON FINANCING INCLUSIVE BUSINESS (IB) FORUM THE 2ND ASIA INCLUSIVE BUSINESS FORUM

Investments in IB are expected to increase rapidly in the next years. However IB will remain – by volume – a niche asset class, where good money can be made and lots of social impact created. While the number of IB investments will increase and new investors come in, IB cannot become the main business line of large banks or development banks, given the relatively small size (\$3–\$50 million) of deals.

Development banks are strong actors in promoting the IB agenda: Development finance institutions like ADB, IFC, IADB and bilateral development banks are increasingly interested in IB as an investment case for their private sector and for their sovereign operations. Governments and development partners, however, ask development banks to provide more than just financing and also engage more actively in the enabling environment for IB. Development banks can do this only if they are equipped with additional grant funding.

Commercial banks can do more but need to know better: Apart from impact investors, commercial banks are also getting increasingly interested in the IB space. Their important roles in scaling businesses of different sizes, and adapting their processes to IB was highlighted. However, the sum of their investments is still small, given the small number of bankable deals, risk perceptions in the sector, and investment procedures that somehow disfavour smaller deals in the range of \$3–\$50 mn which are typical for IB models. The meeting included a training workshop for bankers and impact investors in the region on risk perception and structuring finance of IB investments. It was agreed that ADB and Credit Suisse will offer a second training in 2016.

More information about appropriate risk assessment and innovative structuring of financing was highlighted as a key necessity. These were hotly discussed in 3 Forum sessions (perspectives of impact investors, investment risks, IB finance through commercial banks) and the bankers training. It was suggested to establish a system of closer exchange of information between those actors and the development banks, especially given the small number of investable deals, the different financial needs of IB companies, and the different market sizes impact investors, banks, and development banks are targeting.

Philanthropist are increasingly interested to use their grants, patient venture capital, and corporate social responsibility (CSR) funding more strategically to develop IB models. Philanthropist are also increasingly seeing the role of governments and industry association to create a better enabling environment for companies that provide value for society, and would like to support this, if concrete programs to support IB and SE are being developed. The Forum featured an interesting session on the strategic role of CSR.*

* <http://www.inclusivebusinesshub.org/profiles/blogs/the-under-exploited-potential-of-inclusive-business-in-asia>

private sector targeted to improving financial flows and services to the sector. Mostly these are not framed as specifically relating to inclusive agribusiness but never-the-less are heavily oriented to the agriculture sector and to providing the financial services required by small scale-producers. Reflecting a wider trend in the development sector, there is growing interest in innovative financing mechanisms for agriculture. These mechanisms include blended financing models that integrate public and private sources of finance, impact investing, micro-insurance schemes and mobile banking.

Financing inclusive agribusiness is complex and the different financing needs, sources, constraints and risks need to be well understood. Broadly there are the needs of large scale agribusinesses, SME's along value chains and the small-scale producers and micro-entrepreneurs. However, there are many interconnections between these three main groups as there is much internal financing in agricultural value chains, through for examples buyers or input suppliers providing credit to producers.

4.5 RESULTS TO DATE

The core idea of business and development organisations working together to tackle poverty through commercial market opportunities in the agriculture and food sectors has unquestionably gained a very strong foothold. There are now literally thousands of projects and initiatives that could be considered as inclusive agribusiness. The underlying approach

of improving the way markets work for small-scale producers and entrepreneurs in the sector has been widely accepted and adopted by many businesses, donors and development NGOs.

However, as noted by the CARANA Study, commissioned by the Australian Department of Foreign Affairs and Trade, on “Trends in public-private partnerships (PPPs) and inclusive business models (IBMs) for improving food security and rural development through agriculture”, there is remarkably little evidence to date on the scale of impact or the depth of the inclusive benefits for the poor. There have been very few cross case study analyses done, and very little synthesis of what evidence does exist.

For practitioners involved in the inclusive agribusiness space (this author included) there appears to be plenty of anecdotal evidence of successful examples which keeps driving faith in the inclusive agribusiness effort. There are a limited number of collations of case studies²⁵ that reinforce this view. However, from all quarters of the inclusive agribusiness field there are calls for a much greater focus on scaling up inclusive agribusiness efforts. This widespread demand from involved businesses and practitioners in itself suggests that at this stage the impacts are more limited than might be hoped for.

To date the most successful examples of inclusive agribusiness come from the sectors such as coffee, cocoa, tea and palm oil, where small-holders are critical in supplying to a global value chains and where there are large international firms involved who are driven by concerns over long-term supply and reducing reputational risks.

Beyond direct evidence of impact at scale from inclusive agribusiness on poverty, the case can be made that a considerable amount has been achieved, including:

²⁵ Two key documents that illustrate the value of cross case study comparison are: Graf, Jessica et al. (2015). *Smallholder farmers and business: 15 pioneering collaborations for improved productivity and sustainability*. Report prepared by Hystra; Monika Sopov, Yeray Saavedra, Wytse Vellema, Yared Sertse, Henric Verjans. 2014. *Is Inclusive Business for you? Managing and upscaling an inclusive company: Lessons from the field*. Wageningen UR (University & Research Centre). Wageningen.

- 1) Widespread renewed recognition that commercial development in the agriculture sector still has a key role to play in helping tackle poverty and driving inclusive growth.
- 2) Substantial engagement from leading agrifood sector companies with clear commitments to embedding inclusive and sustainable practices into their core operations.
- 3) Engagement from ministers and heads of state with public acknowledgement of the importance of the sector and the needs for policies that enable inclusive growth.
- 4) The implementation of a vast number of inclusive agribusiness related projects/ business initiatives that have generated a broad base of practitioners with a growing understanding of how to put inclusive agribusiness models into practice.
- 5) Numerous business, government, donor and NGO partnerships again with a rich base of experience for future learning.
- 6) A substantial investment by donors into inclusive agribusiness, running in the order of 1–2 billion, funded both direction through agriculture initiatives and indirectly through general market development, and private sector development mechanisms.
- 7) A growing and increasingly interconnected network of senior practitioners from business development organisations and researchers knowledgeable on the subject and motivated to deepen the available evidence and understanding.

The inclusive agribusiness agenda also has its critics, with arguments that it is too big business focused, doesn't sufficiently benefit the poor and is not adequately tackling fundamental sustainability and inequality issues. Oxfam in one report referred to the efforts of Grow Africa as a Moral Hazard²⁶ and recently the European Parliament passed a resolution calling for the EU to withdraw from the New Alliance.

To date there is insufficient evidence to adequately underpin well informed wider debates about the overall successes or failings of inclusive agribusiness. Arguments for and against tend to be based on isolated anecdotal examples, assumptions about the underlying logic of the approach or ideological positions. By cherry picking individual cases it is more that possible to find examples that back up different positive or negative positions on inclusive agribusiness.

²⁶ Oxfam. 2014. *MORAL HAZARD? 'Mega' public-private partnerships in African agriculture*.

5

EMERGING ISSUES AND OPPORTUNITIES IN GOING TO SCALE

The overarching challenges for advocates of inclusive agribusiness, on both the business and development agency side, is to find ways of taking promising examples of inclusive agribusiness to scale. This core issue links to all the other issues raised below.

During the 2016 Grow Africa Investment forum, for example, this issue was highlighted by key business and government representatives, with clear messages about the need for an enabling policy environment.

While there are undeniable challenges in achieving larger scale change, there are also clearly substantial foundations on which to build. Numerous examples have started to show what is possible and have helped to build a substantial, albeit fragmented, understanding of the practicalities of linking small-scale producers with markets. As evidenced from statements made by agriculture ministers and heads of state at recent Grow Africa and Grow Asia forums, national government across Asia and Africa are talking about how to work more closely with the agribusiness sector to realise the inclusive growth potential of the agriculture sector. Numerous private sector companies, both large and small, have committed themselves to working in an inclusive way as a core part of the supply chain operations. And, new innovative financing mechanisms are starting to emerge.

5.1 DEVELOPING THE EVIDENCE BASE

A critical constraint to driving change at scale however is the lack of a clear evidence base and synthesis of lessons and experiences to-date. Despite the huge range and diversity of projects and initiatives supported by business, donors and NGOs, little comprehensive case study work has been done and essentially no meta-analysis to show broad trends and identify overarching lessons and policy implications²⁷. This then impacts back on the ability to drive the investments and policy support needed to have impact at scale.

From the development perspective evidence of impact is important to show that partnering with the private sector is an effective way to tackle poverty, sustainability and inequality. From the business perspective it is necessary to show that inclusive business models have a sufficiently big impact on business profitability and branding that it is worthwhile to embed such approaches in to core business operations and invest in the necessary partnerships.

To fully embed inclusive approaches to agribusiness into the global food system will require much greater public and private sector innovation. In turn this requires effective learning processes and networks within and across businesses, public sector organisations and NGOs supported by research institutions. Key elements of such an agribusiness

²⁷ See footnote 25 for two good examples of where this has been done.

learning network are emerging, however further investment and coordination is needed to meet the scale of innovation that will be necessary to tackle the barriers to impact at scale.

5.2 INTEGRATING PUBLIC AND PRIVATE GOODS

The agriculture sector presents a complex mix of public and private goods that are not always easy to disentangle. Historically the agricultural sector has been recognised as underpinning wider economic growth and so in all countries has attracted substantial public expenditure on extension, research and productive infrastructure (including in developed countries). An orderly economic transition of small-scale agriculture over the coming decades that helps to tackle rural poverty, while reducing outmigration and pressure on urban centres is also clearly a public good. As is ensuring local and global food and nutrition security. Inclusive agribusiness involves models where public goods can also be delivered through partnerships with the private sector. This however requires a new sophistication in unpacking the public and private good dimensions of agricultural transformation and the consequent implications for who bears what costs and risks. This has significant implications for the agriculture and rural development policies and investment strategies of national governments. In particular, it requires new thinking about the pre-commercial and pre-competitive costs associated in partnering with business to achieve public good outcomes.

5.3 ALIGNING POLICY

Policy settings in relation, for example, to taxation, tariffs and trade, public sector investment in agricultural research and extension, price support, social protection and foreign investment are all key to

creating a viable, sustainable and inclusive agri-food sector. Food security and the economic welfare of poor rural populations are sensitive political economic issues for most countries that require well managed transition processes which need to balance economic efficiency, trade interests and effective mechanisms for social protection. This creates the need for enhanced dialogue and trust between government and private sector players to find balanced policy directions that can support inclusive agri-food sector development.

5.4 INCENTIVES FOR BUSINESS

For all businesses market incentives underlie their commitment for inclusive practices. To date, much of the business sector engagement in inclusive agribusiness has come from larger global agrifood companies. This has been driven by the need for sustainable supply and the greater consumer pressure for corporate responsibility in Northern markets. However, for inclusive agribusiness to have impact at scale a much greater engagement of small and medium scale firms operating in domestic and regional markets. But for these firms there are different incentive structures and more constrained human and financial resources.

There are clearly strong interconnections between businesses of all scales across the agrifood sector. However, the political economy and dynamics of these linkages are only partly understood with little work having been done on the implications for inclusive practices. Smaller sized firms are often engaged in intermediary functions within value chains, be it in the offtake, input supply or financial services markets. Global firms are also increasingly involved in local and regional markets and not just in global value chains serving northern markets. Further, standards and operating principles set by global firms can also have influence throughout the sector.

5.5 MOBILISING RESPONSIBLE INVESTMENT AND THE CATALYTIC ROLE OF DONOR FUNDING

It is well understood that the agriculture sector in general will require substantial investments, that will largely have to come from the private sector, in order to meet future food demands. Integrating inclusive practices bring an additional challenge to financing the sector. Growing market demands, finite natural resources, low margins, and price variability all bring risks for agricultural development to become less rather than more inclusive of poor and marginalised groups who depend on the sector. Evidence of land grabbing and exploitive practices has led to the World Committee for Food Securities Principles for Responsible Agricultural Investment and the Global Compacts Agribusiness Principles.

There many tensions, dilemmas and differing positions on how to drive a modernisation and commercialisation of the agriculture sector in ways that can enable the sector to be productive and competitive while also delivering broad based inclusive economic development.

Part of the challenge for the sector in being more inclusive is to develop financial services for the “missing middle” to serve small and medium scale enterprises who need investments of between USD 100,000 and several million to run their business. There also still remains a very significant gap in the financing needed by small-scale farmers and micro-enterprises.

These public and private good issues are also linked to how donor funding can be used in the most catalytic way given its increasingly small volumes relative to the scale of the challenges faced and the flows of other financial resources. It is this reality that has led donors to work more closely with the

private sector and to seek market oriented solutions to poverty. With recognition that large private sector financial flows must be drawn into the agriculture sector the key questions are how to create the conditions for this to happen and what is required for such investment to be responsible and inclusive. Donors are increasingly looking beyond traditional grant funding to work with innovative financing mechanisms that include great emphasis on soft financing, equity, risk and first loss mechanisms and blended financing.

BOX 7 GENDER, WOMEN'S ECONOMIC EMPOWERMENT AND THE FOOD SYSTEM

The linkages women's empowerment and agriculture, food security and agri-food markets are deep and fundamental. In many areas migration is seeing a substantial feminisation of agriculture with profound implications, both positive and negative. Commercialisation of agriculture does not automatically lead to benefits for women and girls and there are huge challenges in developing markets and value chains in ways that are economically empowering for women (see footnote²⁸).

²⁸ For details gender and women's economic empowerment related to the agriculture sector see for example: *Oxfam knowledge hub*; Baden, Sally. 2014. *Policy brief - Women's economic empowerment and collective action in agriculture: new evidence and measurement challenges*. Future Agricultures, IDS. Brighton; DFAT. 2015. *Gender equality and women's economic empowerment in agriculture - Operational Guidance Note*. DFAT. Canberra; KIT, Agri-Profocus, IIRR. 2012. *Challenging Chains to Change: Gender Equity in Agricultural Value Chains*. KIT Publishers. Amsterdam

5.6 FOOD SYSTEMS TRANSFORMATION

Inclusive agribusiness needs to be set in a wider context of the transformations of the global food system needed to ensure food security and good nutrition in the face constrained natural resources, climate change and mass urbanisation and changing. As private and public sector advocates for food security have widely acknowledged, this will require going well beyond business as usual. The challenges for inclusive agribusiness then are not simply to connect poor producers and micro-entrepreneurs into markets but to do so in ways that are part of wider innovation and transformation processes that will be needed to ensure resilience of the global food system. From an inclusive perspective it is those at the bottom of the economic pyramid that will be most severely affected by food insecurity, poor nutrition options and extreme food price volatility.

5.7 EFFECTIVE MULTI-STAKEHOLDER PARTNERSHIPS

All players working towards inclusive agribusiness have recognised the need for effective partnerships. This includes coordination along supply chains from producers through to retailers, collaboration between NGOs and businesses to help small-scale producers meet the demands of modern markets, pre-competitive platforms such Grow Asia or Grow Africa where all sectors can work together to foster innovation and partnerships for joint public and private investment in the sector. While many such multi-stakeholder partnership processes and platforms have been initiated there remains much work to strengthen leadership and trust, build capacity for effective collaboration and demonstrate the impact of such partnerships processes.

6 ENHANCING KNOWLEDGE AND LEARNING FOR INCLUSIVE AGRIBUSINESS

While there is a growing body of experience and knowledge about how agricultural markets can help to tackle poverty and encourage sustainable practices, this is not being optimally tapped, synthesised, communicated or utilised. This limits the capacity to tackle the ongoing structural barriers to taking inclusive agribusiness initiatives to scale. Further there has been little effort to systematically undertake case study and impact assessment work that could provide a more robust evidence base and advice for investment decisions by business, governments and international organisations.

These challenges of a weak evidence base, fragmented knowledge and limited sharing is compounded by the difficulty that support for inclusive agribusiness is often dispersed across different thematic work areas of development agencies. For example, across agriculture and food security, rural

development, market development, financial inclusion, business environment, trade and private sector engagement.

There is now a diversity of business, development and research platforms/networks engaged with inclusive agribusiness. Some of these are agriculture focused while others are market development oriented yet with a significant engagement in the food and agriculture sectors. However, there is limited structural collaboration between these initiatives on core research and learning agendas and all of them lack resources for research, impact assessment and practitioner learning functions.

Many donors have established generic programs of for support inclusive business, market systems and private sector engagement that do not have sector specific focus. However, in practice these programs often have a significant portfolio of activity in the agriculture and food sector but lack the capacity to address specific issues and challenges facing the sector. For example, working with large numbers of small scale farmers/entrepreneurs, managing the unique market and finance risks of the agriculture sector, driving investment in infrastructure, economic empowerment of women or creating resilience to climate change. For these general market and private sector programs as well as specific agriculture/food sector ones there is a need for greater investment in focused research, case study and impact assessment work, especially around achieving impact at scale. This needs to be targeted to the specific learning needs of business and development agency practitioners.

6.1 WHO NEEDS TO KNOW WHAT?

Broadly there are 9 actor groups in inclusive agribusiness who have different but intersecting knowledge and learning needs:

Business – needs to know how inclusive agribusiness can improve their bottom line, create new market opportunities and enhance their brand. They also need to know what inclusive business models work and how to embed these into business operations. They also often need new capabilities to work in partnership with government, donors and development organisations. The specific needs will vary greatly between different types of businesses at different scales. For example, smaller local businesses, will have different needs than international companies, as will finance companies vs trading companies.

National governments – need to know how inclusive agribusiness can improve the economic performance of their agrifood sector while also delivering on public good responsibilities of poverty reduction and sustainable resource use. They need insight into how to create a better enabling environment for inclusive growth in the sector and how best to align public good investments in infrastructure or extension with inclusive business opportunities.

Donors and funders – are faced with significant issues around how they can be most catalytic with limited funds, the most effective delivery mechanisms, how to ensure impact for poorest and how to work with the private sector in responsible ways without reputational risk. They also face significant challenges to align market oriented approaches with internal procurement and accountability mechanisms.

Producer organisations – face major challenges helping their members to become organised in ways that enable them to meet the volumes and quality required by markets. They also need to develop effective mechanisms for supporting members with access to input supplies and finance. They also need knowledge to play an effective advocacy function with government and business.

NGOs – play an increasing diverse set of roles in inclusive agribusiness, including term ediaries with farmers, to services providers, advisors and supports of business programs as well as advocating for inclusive approaches and sustainability. There are enormous questions about how to play these roles effectively, with implications for the underlying mission and purpose of the sector.

Advisors and brokers – the growing number of inclusive agribusiness programs has led to numerous consultancy companies and independent consults providing support. They all face challenges of being up-to-date key trends and workable business modes as well as many practical issues around program design, working at the interface of donors and business and putting in place effective results measurement metrics.

Investors and financial service providers – in the agri-food sector be they commercial or social impact oriented, often have a poor understanding of the agriculture sector and its risks. They need to know how to engage with large numbers of smaller-scale producer and micro-entrepreneurs and how to partner with other business actors.

inclusive agribusiness Platforms – such as Grow Africa, Grow Asia, the Sustainable Food Lab, the Sustainable Agriculture Initiative (SAI) Platform of the various commodity round tables are all on a learning curve of how to best play they intermediately, brokering and advocacy roles. They have a massive need good evidence and practical good practice examples to help inform their constituents and to advocate for enabling policies.

Knowledge Institutions – need a deeper understanding of the key issues and questions faced by the above actors in order to tailor research, advisory support and capacity development to their needs. In particular

they need to know how to help broker informed learning and innovation processes in a complex multi-stakeholder setting driven by the dynamics of markets and entrepreneurial activity.

6.2 LEARNING QUESTIONS

Across these different stakeholder groups a common set of questions and need for evidence is emerging. Below these have been grouped into strategic questions, answers to which are needed to help guide the overall inclusive agribusiness effort, and operational questions which are needed for effectively implement specific inclusive agribusiness initiatives.

6.2.1 Strategic Questions

Understanding inclusiveness – What are the dimensions of inclusiveness and what is the concept coming to mean in practice?

Impact on poverty – What scale of impact has inclusive agribusiness had, or is it likely to have on poverty and sustainability, and what are the implications for future investment strategies by business, governments and donors?

Benefits for business – How strong is the evidence base that inclusive agribusiness is good for business and what are the implications for further commitments and investments by business?

Catalysing inclusive agribusiness – What are the ways for donors to be most catalytic with limited resources to maximise the development impact

through inclusive agribusiness? In particular, what are the implications for innovative forms of development finance including the underwriting of risk?

Pushing down the economic pyramid: How can inclusive agribusiness push down the “economic pyramid” to benefit groups in more marginal conditions or with fewer economic assets and implications for public good and private good outcomes? There are fundamental questions about how informal, local, national, regional and international markets interact and the roles and interactions of global companies vs smaller scale domestic or regional businesses.

Enabling policies: What are the key policy changes that can improve the enabling environment for inclusive agribusiness and what processes and mechanisms for dialogue between government, business and civil society are needed to support such reform? Land tenure, trade policy, investment in rural/agricultural services and infrastructure and business processes and all critical areas that affect inclusive agribusiness.

Attracting investment: How can the much needed increased investment in the agriculture sector be mobilised, in a responsible way, given the risk profile and needs of large numbers of small-scale producers and enterprises.

Public private partnerships: What sorts of public private partnership arrangements can underpin inclusive agribusiness in particular to link infrastructure with market development opportunities? How can such partnership be developed in a transparent way that adhere to principles of responsible investment?

Effectiveness of inclusive agribusiness platforms: What are the key factors, principles and modalities for effective global, sector, regional or national

level inclusive agribusiness platforms and alliances, that foster multi-stakeholder engagement and dialogue between business and policy makers.

Transparency and the role of standards, certification and labelling: How can transparency and accountability best be achieved for inclusive agribusiness and what are the advantages and disadvantages of various standards, certification and labelling systems?

6.2.2 Operational Questions

Developing an inclusive business strategy: What do businesses of different types and sizes need to consider when engaging in inclusive agribusiness activities and how can they embed inclusive agribusiness practices into their operations in a commercially viable way that strengthens their brand and market position?

Inclusive business models: What are the types of business model options for working in an inclusive way with different sectors in different contexts and how can the best model be chosen and optimised for a specific market situation?

Working with large numbers of farmers and small-scale entrepreneurs: What are the options for working efficiently, effectively and fairly with small-scale entrepreneurs and micro-enterprises, in terms of product aggregation, provision of input and financial services and adoption of commercially viable and sustainable farming practices? For example, how can the use of ICT innovation be best utilised in the sector?

Brokering market coordination and inclusive agribusiness deals: What capabilities, organisational arrangements, engagement processes and resources are needed to most effectively catalyse

new value chain and inclusive market developments where coordination is needed along a value chain and/or with other government and non-government actors in the sector. What do business need to know to efficiently engage in a multi-stakeholder context that may involve public and private sector financing?

Women's economic empowerment: In what ways can inclusive agribusiness empower women and enhance their economic opportunities?

Integration of responsible investment principles: What are the practical steps, processes and considerations that businesses need to follow in order to adhere to the principles of responsible investment?

Results monitoring and impact assessment: How can businesses, and donor supported inclusive agribusiness initiatives adopt effective results monitoring and impact assessment metrics, that enable cost effective and transparent reporting against inclusive agribusiness goals and commitments?

Working in partnership: How can business, government and civil society organisations all develop the understanding and internal capabilities to work with non-traditional partners in inclusive agribusiness initiatives?

Working in marginal contexts and with marginalised groups: How can businesses and/or development organisations extend the benefits of inclusive agribusiness to people who live in marginal areas with poor production conditions, thin markets and limited services and/or who marginalised because of poverty, gender, ethnicity or disability?

Innovative use of development finance: How can businesses effectively and legitimately make use of development finance to enhance the inclusiveness of their business operations and how can donors structure financing and grant mechanisms to max-

imise the potential of inclusive agribusiness for tackling poverty while ensuring accountable use of public funds?

6.3 A LEARNING SYSTEMS APPROACH

Knowledge and learning is used in this context to refer to the practical knowhow that business, government, donors and development organisations need to be effective in their approaches to inclusive agribusiness.

Inclusive agribusiness unfolds in a complex environment of overlapping market, economic, political, social and ecological systems. There are few blueprint or recipe solutions and new ideas and lessons from other contexts need to be creatively adapted to a particular situation. Never-the-less, good evidence, an evolving knowledge based and effective processes of learning can positively influence and speed up innovation and help to drive the effectiveness of inclusive agribusiness.

As illustrated in the diagram a learning system for inclusive agribusiness is conceived of as having two main elements, the brokering of learning and innovation, which both leads to and draws from an evidence and knowledge base. The brokering of learning and innovation can support inclusive agribusiness in three ways:

- 1) It helps businesses and development agencies to **solve practical problems** they face in implementing inclusive agribusiness. This involves providing access to others experience, new ideas, evidence, case studies or good practice examples that can help in solving problem and overcoming emerging challenges.
- 2) It helps businesses and development agencies **improve their practice** by building up the knowledge and experience base of staff and managers through processes that engage them with other practitioners underpinned by a sound evidence and knowledge base.

- 3) Policy makers and investors (including donors) can be engaged in informed dialogue over the implications of experience for **policy change** and what is needed to gain the best public and private returns from investment.

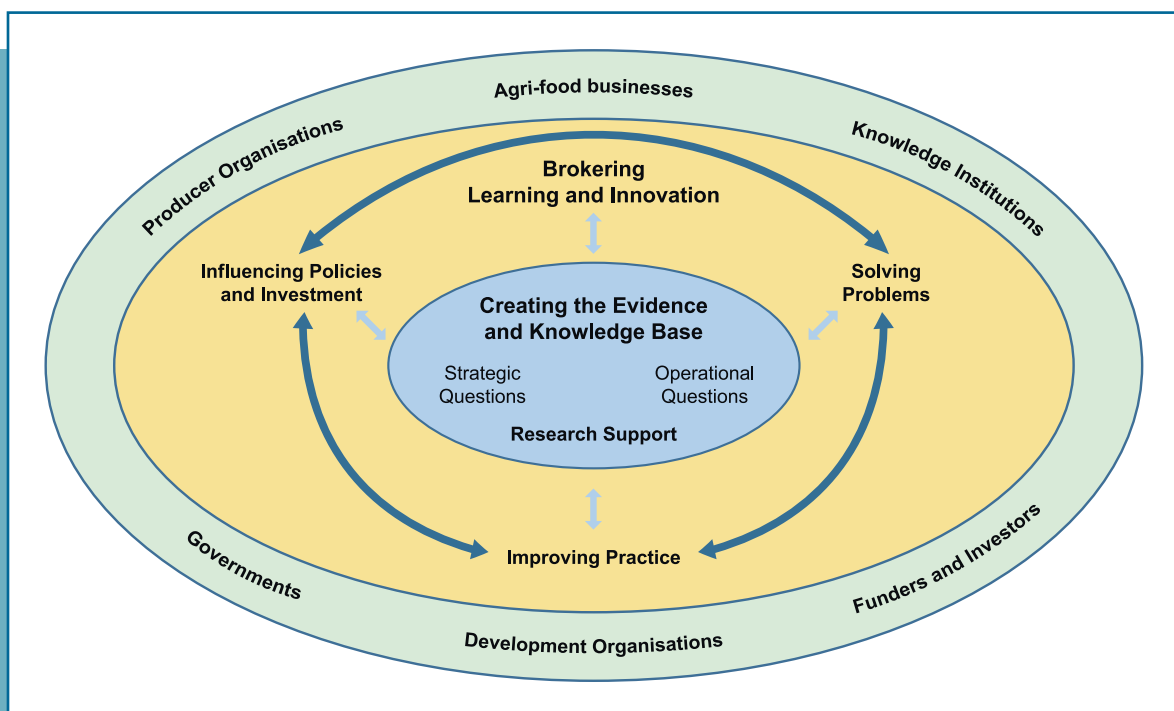
The quality of these learning and innovation processes in turn relies to a significant extent on an underlying evidence and knowledge base that is generated from research, case studies, monitoring and evaluation, meta-analysis, trend analysis and the capturing of insights from practitioners. This needs to be supported by applied research and linked with effective communication and knowledge networking to link with the brokering of learning and innovation.

6.4 CREATING AN EFFECTIVE INCLUSIVE AGRIBUSINESS KNOWLEDGE AND LEARNING NETWORK

Currently learning and networking in the inclusive agribusiness field is rich but fragmented. There are thousands of inclusive agribusiness related projects, numerous initiatives by many businesses, much support being provided by NGOs and a diverse range of donor and philanthropic funding programs. There are numerous business platforms, and knowledge/networking platforms and many conferences and events on or related to the topic.

However, the field is inadequately supported by the applied research, knowledge synthesis, meta-analysis and structured communication needed to provide deeper evidence and insight for the questions raised above. Limited coordination between those who are working in this field means scarce resources are not necessarily being used in an optimal way.

FIGURE 5
LEARNING SYSTEM FOR INCLUSIVE AGRIBUSINESS



This situation creates two key limitations:

1) Lack of overall evidence on impact and key trends: Investments in the billions of dollars are being made into inclusive agribusiness by business and donors. Many initiatives have now been working for 5 years or more so substantial result should be starting to show. While many initiatives do monitor and evaluate their results, there is little coherence in the metrics of assessing inclusiveness and virtually no meta-analysis (evaluation) across these different initiatives. Lack of credible evidence about the scale of impact from inclusive investments was a key issue raised at the recent Grow Africa and BEAM conferences.

2) Limited sharing of experiences and lessons between inclusive agribusiness initiatives to drive innovation and improve performance: Much of the knowledge about inclusive agribusiness rests with the practitioners who are directly involved in the businesses or development organisations implementing inclusive agribusiness. Such practitioners have limited time for reflecting on, documenting or sharing their experience and knowledge. There is also limited analysis of the commonalities in the lessons from different inclusive agribusiness which hampers a broader understanding of success factors that could inform both practitioners and those designing and funding support programs.

To improve the current situation, the following is needed:

- 1) Creation of knowledge and learning agenda shared between key stakeholders that builds on the key questions raised above.
- 2) A clearer set of inclusive agribusiness metrics and results monitoring guidelines to improve data collection and analysis.
- 3) A program of in-depth case study analysis combined with meta-level (cross case study) analysis to help identify key trends and scales of impact.

- 4) Focused research/action research activities that can capture key lessons on specific topics (strategic and operational questions raised above) from across different inclusive agribusiness initiatives.
- 5) Meta evaluation of the individual evaluations of donor funded programs that cut across different donors and implementing institutions.
- 6) A brokering hub and web-based platform that can help to ensure information is shared with relevant implementing bodies and practitioner networks.
- 7) Focused support for learning activities and practitioner support that ensures knowledge and evidence is put into use:
 - a. Deepening the dialogue in conferences, forums and workshops through a better evidence base.
 - b. User friendly evidence based guidance notes, policy briefs and web based resources that support practitioners and policy makers.
 - c. Guidance for project/program design.
 - d. Enhanced capacity development and training activities for practitioners.
 - e. More informed web-based blogging and discussed forums.
- 8) Development of a cadre of inclusive agribusiness specialists who have broad based knowledge of the sector as well as practical experience and who are able to support, business, development organizations and donors in the inclusive agribusiness work.

7

IMPLICATIONS FOR THE GDPRD AND RECOMMENDATIONS

Achieving the food security and the sustainable agriculture goal of the SDGs will only be feasible through widespread engagement of the private sector. Substantial innovation will be needed to foster more inclusive practices across the entire agrifood sector.

Members of the GDPRD currently support a wide array of initiatives that in various ways link with inclusive agribusiness. However, this work remains fragmented with engagement from donor agencies often coming from different thematic areas including agriculture, private sector engagement, market development, rural development and food security.

At the same time private sector driven and donor driven efforts are not always connecting or reinforcing each other. There are a number of valuable market and private sector development knowledge and networking platforms, including BEAM exchange, DCED, SEEP Network, the PPPLab. However, these initiatives are focused on markets and enterprise development in general and not specifically on the opportunities and challenges in the agrifood sector.

As this discussion paper has illustrated there is a vast amount happening in the inclusive agribusiness and related value chains and market systems fields. It is critical for the GDPRD not to duplicate this work. There are five areas where the GDPRD could add value in line with its role and focus on knowledge-sharing, networking and advocacy:

1. Fostering multi-donor support for integrated evidence gathering and research initiatives that work across donor and international agency programs in a coordinated way underpinned by a framework of indicators and metrics for assessing impact.
2. Encouraging and mobilising support for a global inclusive agribusiness learning alliance that better connects and coordinates knowledge sharing and capacity development activities.
3. Providing a networking and learning opportunities for the staff of GDPRD members who have operational roles and need to be kept informed of latest developments.
4. Keeping abreast of the implications of emerging evidence and research for development policy and programing and fostering high level engagement on these issues.
5. Promoting and supporting enhanced coordination and support by donors for national level policy dialogue on creating an enabling environment for inclusive agribusiness.

Overall, realising the promise of inclusive agribusiness will to a large extent hinge on effectively aligning public and private investments and sound policy development. The GDPRD can play a valuable role collating and sharing strategic knowledge on the development of inclusive agribusiness to help inform donor policies and program strategies. It can also play a role in making the case for specific agriculture and food sector issues in the more general discussion on inclusive business.

RECOMMENDATIONS

1. The GDPRD proceed with a work stream on inclusive agribusiness and establish a strong network of practitioners within its member organisations that cuts across, agriculture, trade, private sector engagement and market development themes. Initial priority themes for the work stream be:
 - a. Developing metrics and evidence base on inclusive agribusiness
 - b. Innovative financing mechanisms for inclusive agribusiness
 - c. Supporting business and government policy dialogue at the national level to improve enabling conditions for inclusive agribusiness.
2. Donors, supported by the GDPRD establish a coordinated mechanism for funding cross program impact assessment, meta-evaluation and research, driven by a knowledge and learning agenda jointly developed by key stakeholders.
3. Knowledge institutions and practitioner networks engaged with inclusive agribusiness form a global learning alliance to better coordinate activities, reduce duplication and strengthen research activities, capacity development and knowledge sharing.
4. The GDPRD host a workshop to develop a knowledge and learning agenda for inclusive agribusiness and discuss institutional and funding modalities for implementation.



ANNEX 1

INDICATIVE DIRECTORY OF DONOR/AGENCY STRATEGIES AND INITIATIVES

Note: This table provides an indicative overview of inclusive agribusiness related strategies and initiatives from key donors and agencies. The information has been drawn largely from what is available on their websites and is not necessarily a full or comprehensive representation of their work in this field.

DONOR/AGENCY	STRATEGY AND INITIATIVES
<p>UN Food and Agriculture Organisation (FAO)</p>	<p>Strategy. Over the last decade FAO has been working on how to promote sustainable food value chain development. Using sustainable food value chains (SFVC) to reduce poverty present both great opportunities and challenges. The work on sustainable value chain development revealed that for the most cases the producer-first buyer point of sale continues to be the most inefficient market linkage impacting the overall chances of a sustainable value chain. The inclusive business model (IBM) concept is a narrower concept than the value chain that focuses on this specific link (producer-first buyer) to facilitate market access for smallholders.</p> <p><i>FAO's inclusive business model (IBM) approach²⁹ was developed and pilot tested by FAO under the EUR45 million All ACP Agricultural Commodity Programme (AAACP) funded by the European Commission from 2007 to 2012³⁰. The interventions targeted business models based on identified priority commodities from a basket of cash and food crops that through innovation, value addition and strategic market linkages, could be commercialized to improve income for smallholders.</i></p> <p>FAO held workshops in 2013 and 2014 (funded by Government of Ireland) to better define IBM and to provide training for FAO program participants.</p>

²⁹ Also see the four-page policy brief here: <http://www.fao.org/3/a-i5101e.pdf>

³⁰ Also see AAACP technical note here: http://www.aglinks.net/sites/default/files/Business%20Model_technical%20note%20FAO.pdf

UN Food and Agriculture Organisation (FAO)

An outcome of the *Rome expert's workshop* was the document, *Inclusive business models – Guidelines for improving linkages between producer groups and buyers of agricultural produce*, released in 2015.

FAO also has a *strategy* for partnering with the private sector (2013) and *guiding principles* on developing sustainable food value chains (2014). In 2013, FAO prepared a report on *Smallholder integration in changing food markets*. This report examines ways of facilitating the participation of smallholders in markets.

Initiatives. The *Kenya cotton case study* has been featured for FAO's IBM work.³¹

IFAD

Strategy. While IFAD does not use the term 'inclusive agribusiness', IFAD has had a *private sector partnership strategy since 2007*, which was updated in 2012.

IFAD's Governing Council session of 2013 focused on partnerships, especially partnerships with the private sector. In February 2016, the IFAD's Governing Council met on 'Inclusive Investment: Rural people, state and business in the post-2015 agenda'.³²

IFAD's *Post-2015 implementation brief* is entitled 'Promoting partnerships for inclusive and sustainable rural transformation'. It refers to inclusive agricultural supply chains as partnerships, as well as refers to Public-Private-Producers Partnerships (4Ps), adding 'producers' into their long-standing PPP model.

IFAD has begun to more strategically work with new private sector partners, both at the country and global levels, through PPPs. As summarised by DCED, IFAD is supporting three types of PPP models³³:

1. Formal contractual arrangements, where private sector companies work with small producers according to a variety of contractual arrangements – such as out-grower schemes or contract farming – and pursue a long-term commercial relationship with them – an example of this is in Liberia where the newly approved Smallholder Tree Crop Revitalization Support Project will establish a partnership between LAADCO, a private sector exporter of cocoa and coffee, the government and small producers of coffee and cocoa. LAADCO has committed USD 5 million in co-financing to rehabilitate the coffee and cocoa smallholder sector.

³¹ Also see the video here: <https://www.youtube.com/watch?v=EZH29vQnL3En>

³² For program, see <https://www.ifad.org/documents/10180/0c99883b-206d-41ae-b63a-637a8ee96b86>

³³ See <http://www.enterprise-development.org/page/ifad>

IFAD

2. Joint ventures between private companies and producers' groups. In Rwanda for example, in the Project for Rural Income through Exports (PRICE), we are replicating the previously established partnership between two tea-producing cooperatives and private investors. The tea factories established by the private sector partners buy directly from the cooperatives, which participate as equity shareholders in the companies. Cooperatives will acquire equity shares of 30 to 40 per cent in factories to be built on four greenfield sites.
3. Establishing specific funds within projects to finance PPP business plans: In a new project in China's Hubei Province which will be submitted for approval by IFAD's executive board in April 2014, a large part of the project's funds was set aside to finance business plans that will be submitted jointly by private companies and cooperatives that wish to enter into a long-term partnership with each other along specific value chains. Project funds will finance those parts of the business plans that are semi-public goods such as storage and transport facilities, technical assistance, technology upgrading, and rehabilitation of small farm plantations.

For a further description of IFAD's private sector development work, please refer to *DCED's IFAD summary*.

Initiatives. An example of IFAD's work in inclusive business is the High Value Agriculture – Inclusive Business Pilot Project, which was initiated by IFAD and SNV in Nepal to test and learn how inclusive business approach could make a difference in linking remote farmers to markets in Nepal.³⁴ SNV is similarly implementing IFAD-funded program to introduce inclusive business models to smallholder cassava production in Cambodia.³⁵

On a more regional scale, IFAD has engaged with the **African Agriculture Fund (AAF)** as a member of its advisory board. AAF is an innovative US\$250 million private equity fund that is tackling food security challenges throughout Africa by supporting private companies working to improve food production and distribution across the continent. IFAD provided €10 million to establish the Technical Assistance Facility, which will provide technical support to outgrower schemes run by large companies and business development services to SMEs receiving investments from the AAF. Further information on AAF is available here: <http://www.phatisa.com/funds/aaf/>. IFAD also funds the *Africa Enterprise Challenge Fund*.

³⁴ From a *blog post* in 2012.

³⁵ See SNV website here:

<http://www.snv.org/project/inclusive-business-models-promote-sustainable-smallholder-cassava-production-ibc-cambodia>

World Bank Group (WBG), including the International Finance Corporation (IFC)

Strategy. The WBG's strategic focus for the agriculture sector is to support clients to improve sustainable agricultural growth, incomes, food and nutrition security, and their resilience to climate change.³⁶ This includes providing innovation, infrastructure and resources to boost agribusiness by building inclusive and efficient value chains.³⁷

The **WBG's 2013–15 agriculture action plan** signalled a departure from the crisis response following the 2008 food price crisis to a greater emphasis on **private sector response to strengthen value chains**, and increase small holder supplier networks serving agribusiness processors, traders, agri-commodity supply chain integrators, and food retailers, including by women smallholders. This is largely to be achieved through **agribusiness investment provided by the IFC**. This increased from \$2.7 billion in FY2010–12³⁸ to \$3.2 billion in the FY ending June 2015. This was invested in agribusinesses across the supply chain – from farm to retail – to help boost production, increase liquidity, improve logistics and distribution, and expand access to credit for small farmers.³⁹

A significant strand of WBG's work is in the agriculture sector's business enabling environment. The WBG product, *Enabling the Business of Agriculture (EBA)*, supports the WBG's overall strategy by examining and monitoring regulations that impact how markets function in the agriculture and agribusiness sectors. The ultimate aim is to promote smart regulations that ensure safety and quality control as well as efficient regulatory processes that support thriving agribusinesses. The new 2016 report, *Enabling the Business of Agriculture 2016: Comparing regulatory good practices* examines 40 countries for their agriculture practices. The EBA is funded by DFID, the Government of Denmark, the Government of the Netherlands, Bill and Melinda Gates Foundation, and USAID.

Initiatives. The IFC provides investment and advisory services to agribusiness companies. Since 2011, IFC has developed programs such as the Global Warehouse Finance Program, which supports private bank lending backed by agricultural production, and the Critical Commodity Finance Program, created to stimulate the trade of critical agricultural commodities and inputs.⁴⁰

IFC manages the private sector window of the *Global Agriculture and Food Security Program (GAFSP)*. See the IFC's *agribusiness brochure* and publication, *Agribusiness: Stories of Impact*, for further information on IFC's investments in agribusiness. The World Bank is also a donor partner to initiatives such as AgResults.

³⁶ *Implementing agriculture for development : World Bank Group agriculture action plan (2013-2015)*, p. xvii

³⁷ <http://www.worldbank.org/en/topic/agriculture/overview#2>

³⁸ *Implementing agriculture for development: World Bank Group agriculture action plan (2013-2015)*, p. xx

³⁹ http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/agribusiness/overview

⁴⁰ *Implementing agriculture for development : World Bank Group agriculture action plan (2013-2015)*

Asian Development Bank (ADB)

Strategy. The ADB's work in inclusive agribusiness has its place in two areas of the Bank's work: In its food security plan, and in its *social development* theme.

ADB's new *Operational Plan for Food Security 2015–2020* focuses on a range of *critical areas* to address the region's food security challenges, including:

- Improving value chains infrastructure to better meet consumer needs with more investment in processing, storage and distribution. An upgraded food transportation network will help integrate fragmented markets, reduce transaction costs, and enable wide dissemination of sophisticated farm inputs, financial services and modern technology.
- Partnering with the private sector on inclusive business opportunities that connect farmers, small producers and processors to investors and markets, and help achieve scale for instance via risk sharing agreements.
- Supporting public policies that create an enabling environment for agribusiness and set higher standards for green business, food safety, and quality.
- Promoting innovative financing tools to give agricultural small and medium-sized enterprises access to credit so they can participate in global value chains, including cluster lending and financial literacy training.

Food security initiatives. Under the *Building Sustainable Food and Nutrition Security in Asia and the Pacific – Phase 1 Technical Assistance (2016–2018)*, the ADB is seeking to test and introduce approaches to develop inclusive and sustainable agribusiness value chains. The technical assistance (TA) is intended to analyse and pilot a range of business models for agribusiness value chains that can generate transformational impacts in ensuring environmental sustainability and the beneficial engagement of a large number of smallholder farmers. A few promising business collaboration models for inclusive and sustainable agribusiness value chain development will be selected for pilot testing.

The ADB is hosting a forum in Manila in June 2016 on *Safe, Nutritious and Affordable Food for All*. While the focus is not in inclusive agribusiness, the event seeks to sing the value chain framework approach to tackle transformations, trends, and future direction from food production to consumption.

Asian Development Bank (ADB)

Inclusive business initiative. ADB has embarked on an inclusive business initiative that supports inclusive business in Asia and the Pacific through technical assistance projects. The *Inclusive Business Support project*, co-financed by Government of Sweden and Credit Suisse AG, was designed to facilitate the financing of inclusive business projects supported by ADB, and promote policy work with selected governments as well as knowledge exchange on inclusive business. Credit Suisse AG is considering the establishment of an inclusive business and social enterprise fund for Asia.

Collaborators of the ADB include Agence Française de Développement (the French Development Agency); the Canadian Department of Foreign Affairs, Trade and Development; the Inter-American Development Bank; and Oxfam GB Asia. ADB will also partner with leading domestic and international business associations, including the World Business Council for Sustainable Development and Philippines Business for Social Progress. While the initiative is not specific to the agriculture sector, the agriculture sector features heavily.

As part of this initiative, ADB hosted the *2nd Inclusive Business (IB) Forum for Asia* in Manila in February 2016. The event agenda and details be found on the *Inclusive Business Hub's website*. In preparation for the report, ADB commissioned a study into *Smallholder Farmers and Business*. The study compares the performance of 15 pioneer companies and organisations that have sustainably increased the income and livelihoods of millions of smallholder farmers around the world by sourcing produce from them or selling products to them.

Along with Inclusive Business Action Network and the Practitioner Hub for Inclusive Business, ADB hosts the *Asia Inclusive Business Hub* (Asia IB Hub) website. This is an active website with blog posts, resources and a database of inclusive businesses (including those working in agriculture).

African Development Bank (AfDB)

Strategy. AfDB's existing agricultural sector strategy (2010–2014) is focused on two pillars: 1. Agricultural infrastructure; and 2. Renewable natural resources. The AfDB's website also promotes interventions in 'Agro Industry Development' administered in collaboration with the private sector. Similarly, the AfDB 2014 publication, *Inclusive Growth: An imperative for African Agriculture*, highlights the important role that agriculture plays in inclusive growth. In 2012, AfDB prepared a *briefing note* on private sector development strategy.

US Government, including USAID

Strategy. USAID is scaling up a comprehensive approach to fighting hunger and strengthening food security through *expanding and enhancing agricultural markets and trade*. USAID seeks to work with public and private sector market participants, governments, universities, agribusiness value chains, and civil society and farmer groups to:

- Support the development of sound policy environments that enable open markets, private sector investment, and gender-equitable access to factors of production, products, and income.
- Promote effective institutions and services, such as rural extension and finance, to enable both women and men producers to acquire, protect, and use the assets they need to take advantage of emerging market and trade opportunities.
- Strengthen producer and other rural organizations to help them participate effectively in national, regional and global markets, reduce transaction costs, acquire productivity-enhancing technologies, and make use of information on domestic, regional, and international markets.
- Develop product standards and quality control to meet market demands for food safety, purity, and quality, and to reach higher-value markets.
- Develop the public sector's roles as provider of market-facilitating goods and services, regulator and referee, and monitor and analyst.

Initiatives. The US Government's flagship program is **Feed the Future**. Working in 19 focus countries, Feed the Future aims to sustainably reduce global poverty and hunger through two objectives: 1. Inclusive agriculture sector growth; and 2. Improve nutrition status. Feed the Future seeks to engage the private sector in a meaningful, comprehensive way to develop models that are integral to core business strategies and meet the global food security challenge. From the program's inception in 2011 through to 2014, more than 200 global and African companies have committed to invest \$10.2 billion to benefit 8.7 million smallholders through sourcing or services, with \$1.8 billion invested through 2014. In 2014 alone, the program formed 2,209 public-private partnerships and leveraged US\$151.7 million in new private sector investment.⁴¹ The program reports impact on key indicators including childhood stunting and income.

There are a range of mechanisms in which FTF engages with agribusiness. One of them is the FTF's *Private Sector Engagement Hub*. The *AgTechXChange* is designed to link private sector who want to support smallholder farmers increase incomes and productivity through market

⁴¹ 2015 *Achieving Impact: Leadership and Partnership to Feed the Future*.
https://feedthefuture.gov/progress2015/assets/2015_FTF_Progress_Report.pdf

US Government, including USAID

opportunities, business support services, and improved access to agricultural inputs. One example is of *DelCampo Soluciones Agrícolas*, a company that sells drip irrigation to smallholder farmers. In 2009, the company sought funding from the Millennium Challenge Account – Honduras to offer credit to farmers to finance their purchases, which allowed many to access irrigation equipment for the first time.

USAID is a donor partner to the **New Alliance for Food Security and Nutrition**, which helps African countries undertake key policy reforms to spur agricultural and private-sector growth and to deepen responsible private-sector engagement around a shared set of goals to reduce hunger, poverty and malnutrition. Since its launch, the New Alliance has catalysed investments from more than 200 companies around the world – two-thirds of them African – to accelerate agricultural growth, with private sector commitments totalling more than \$10 billion. Of this, more than \$1.8 billion has been implemented to date, reaching over 8.6 million smallholder farmers and creating 58,000 jobs.

USAID has supported the *Leveraging Economic Opportunities* (LEO) to support programming that fosters inclusive growth through markets.

Building on the value chain approach. It focuses on a systems approach to markets and inclusion with learning topics that include: Multiplier Effects, Innovative Business Models, Female Empowerment, Push/Pull, Market Resilience, Facilitation, Market-Driven Technology Scaling, and Systems Approach to Policy.

UK Department for International Development (DFID)

Strategy. DFID has had a long-standing interest in inclusive business, and several of its policies support these. They include *2010–2015 Government Policy: Economic Growth in Developing Countries* and *2010 to 2015 government policy: hunger and malnutrition in developing countries*. In July 2015, DFID released a policy on *Development Capital – Catalysing Investments to Benefit Poor People*, which includes as examples investments to agribusiness to provide early stage, growth stage and working capital to SMEs in manufacturing and agriculture becoming part of global value chains. In 2015 DFID also released a new *Conceptual Framework on Agriculture*.

DFID, along with SIDA, was a pioneer in market systems approaches or 'making markets work for the poor' (M4P) approach. While these are not specific to the agriculture sector, many of the market systems investments do have an agrifood sector focus.

**UK Department
for International
Development
(DFID)**

Initiatives. DFID funds a substantial portfolio of in-country market development programs many of which have a substantial agricultural element for example, *Propcom Mai-karfi* in Nigeria. An early example was the Agri-business for Trade Competitiveness Project in Bangladesh – *Katalyst*, co-funded by DFID, SDC and Danida.

DFID's *Food Retail Industry Challenge Fund* (FRICF) makes funding available for grants for partnerships that bring UK retailers and African farmers together to encourage the corporate sector to find new ways of buying produce from developing countries.

The *Business Innovation Facility* (BIF) is currently working in multiple markets across three countries – Malawi, Myanmar and Nigeria – as well as embarking on a new 'company led' expansion globally. While BIF is not agriculture specific, it does work in agriculture value chains using market systems approach.

Connect to Grow is an enterprise matchmaking initiative, designed to help ambitious enterprises grow by creating partnerships between Indian enterprises and enterprises across South Asia and Africa, to improve people's health and agricultural prospects.

Building on this track record, DFID has committed £10 million to support an Agriculture Technologies Catalyst Fund which will support the development and deployment of new agriculture technology in developing countries using UK agricultural technology sector expertise. The fund aims to stimulate the development and adoption of new technologies to help increase agricultural productivity in the UK, emerging markets and developing countries and thereby contribute to global food security.

DFID is a donor partner to several global and regional initiatives including New Alliance for Food Security and Nutrition, GAFSP, the Africa Enterprise Challenge Fund and AgResults.

**European Union
(Europeaid)**

Strategy. The EU's agriculture sector work includes a focus on *agricultural value chains, markets and trade*. The EU supports the development of inclusive value chains as an effective way of linking smallholders with markets, and promotes regional integration of markets. Its work includes improving competitiveness of commodity chains, supporting farmers' organisations, and facilitating and enhancing trade.

European Union (Europeaid)

EU's work in the agriculture is underpinned by their policy paper on *A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries* (2014). This paper, which is not specific to the agriculture sector, sets out the role of private sector at the forefront of international development in its partner countries.⁴² It outlines the principles for strengthening the role of the private sector in EU development cooperation. It suggests that European companies can contribute to enterprise development in partner countries by integrating local micro, small and medium-sized enterprises (MSMEs) into their supply chains, especially in the agriculture and agro-food sectors.

Looking to the future, the EU is seeking to enhance mechanisms for catalysing responsible private sector engagement for inclusive value chains based on family farming. Over the years, EU donors give increasing attention for partnering with the private sector to help drive change at scale. There is a recognition that there is a need for greater learning and sharing about the effectiveness of these 'inclusive business' approaches to ensure that family farmers benefit from global and global value chains. In particular, the role and relationship, in achieving food security and nutrition outcomes, between larger global companies, small and medium scale national or regional companies and the informal economy need to be clarified. To make sustainable investments feasible for local stakeholders, innovative inclusive financial services, are needed. Much work also remains to be done on creating effective public private partnerships that also ensure governance mechanisms where producer organisations and CSOs have a voice and on applying the CFS' Principles on Responsible Agricultural Investments (RAI) with special emphasis on the Voluntary Guidelines on the Responsible of Tenure of Land, Fisheries and Forests (VGGT).

Initiatives. The EU has a range of programs that promote inclusive agribusiness. The following are some examples: The Agriculture Financing Initiative (AgriFI), launched in 2015, responds to the lack of financing mechanisms adapted to farmers and agri-entrepreneurs. The EU has put out a call for proposals for *Sustainable Inclusive Value Chains and Food Fortification* (EUR57 million, launched on 12 February 2016). The objective of this is to develop inclusive and sustainable agriculture-based value chains and fortified foods that improve the food security for the poor and vulnerable. For the value chain work, the focus is on smallholder farmers and MSMEs. For fortified foods, the focus is on working with government and intergovernmental regulatory bodies, the food processing private sector operators and civil society, reinforcing PPPs.

⁴² For further information, please see the *press release*.

European Union (Europeaid)

- The EU's engagement with the African agri-food sector includes the Agenda for Change and European Development Fund (EDF), support for regional and global programs and support through the Small Farmers' Organisations in Africa Programme (SFOAP). In 2013, Europeaid hosted a seminar on *Agribusiness and Development: How investment in the African agri-food sector can help support development*.
- The EU is a donor partner to global and regional initiatives including the New Alliance for Food Security and Nutrition.

German Government through German Federal Ministry for Economic Cooperation and Development (BMZ) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

(Note: BMZ develops the guidelines and the fundamental concepts on which German development policy is based. GIZ is responsible for technical cooperation with partner countries. As much of the work is undertaken in collaboration between BMZ and GIZ, we discuss them here jointly).

Strategy. BMZ and GIZ are leaders in the field of inclusive business models. Their publication, *Promoting inclusive business models for sustainable development*, provides an outline to their work inclusive business (or bottom of the pyramid BoP projects) across sectors. BMZ's contribution is broadly categorised as developing markets, providing capital, and creating enabling environments.

GIZ has published a guide to inclusive agribusiness entitled *Growing Business with Smallholders*. Using over 40 case studies, it aims to help practitioners to have a step-by-step approach to improving inclusivity of business models.

BMZ's inclusive agribusiness work is further supported by BMZ's *rural development and food security* portfolio, to which it invests over EUR1 billion per year. In 2014, BMZ launched a 'One World – No Hunger' *Special Initiative*. This initiative draws on Germany's experience so far in dealing with food and nutrition security, and has objectives in the agriculture and food sector. GIZ's inclusive agribusiness is also supported by its work in *value chains*⁴³, private sector development, *agri-culture trade*, and standards and food safety.

Initiatives. Examples of BMZ/GIZ initiatives include:

- *Responsible and Inclusive Business Hub in South East Asia (RIBH SEA)* (2013 to 2016). RIBH SEA currently focuses on agriculture, information and communication technology, and tourism.

⁴³ Also see their Valuelinks manual: http://www2.giz.de/wbf/4tDx9kw63gma/ValueLinks_Manual.pdf

German Government through German Federal Ministry for Economic Cooperation and Development (BMZ) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

- *develoPPP.de program*, which was established by BMZ to 'foster the involvement of the private sector at the point where business opportunities and development policy initiatives intersect. It provides companies investing in developing and emerging countries with financial and, if required, also professional support.' BMZ provides up to a maximum of EUR200,000, and requires companies to cover half of the overall costs. Agribusiness examples include coffee and high value food crops.
- The *Africa Cashew Initiative* which works on cashew value chain (largely producers and SMEs) focusing on areas including quality improvement, aggregation, joint marketing and traceability.
- The '*Cotton made in Africa*' initiative, which is an alliance of the Aid by Trade Foundation (Otto Group), other textile producers, Welthungerhilfe, WWF and African producers, and is supported by the BMZ among others.

Other related initiatives include:

- *Standards in the Southeast Asian Food Trade*: Aim is to support the ASEAN Expert Working Group on ASEAN GAP, as the competent body in the sector, in harmonising national standards with the existing regional ASEAN GAP standard. Small and medium-sized enterprises will obtain certification in the context of development partnerships.

Government of the Netherlands

Strategy. The Dutch Development strategy is outlined in its 2014 policy document '*A World To Gain; A New Agenda for Aid, Trade and Investment*'. Food security is one of the four themes of this policy with a significant focus on private sector development and sustainable trade as mechanisms for poverty reduction.

Initiatives.

- At a country level, through its embassies, the Netherlands is heavily involved in programs that support inclusive agribusiness initiatives.
- The *Sustainable Trade Initiative* (IDH) accelerates the scaling up of sustainable trade by building impact oriented coalitions of front running companies, civil society organisations, governments and other stakeholders. The organisation was established by the Netherlands and now also has support from Switzerland, Denmark and Norway. IDH is active in more than 60 countries and supports 250 businesses within a framework of 11 commodity-based programs, including cash crops, timber and fish. It is implemented

<p>Government of the Netherlands</p>	<p>through a wide range of private sector and NGO partners, and participating companies must commit to provide a minimum of 50% co-funding. By the end of 2013 IDH had leveraged EUR 56 million of private sector funding.</p> <ul style="list-style-type: none"> • The <i>Dutch Good Growth Fund</i> (DGGF) supports Dutch SMEs and entrepreneurs in emerging markets and developing countries, by offering a source of financing for development-relevant local investments and exports. A significant proportion of these investments are in the agribusiness sector. • A <i>Food and Business Knowledge Platform</i> has been established that connects business, science, civil society and policy. • The Netherlands supports the <i>World Economic Forum's Transformation Leaders Network</i>.
<p>Government of Canada, including Global Affairs Canada, formerly DFATD and CIDA</p>	<p>Strategy. The Canadian aid program has <i>food security</i> as one of its sectoral priorities, with sustainable agricultural development as a highlight. Similarly, partnering with the private sector⁴⁴ and stimulating sustainable economic growth⁴⁵ are priorities. While inclusive agribusiness is not mentioned as a strategic focus.</p> <p>Initiatives.</p> <ul style="list-style-type: none"> • Canada is funding a range of global and regional initiatives including GAFSP, the New Alliance for Food Security and Nutrition, Grow Asia and AgResults.
<p>Australia Government, including the Department of Foreign Affairs and Trade (DFAT)</p>	<p>Strategy. The <i>Strategy for Australia's aid investments in agriculture, fisheries and water</i> (February 2015) has three priority areas of engagement, including: strengthening markets to help increase small-scale farmers' participation in markets and address constraints to agri-food business, including by leveraging private sector investment and innovation; and assisting partner countries achieve more effective policy settings to promote sustainable and inclusive growth and open trade, and improve the enabling environment for business, investment and innovation.</p> <p>Overall, the Australian Government sees the private sector as an essential partner to achieving sustainable development outcomes in its region. For further detail, see the <i>Ministerial Statement on engaging the private sector in aid and development</i>, as well as the <i>Strategy for Australia's aid investments in private sector development</i> (Oct 2015).</p>

⁴⁴ <http://www.international.gc.ca/development-developpement/partners-partenaires/ps-sp.aspx?lang=eng>

⁴⁵ <http://www.international.gc.ca/development-developpement/priorities-priorites/sscg-fced.aspx?lang=eng>

**Australia
Government,
including the
Department of
Foreign Affairs
and Trade
(DFAT)**

DFAT, through the Food Systems Innovation Initiative, commissioned studies to analyse the global trends and lessons learned from donor experiences implementing aid for trade programs and partnering with private sector actors to advance agricultural development and food security. The studies were conducted by the CARANA Corporation and can be found *here*.

In September 2015, DFAT, along with others, funded the *Inclusive Agribusiness Southeast Asia Roundtable*, which was delivered by Grow Asia, the Food Systems Innovation Initiative, and Seas of Change. For further information, see the *event report*.

Initiatives. DFAT has funded a range of initiatives that include inclusive agribusiness components:

- Australia is funding a number of programs that use market systems approaches to engage with business. These include the Australia Indonesia Partnership for Rural Development (AIP-Rural), *Cambodia Agricultural Value Chain Program* (CAVAC), and the multi-country *Market Development Facility* (MDF – focused on agriculture and other sectors).
- Australia funds several global and regional initiatives including GAFSP, AgResults, Grow Asia, and the Africa Enterprise Challenge Fund. See Annex 2 for further information on these initiatives.
- The *Business Partnership Platform* is a new mechanism used by DFAT to partner with business. While not exclusively focused on agriculture, agribusinesses are expected to be included in the businesses that receive funding.



ANNEX 2

INITIATIVES RELATED TO INCLUSIVE AGRIBUSINESS

Multi-donor initiatives

- ▶ Africa Enterprise Challenge Fund
- ▶ AgResults
- ▶ Business Call to Action (BCtA)
- ▶ Global Agriculture and Food Security Program
- ▶ New Alliance for Food Security and Nutrition
- ▶ Sustainable Trade Initiative (IDH)

Private Sector Driven Initiatives

- ▶ Grow Africa
- ▶ Grow Asia
- ▶ Sustainable Agriculture Initiative Platform
- ▶ Sustainable Food Lab
- ▶ World Business Council for Sustainable Development
- ▶ World Economic Forum - New Vision for Agriculture

Knowledge Networks

- ▶ SEEP Network
- ▶ SeasofChange.net
- ▶ Development Committee for Enterprise Development
- ▶ Building Effective and Accessible Markets (BEAM) Exchange
- ▶ PPPLab
- ▶ The Practitioner Hub for Inclusive Business
- ▶ Business Fight Poverty
- ▶ Bottom of the Pyramid Global Network
- ▶ USAID Leveraging Economic Opportunities (LEO)
- ▶ DFID Research for Development Outputs

ANNEX 3

KEY RESOURCES

Inclusive Business (not specific to agriculture)

BMZ, 2011. *Promoting inclusive business models for sustainable development: Experiences of German development cooperation*. BMZ, Berlin

BMZ, 2014. *Multiplying impact: Supporting the replication of inclusive business models*. BMZ, Berlin

DCED, 2014. *Current debates on Inclusive Business Models*. Synthesis Note

G20 Development Working Group. 2015. *G20 Inclusive Business Framework*

GIZ, 2015. *Inclusive Business Toolbox, Promoting Inclusive Business Models in Development Cooperation Programmes*

GIZ, 2013. *Inclusive Business. Options for support through PSD programmes*

IFC, 2010. *Inclusive Business Solutions: Expanding opportunity and access at the base of the pyramid*. Written by Beth Jenkins, Eriko Ishikawa, Alexis Geaneotes, and John Paul

The Practitioner Hub for Inclusive Business: *Database of publications and Gateway to inclusive businesses*

Wach, Elise, 2012. *Measuring the Inclusivity of Inclusive Business*. IDS Practice Paper 9

World Business Council for Sustainable Development. 2013. *Scaling up inclusive business – Solutions to overcome internal barriers*

Inclusive Agribusiness

Business Call to Action (BCtA): *Inclusive Business and Agriculture*. BCtA Company Initiatives, funding sources, key actors, partnerships, guidelines and toolkits

DFID. 2014. *Agriculture and Growth – Agriculture and growth evidence paper series*. DFID. London

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FAO, 2015. *Inclusive business models – Guidelines for improving linkages between producer groups and buyers of agricultural produce*. By Kelly, S., Vergara, N. & Bammann, H. Rome, Italy

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Ion, A., Beyard, K. and Sedaca, S. 2014. *Synthesis of trends in public-private partnerships (PPPs) and Inclusive Business Models for Improving Food Security and Rural Development through Agriculture*. Report prepared by Carana Corporation for the Food Systems Innovation initiative

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Monika Sopov, Yeray Saavedra, Wytse Vellema, Yared Sertse, Henric Verjans. 2014. *Is Inclusive Business for you? Managing and upscaling an inclusive company: Lessons from the field*. Wageningen UR (University & Research Centre). Wageningen

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Value Chain Development

Donovan, Jason , Steven Franzel , Marcelo Cunha , Amos Gyau , Dagmar Mithöfer. 2015. *Guides for value chain development: A comparative review*. Journal of Agribusiness in Developing and Emerging Economies, Vol. 5 Iss: 1, pp.2 – 23. ([link](#))

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FAO. 2014. *Developing sustainable food value chains – Guiding principles*. By David Neven, Rome, Italy

GTZ. 2007. *Value Links Manual*

KIT and IIRR. 2008. *Trading up: Building cooperation between farmers and traders in Africa*. Royal Tropical Institute, Amsterdam; and International Institute for of Rural Reconstruction, Nairobi

Lundy, Mark. 2012. *CIAT Link Methodology*. CIAT Columbia

McGregor, Andrew & Kyle Stice. 2014. *Agricultural Value Chains for the Pacific – Making value chain analysis a useful tool in the hands of farmers, traders and policy makers*. CTA, Wageningen

McVay, M. and Snelgrove, A., 2007. *Program design for value chain initiatives – Information to action: a toolkit series for market development practitioners*. MEDA

Vermeulen, S, Woodhill, J, Proctor, F, Delnoye, R. 2008. *Chain Wide Learning for Inclusive Agrifood Market Development: A multi-stakeholder guide for understanding institutions and policies to link small-scale producers with modern markets*. IIED / Wageningen International

Making Markets Work for the Poor (M4P) / Market Systems

Bekkers et al., 2014. *Guidelines for good market development program design: A managers' perspective*.

DFAT AIP- Rural. 2015. Deal Making Guidelines for private sector partners

Humphrey, John. 2014. *Market Systems Approaches – A literature review*. BEAM Exchange

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The Springfield Centre. 2014. *The Operational Guide for the Making Markets Work for the Poor (M4P) Approach*. 2nd edition funded by SDC & DFID

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Sustainable Food Lab. 2015. *Towards a Shared Approach for Small-holder Performance Measurement: Common Indicators and Metrics*

DCED. 2015. *The 2015 Reader on Results Measurement*

Financing

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Aid for trade

CARANA Corporation. 2014. *International Trends in Aid for Trade for Agriculture – Consultancy report*. CSIRO. Brisbane. ([link](#))

Investment Principles

UN Global Compact. 2013. *Sustainable Agriculture Business Principles: White Paper*

World Committee on Food Security (CFS). 2014. *Principles for Responsible Investment in Agriculture and Food Systems*. CFS. Rome

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Adam Smith International. 2015. *Final Report: Agriculture and Economic Growth Study for the Department of Foreign Affairs and Trade*. DFAT. Canberra

DFAT. 2015. *Strategy for Australia's aid investments in agriculture fisheries and water*. DFAT. Canberra

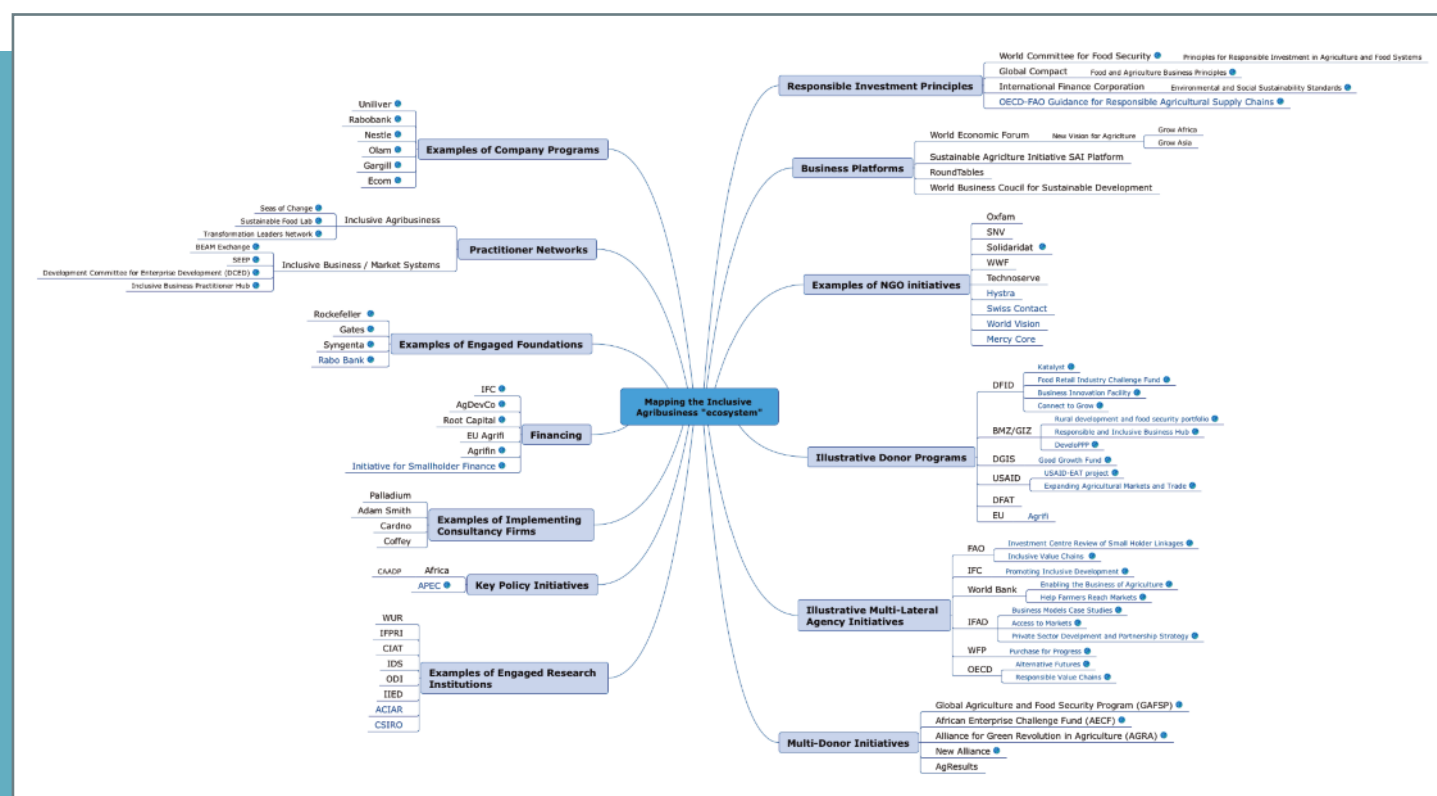
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ANNEX 4

ILLUSTRATIVE MAPPING OF INITIATIVES



1. Responsible Investment Principles

- 1.1. *World Committee for Food Security*
 - 1.1.1. Principles for Responsible Investment in Agriculture and Food Systems
- 1.2. *Global Compact*
 - 1.2.1. *Food and Agriculture Business Principles*
- 1.3. *International Finance Corporation*
 - 1.3.1. *Environmental and Social Sustainability Standards*
- 1.4. *OECD-FAO Guidance for Responsible Agricultural Supply Chains*

2. Business Platforms

- 2.1. *World Economic Forum*
 - 2.1.1. *New Vision for Agriculture*
 - Grow Africa
 - Grow Asia
- 2.2. *Sustainable Agriculture Initiative SAI Platform*
- 2.3. *RoundTables*
- 2.4. *World Business Council for Sustainable Development*

3. Examples of NGO initiatives

- 3.1. Oxfam
- 3.2. SNV
- 3.3. *Solidaridad*
- 3.4. WWF
- 3.5. Technoserve
- 3.6. Hystra
- 3.7. Swiss Contact
- 3.8. World Vision
- 3.9. Mercy Core

4. Illustrative Donor Programs

- | | |
|--------------|---|
| 4.1. DFID | 4.1.1. <i>Katalyst</i> |
| | 4.1.2. <i>Food Retail Industry Challenge Fund</i> |
| | 4.1.3. <i>Business Innovation Facility</i> |
| | 4.1.4. <i>Connect to Grow</i> |
| 4.2. BMZ/GIZ | 4.2.1. <i>Rural development and food security portfolio</i> |
| | 4.2.2. <i>Responsible and Inclusive Business Hub</i> |
| | 4.2.3. <i>DeveloPPP</i> |
| 4.3. DGIS | 4.3.1. <i>Good Growth Fund</i> |
| 4.4. USAID | 4.4.1. <i>USAID-EAT project</i> |
| | 4.4.2. <i>Expanding Agricultural Markets and Trade</i> |
| 4.5. DFAT | |
| 4.6. EU | 4.6.1. <i>AgriFi</i> |

5. Illustrative Multi-Lateral Agency Initiatives

- | | |
|-----------------|---|
| 5.1. FAO | 5.1.1. <i>Investment Centre Review of Small Holder Linkages</i> |
| | 5.1.2. <i>Inclusive Value Chains</i> |
| 5.2. IFC | 5.2.1. <i>Promoting Inclusive Development</i> |
| 5.3. World Bank | 5.3.1. <i>Enabling the Business of Agriculture</i> |
| | 5.3.2. <i>Help Farmers Reach Markets</i> |
| 5.4. IFAD | 5.4.1. <i>Business Models Case Studies</i> |
| | 5.4.2. <i>Access to Markets</i> |
| | 5.4.3. <i>Private Sector Development and Partnership Strategy</i> |
| 5.5. WFP | 5.5.1. <i>Purchase for Progress</i> |
| 5.6. OECD | 5.6.1. <i>Alternative Futures</i> |
| | 5.6.2. <i>Responsible Value Chains</i> |

6. Multi-Donor Initiatives

- 6.1. *Global Agriculture and Food Security Program (GAFSP)*
- 6.2. *African Enterprise Challenge Fund (AECF)*
- 6.3. *Alliance for Green Revolution in Agriculture (AGRA)*
- 6.4. *New Alliance*
- 6.5. *AgResults*

7. Examples of Engaged Research Institutions

- 7.1. WUR
- 7.2. IFPRI
- 7.3. CIAT
- 7.4. IDS
- 7.5. ODI
- 7.6. IIED
- 7.7. ACIAR
- 7.8. CSIRO

8. Key Policy Initiatives

- 8.1. Africa
 - 8.1.1. CAADP
- 8.2. *APEC*

9. Examples of Implementing Consultancy Firms

- 9.1. Palladium
- 9.2. Adam Smith
- 9.3. Cardno
- 9.4. Coffey

10. Financing

- 10.1. *IFC*
- 10.2. *AgDevCo*
- 10.3. *Root Capital*
- 10.4. EU Agrifi
- 10.5. *Agrifin*
- 10.6. *Initiative for Smallholder Finance*

11. Examples of Engaged Foundations

- 11.1. *Rockefeller*
- 11.2. *Gates*
- 11.3. *Syngenta*
- 11.4. *Rabobank*

12. Practitioner Networks

- 12.1. Inclusive Agribusiness
 - 12.1.1. *Seas of Change*
 - 12.1.2. *Sustainable Food Lab*
 - 12.1.3. *Transformation Leaders Network*
- 12.2. Inclusive Business / Market Systems
 - 12.2.1. *BEAM Exchange*
 - 12.2.2. *SEEP*
 - 12.2.3. *Development Committee for Enterprise Development (DCED)*
 - 12.2.4. *Inclusive Business Practitioner Hub*

13. Examples of Company Programs

- 13.1. *Unilever*
- 13.2. *Rabobank*
- 13.3. *Nestle*
- 13.4. *Olam*
- 13.5. *Gargill*
- 13.6. *Ecom*