

*TOPIC GUIDE:*  
Leveraging the  
private  
sector to  
promote  
agriculture  
& natural  
resource-based  
livelihoods



## Questions

How to stimulate private investment & initiative  
to benefit  
small-scale & informal farmers, fishers and herders

Public & private  
roles for agricultural  
development?

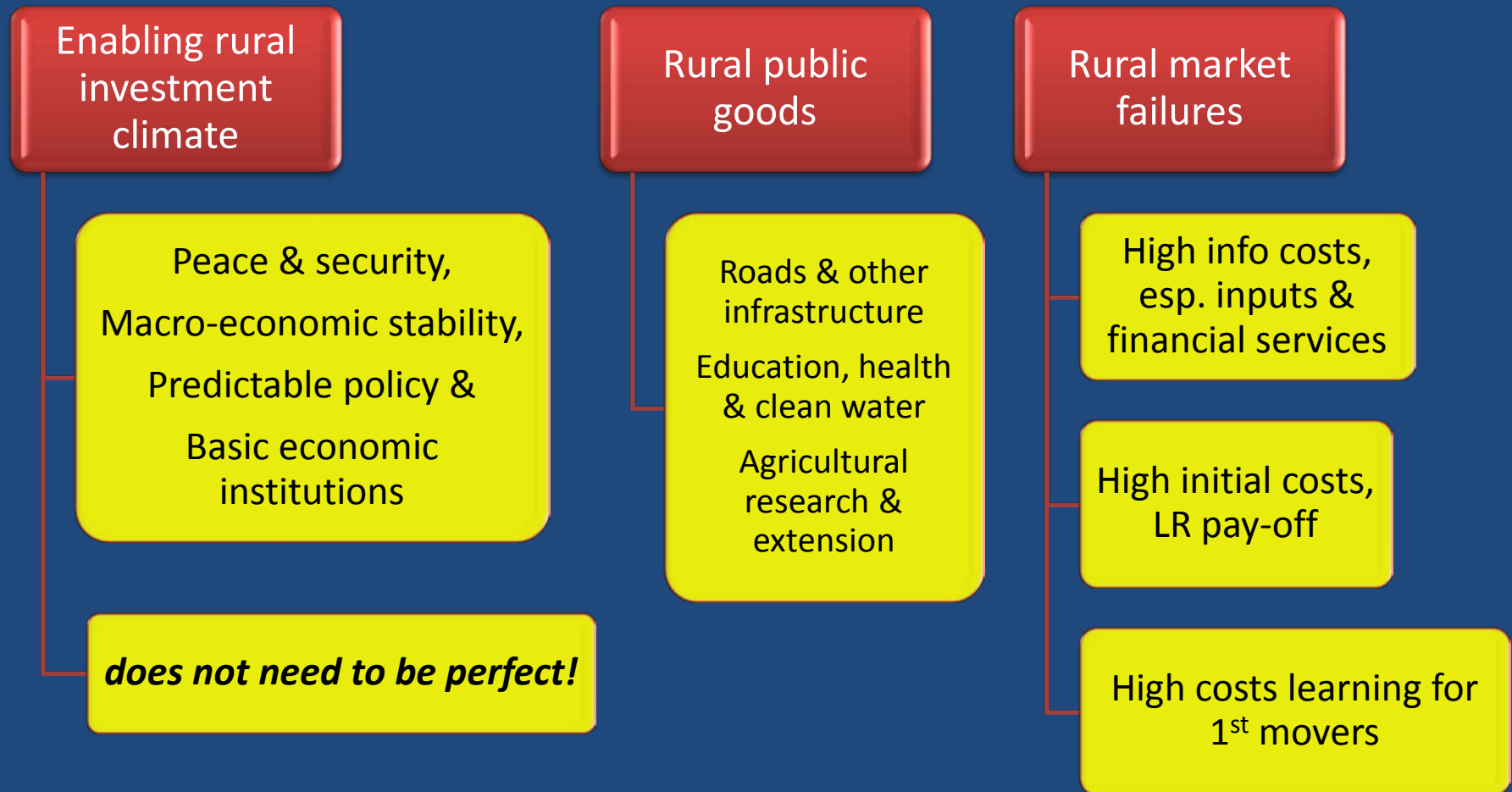
- Different policies for different households?

Where do recent  
DFID initiatives fit?  
How effective?

- TradeMark East Africa, New Alliance for Food Security and Nutrition, Financial Deepening Trust, LIFT Burma, AECF, FRICH, Katalyst, FoodTrade & SAGCOT

How to get development impact, avoid pitfalls?

# Framing Public Role



# Overcoming market failures #1

## Back to state?

Former  
parastatals

- Most too high cost, unsustainable
- Some worked: KTDA, reformed Cocobod

Back again:  
fertiliser subs

- Malawi: exceptional circumstances ...  
& ... implementation

# Overcoming market failures #2

## Private & Collective action

### Contract SF by processors, exporters, retailers

- Private firms, sometimes brokered by NGOs specialised in VCs
- ***Eagle Lager, Uganda, sorghum; Blue Skies, Ghana, pineapples; Illovo, Malawi, sugar cane***

### Group farmers in associations or co-ops

- Farmer initiative, often encouraged by private companies, NGO and government agencies
- ***Many contracting schemes. One Acre Fund farmers groups***

### Use local agents

- Some banks, ***Micro-banking, Bank Rakyat Indonesia***
- Firms sourcing supplies from SF, ***Dunavant cotton, Zambia***
- Fertiliser & agro-chemical co's franchising local farm input dealers, ***Bayer Green World, Kenya***

## Overcoming market failures #2

### Private & Collective action

Certification SF produce

Global Good  
Agricultural  
Practice (GAP)

NGO, donor, growers &  
private firms, especially  
exporters contracting  
from smallholders,  
***VegPro, Kenya***

Fair Trade,  
Organic

Private firms, NGO,  
foundations, ***Pineapple  
growers for Blue Skies,  
Ghana***

# Overcoming market failures

## Private & Collective with Public Push

### *Finance*

Agency banking

- Banks, backed up by public regulations, ***Financial Deepening Trust, Kenya***

Public loan guarantees

- Donor & government, ***Centenary Bank, Uganda***

Micro insurance

- Donor & government, ***Financial Deepening Trust, Kenya***

Index insurance,  
often weather-based

- Donor, government, foundation, ***Syngenta's Kilimo Salama, Kenya***

# Overcoming market failures

## Private & Collective with Public Push

### *Inputs*

#### Develop input markets

- Train input dealers on fertiliser, inventory credit & g'tees
- NGO, donor, government, ***Katalyst training of input dealers in Rangpur, Bangladesh***

#### Direct services to farmers

- Input packages
- NGO, foundation, ***One Acre Fund, Kenya & Rwanda***



# Overcoming market failures

## Private & Collective with Public Push

### *Lever in private investment*

Patient capital

- Quango administers public funds, ***AgDevCo: e.g. Chiansi irrigation scheme, Zambia***

Grants from challenge funds match private investments

- Quango administers public fund, ***African Enterprise Challenge Fund (AECF), Food Retail Industry Challenge Fund (FRICH)***

Introduce investors to farmers, local rural businesses

- NGO, Foundation, ***Sustainable Food Laboratory's learning journeys***

**SO WHAT WORKS?**



# No precise answers ...

## Evaluation deficit

- Survivor bias
- Attribution
- Spill-overs

## Most things can work, but

- How applicable? Does it reach poor, directly or indirectly?
- How great are potential benefits?

	Wide application	Narrow application
<b>Higher potential benefit</b>	Direct services to farmers Grouping farmers Train input dealers Agency banking	Contracting Local agents Patient capital Matching grants Introduce investors to farmers Loan guarantees
<b>Lower potential benefit</b>	Micro insurance Index insurance	Global GAP Fair Trade, Organic

# Scaling Up?

## Private initiatives: leave to firms

- Narrow application?

## Public pushes:

- Tailor to context, trials
  - Some will fail
- High early costs ... subs?!



# LESSONS



# Promoting growth by private enterprise

*Basic conditions critical for agricultural growth*

*Private enterprise has to realise returns*

*Market failures represent a great challenge*

- — *but offer great rewards*
- ... *learning processes are the way to overcome them*



# Inclusion and representativeness

Don't expect too much commercial engagement with marginal farmers

- Informality the norm
- Domestic chains dominate

Most SF in Africa probably already live in peri-urban: not exceptional

Commercial SF farming may thus become more inclusive, even if not reaching all





# Learning lessons and scaling out

*DFID initiatives address a major challenge*

*Replication & scaling out: working models emerging*



**ALSO IN GUIDE:**

# Better development impact

Encouraging  
inclusion

- Labour intensity
- Smaller-scale operations
- ... *but not dogmatic*

Firms do not favour SF/MF

Fundamentals matter most for  
marginalised

# Correcting women farmer disadvantage

Women's groups

Crops long associated with women

Crops that help diversify livelihoods

Extension for women farmers

Target practical needs of women

Technology to save time

Literacy

# Avoid pitfalls

Loss land & water

Exploitation labour

Food insecurity

Higher risks

Environmental damage

*None inevitable, but careless interventions can harm*