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

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

- Public & private roles for agricultural development?

- Where do recent DFID initiatives fit? How effective?

- How to get development impact, avoid pitfalls?
Framing Public Role

Enabling rural investment climate

- Peace & security, Macro-economic stability, Predictable policy & Basic economic institutions

- does not need to be perfect!

Rural public goods

- Roads & other infrastructure
- Education, health & clean water
- Agricultural research & extension

Rural market failures

- High info costs, esp. inputs & financial services
- High initial costs, LR pay-off
- High costs learning for 1st movers
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**

<table>
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<tr>
<th>Service</th>
<th>Description</th>
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<tr>
<td>Agency banking</td>
<td>Banks, backed up by public regulations, <em>Financial Deepening Trust, Kenya</em></td>
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<td>Public loan guarantees</td>
<td>Donor &amp; government, <em>Centenary Bank, Uganda</em></td>
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<tr>
<td>Micro insurance</td>
<td>Donor &amp; government, <em>Financial Deepening Trust, Kenya</em></td>
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<tr>
<td>Index insurance, often weather-based</td>
<td>Donor, government, foundation, <em>Syngenta’s Kilimo Salama, Kenya</em></td>
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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?
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<th>Wide application</th>
<th>Narrow application</th>
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| **Higher potential benefit** | Direct services to farmers  
Grouping farmers  
Train input dealers  
Agency banking | Contracting  
Local agents  
Patient capital  
Matching grants  
Introduce investors to farmers  
Loan guarantees |
| **Lower potential benefit** | 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