Leveraging Pay-for-Results Incentives to Drive Transformative Partnerships in the Agriculture Sector

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$152 million multi-donor initiative that uses Pay-for-Results (PfR) prize competitions to incentivize the private sector to invest in high-impact agricultural innovations that help achieve the following goals:

- Reducing Food Insecurity
- Improving Household Nutrition and Health
- Increasing Livestock Productivity

AgResults' **theory of change** rests on the idea that, if appropriately incentivized, the private sector will respond by creating and/or scaling new technologies to benefit smallholder farmers:

1. Identify or source new technology
2. Incentivize the private sector to overcome market barriers
3. Achieve wide-scale adoption and scaling
4. Create sustainable markets
AgResults in Action around the World

**Nigeria Aflasafe™ Project (COMPLETE)**
Promoting adoption of biocontrol technology to combat aflatoxin (fungal mold) in maize

**Kenya On-Farm Storage Project (COMPLETE)**
Expanding on-farm storage solutions for smallholder farmers

**Foot and Mouth Disease Project (Regional)**
Creating high-quality FMD vaccines for Eastern Africa and encouraging a private sector market

**Senegal Crop Storage Finance Project**
Scaling group storage and finance access solutions for smallholders.

**Uganda Legume Seeds Project (CLOSED)**
Strengthening production and distribution value chain for improved legume seeds

**Tanzania Dairy Productivity Project**
Incentivizing delivery of specialized input bundles and extension services to develop dairy value chain

**Zambia Biofortified Maize Project (CLOSED)**
Encouraging uptake of pro-Vitamin-A orange maize

**Vietnam GHG Emissions Reduction Project**
Testing and scaling up improved, low emissions rice farming technologies

**Brucellosis Vaccine Development Project (Global)**
Creating a low-cost and effective Brucellosis vaccine

**Indonesia Aquaculture Project**
Scaling adoption of advanced technology inputs for fish farmers
Why Prize Competitions?

Prize competitions offer a unique value-add over traditional “push” (grant) funding:

- **Heighten Awareness**
  Opportunity to educate, inspire, and mobilize on neglected issues.

- **Pay Only for Results**
  Payments upon achievement of specific outputs.

- **Spur Private Sector Market Action**
  Solution-agnostic to allow private sector to respond in ways best suited to their business practices.

- **Stimulate Innovation and New Ideas**
  Allow for experimentation, multiple solutions, and varied paths to success.

Prize competitions encourage new partnerships that drive scale-up and transform market systems to be more sustainable and resilient.
How Incentives Spark Partnerships to Create Sustainable Markets

AgResults competitions use monetary incentives to encourage new relationships among value chain actors. These partnerships establish innovative behaviors that have the potential to be scaled and sustained, transforming entire market systems.

1. Prizes motivate the private sector to venture into untapped markets and **adopt** new ways to solve existing problems.

2. Prize-driven actions encourage competitors to **adapt** current business models and create new partnerships.

3. As the economic benefits of these partnerships emerge, the broader market landscape shifts and **expands** to further strengthen relationships and access to solutions.

4. Over time, mutually beneficial partnerships along the value chain position competitors to better **respond** to changing market demands, transforming the entire market system to be sustainable and resilient.

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### Adopt
- Initial competitors begin to adapt investments and business models to work with smallholder farmers

### Respond
- Competitors are creating new markets and working to change enabling environment to address/solve agricultural challenge

### Adopt
- Initial private sector competitors begin to participate

### Expand
- New competitors continue to join project as they see efficacy and economic incentive

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A Closer Look: The Kenya On-Farm Storage Challenge Project

**Problem:** Eastern Africa suffers from post-harvest grain losses that cost about $US1.6 billion annually, but many smallholder farmers cannot access on-farm storage technologies and are forced to sell their crops immediately after harvest or use insecticides or less effective methods to store their crops.

**Solution:** US$12 million prize competition incentivized private sector companies to develop, market, and sell on-farm hermetic storage devices to smallholder farmers in Kenya’s Rift Valley and Eastern Regions to overcome storage challenges and reduce post-harvest loss.

**Prize Incentive and Structure**

- Competitors qualified for prizes by selling enough devices to surpass a 21,000MT storage capacity threshold.
- Mid-point prizes of $750,000 each and proportional prizes totalling $1M or $3M (depending on the region) incentivized storage providers to invest in new distribution channels to rural areas.
- Farmers increased their use of hermetic devices to reduce post-harvest loss.

**Results (2013 – 2019)**

- 9 companies participated
- 1,390,777 devices sold
- 413,265 MT storage capacity created
- 300,000 farmers reached
- $4.85M in competitor investments leveraged
Prizes and Partnerships: Incentivizing Sustainability in Kenya

In Kenya, prizes for on-farm storage device sales encouraged companies to rethink their outreach and distribution approaches. As they adjusted their business models, they strengthened partnerships with wholesalers, retailers, and farmer groups to bolster the entire market system.

- **Pay-for-Results Prizes to Engage New Actors**
  - AgResults’ Kenya Pay-for-Results prize competitions used monetary awards to motivate companies to develop innovative distribution channels to deliver on-farm storage devices to farmers.

- **Incentives that Shape Competitor Behaviors**
  - These monetary “nudges” motivated competitors to reach previously inaccessible smallholder farmers and gave them the initial capital needed to innovate with outreach to rural areas and populations.

- **Shifts in Business Models to Expand Distribution**
  - Formal investment into marketing and distribution to get on-farm storage technologies to remote end users drove changes in competitors’ business models to prioritize partnerships.

- **Stronger Partnerships Along Value Chain**
  - More efficient and more mutually beneficial partnerships among private sector, wholesalers, retailers, and farmer groups strengthened the entire value chain.

- **Resilient and Sustainable Market Systems**
  - Kenya’s agriculture sector is positioned to expand farmer access to key storage technologies and to respond to post-harvest loss – making the entire market system more resilient and sustainable.
A Closer Look: The Nigeria Aflasafe™ Challenge Project

**Problem:** In Nigeria, the high prevalence of aflatoxin in maize produces a toxin that is carcinogenic and is associated with childhood stunting.

**Solution:** US$12.68 million prize competition that incentivized private sector aggregators and grain traders to work with smallholder farmers to adopt Aflasafe™ and improve the quality of maize.

**Prize Incentive and Structure**
- Competitors worked with farmers, providing them with value-added services (including access to and training on using Aflasafe™) and market linkages
- Competitors received a premium payment of $18.75 per MT of aggregated maize with a >70% prevalence rate of Aflasafe™
- Smallholder farmers benefited from higher yields, linkages to premium markets for aflatoxin-free maize and consumption of aflatoxin-free maize

**Results (2013 – 2019)**
- 35 companies participated
- 213,510 MT of Aflasafe-treated grain aggregated
- 75,788 farmers reached
In Nigeria, prizes for aggregated Aflasafe™-treated maize encouraged companies to teach best practices in Aflasafe™ application to smallholder farmers while raising public awareness of the health benefits, creating a partner-based approach to driving up market demand and market prices for a higher-quality product.

AgResults’ Nigeria Pay-for-Results prize competition used monetary awards to show the private sector the potential economic benefits of delivering a biocontrol agent to smallholder farmers.

These monetary “nudges” motivated competitors to test out the nascent product and prove its efficacy among smallholder farmers through demonstrations and extension services.

As companies built initial trust and credibility, they coordinated to formalize delivery and technical assistance to smallholder farmers, driving changes in competitors’ business models while delivering a range of key inputs.

Aggregators developed partnerships along the maize value chain with input providers, processors, and extension agents to create value-add and increase market demand for higher-quality maize, bringing farmers into formalized, premium markets.

With an interconnected value chain and high demand for a premium product, the maize sector is poised for continued growth – making the entire market system more resilient and sustainable.
Prizes as a Mechanism to Spur Transformational Partnerships

- AgResults’ prize competition model uses monetary incentives to enable competitors to overcome initial financial and logistical challenges impeding sustainable market growth.

- The private sector is incentivized to establish critical partnerships along the value chain to better deliver solutions to smallholder farmers.

- In Kenya, competitors created partnerships to build out distribution channels and reach previously inaccessible smallholder farmers.

- In Nigeria, competitors partnered on value-add activities to drive up market demand and prices.

- In both cases, mutually beneficial partnerships increase access, trust, and the delivery of technological solutions, strengthening market systems so that they are more sustainable, inclusive, and resilient.
Thank you!

For more information and resources, visit the AgResults website:

https://agresults.org/