

SYSTEMIC APPROACHES TO INCLUSIVE AGRIBUSINESS

Aspirational issues and priorities for collaboration

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1 SUMMARY OF ISSUES

Inclusive agribusiness reflects the idea that social progress and business success are connected. The private sector acting in its own long-term self-interest is key to a vision of shared value¹. Agriculture and food production appears ripe for this: increased productivity, reduced wastage and greater agro-ecological resilience should produce commercial and social benefits in tandem.

So why isn't inclusive agribusiness already happening frequently or on a large scale? Why is it so hard to find investible initiatives? Why do so many initiatives seem stuck at the piloting stage, rarely achieving scale (outreach) and commercial sustainability – even when the basic viability of a business model has been demonstrated? For many observers² the issues seem to go well beyond the scope of individual firms, the strengths of particular inclusive business models or financing instruments.

Companies operate within systems beyond the control of any single actor, shaped by societal conditions, government policies and cultural norms. It is a 'shared-value ecosystem'. Koh et al. (2014) identifies barriers to scaling up at levels increasingly distant from the firm itself: value-chains, public goods, government. They argue that our focus should shift from building inclusive firms, to building *inclusive industries*.

The same principle applies in the M4P approach³, which recognizes arrangements for exchange of goods, services and information involving public and private actors operating under the influence of both rules and various supporting functions. These 'market systems' are often inefficient and disadvantage the poor. In order to achieve widespread and lasting benefits for people living in poverty, underlying root causes of the system's underperformance have to be addressed.

Progress towards more inclusive industries with sustained and widespread benefits for poor people

does happen, for example, historically in the Colombian coffee, the Kenyan tea, and Gujarat dairy sectors. FSG found these cases featured multiple actors, with evolving structures and systems of organization, experimentation and coordination.

There is a growing consensus among 'systems' thinkers about how inclusive industries or market systems develop:

- Scaling up is not simply about repeating or replicating the success of one firm or one inclusive business model. It is the outcome of transforming the wider conditions and addressing root causes of why the system does not work well for people living in poverty.
- Sustainability is a property or capability of the system as a whole. Can the industry respond to changes in the business environment; can it provide a means for people living in poverty to derive on-going economic benefits.⁴
- Scaling up involves different and diverse actors (private and public) who have varying motivations and agendas, but a confluence of which can produce transformative change.
- Scaling up requires innovation at different levels: in products and services, in processes and practices, in organizational forms and in the rules (formal policy/legislation/regulation, and informal norms). Crucially, these levels often require coordinated action.
- A too narrow focus on individual business success can miss the point. Even while creating jobs or increasing farmer incomes, agribusiness may fail to be inclusive, e.g. by displacing other businesses and producers, or by undermining the basis of future prosperity (soil fertility).

¹ Kramer & Pfitzer (2016)

² Davies (2016); Koh et al. (2014)

³ Springfield Centre (2014)

⁴ Taylor (2014)

How to achieve system change is an increasingly hot topic. Both theory (the science of complex adaptive systems) and practice (market facilitation, adaptive management) suggest fostering multi-stakeholder coalitions. These often involve companies, governments, NGOs and civil society (e.g. farmers/consumers). It is as much a political process as a technical challenge.

Kramer & Pfitzer (2016) identify five elements to successful coalitions: a common agenda, a shared measurement framework, ensuring mutually-reinforcing activities, constant communication, and the existence of a dedicated 'backbone' support function. Crucially, this backbone function cannot be provided by companies themselves – 'they are not neutral'. But they may contribute funds, coach and provide technical support.

A more elaborate perspective sees systemic change as an evolutionary process. Agriculture, farming and food industries have social, ecological, political and technological components. Change in such complex systems cannot be engineered as if the system were a complicated but predictable machine. There are too many unknowns, too much uncertainty, too many feedback mechanisms. Instead the focus should be on building institutions that emulate the variation, selection and amplification processes found in natural evolution⁵.

This evolutionary perspective has radical implications. It means moving away from a firm-led approach. Instead, the focus is on understanding the whole farming system's historical evolution: why the current situation is unsatisfactory, what opportunities are emerging. The process is both analytical and experimental, with an emphasis on supporting the capacity of the system (e.g. institutions and coalitions) to stimulate and manage adaptive change.

IIED and Practical Action's early work in Nepal and Bangladesh to establish national collaborative mechanisms to develop organic fertilizer markets⁶, is illustrative of this approach.

⁵ Cunningham & Jenal (2017)

⁶ IIED & Practical Action (2016)

⁷ Practical Action (2014); Burns & Worsley (2015)

⁸ Reardon et al. (2012); Allen & Heinrigs (2016)

2 ASPIRATIONAL ISSUES FOR A COMMON AGENDA

- Unite the various 'elements' of our agenda – inclusive business models, access to finance, enabling policies, gender – to build a 'systemic' perspective. The goal: to shift focus from 'inclusive businesses' to inclusive industries or market systems.
- Raise the needs of small and medium-sized firms and the opportunities in domestic markets higher on the agenda. The private sector is heterogeneous, from the smallest farmer trading surplus crops to the multinational corporation. But often it is the middle space that has the most to offer.
- Encourage governments and donors to treat inclusive agribusiness as one instrument for solving some systemic constraints, rather than as a general development strategy i.e. look closely at what is constraining indigenous firms (Is it a lack of information, finance or coordination?) before assuming the need to subsidize market entry by global leaders.
- Focus on the tools⁷ that enable people living in poverty (i.e. farmers and agricultural laborers) to be empowered with a voice and influence in agribusiness initiatives.

3 POTENTIAL RESEARCH AND LEARNING QUESTIONS

- Measurement dilemmas: How to reconcile the differences between indicators/data required to measure systemic change (qualitative, long-term) and satisfy political needs (quantitative, short-term).
- Whose knowledge counts: Who needs to understand the system's opportunities, functions and dysfunctions? Who decides on the priorities for investment or the change objectives? How is capacity built within systems to diagnose, strategize and design interventions?
- What does corporate engagement become, and what forms does it take when the ambition becomes focused on building coalitions for inclusive industries?
- What are the implications of recent research⁸ in Asia and Africa on the quiet revolution in traditional agri-food supply chains, highlighting the dominance of growth and opportunities in domestic agri-food markets (compared to export trade)?

4 ONGOING WORK

The Springfield Centre, authors of the Operational Guide to the M4P Approach, and continued advocates of a systemic perspective in private sector development. www.springfieldcentre.com

The BEAM Exchange is a DFID- and SDC-funded platform for knowledge exchange and learning about market systems approaches. www.beamexchange.org

FSG are consultants and thought leaders on collective impact, shared value ecosystems and market systems innovation. www.fsg.org

IIED and Practical Action are working in Bangladesh and Nepal to create national collaborative institutions to support the organic fertilizer industry and help tackle the crisis of declining soil fertility. <http://pubs.iied.org/pdfs/17394IIED.pdf>

SAGCOT (Southern Agricultural Growth Corridor of Tanzania) is an example of a multi-stakeholder agricultural partnership designed to improve agricultural productivity, food security and livelihoods. www.sagcot.com

CocoaAction is an example of an industry-wide strategy to align the world's leading cocoa and chocolate companies, origin governments, and key stakeholders on regional priority issues in cocoa sustainability. <http://www.worldcocoafoundation.org/about-wcf/cocoaaction>

5 RESOURCES AND PREVIOUS WORK

1. The Springfield Centre. 2014. <i>The Operational Guide for the M4P Approach</i> , DFID and SDC.	Practitioners manual for the M4P approach
2. Cunningham and Jenal. 2017. <i>Economic evolution and institutions</i> , BEAM Exchange	Discussing how complex systems evolve in the real world
3. Davies. 2016. <i>Getting to Scale: lessons in reaching scale in Private Sector Development programmes</i> , Adam Smith International	Review of ASI's experience in PSD programmes
4. Koh, Hegde and Karamchandani. 2014. <i>Beyond the Pioneer: Getting Inclusive Industries to Scale</i> , Omidyar	A report about getting the challenges of getting impact investment to scale
5. Kramer and Pfitzer. 2016. 'The Ecosystem of Shared Value', <i>Harvard Business Review</i> , Oct 2016	Business-orientated article about how to build coalitions for creating shared value
6. Practical Action. 2014. <i>PMSD Roadmap: participatory market system development</i> , www.pmsdroadmap.org	Tools for engaging farmers and other producers in market systems change
7. Allen and Heinrigs. 2016. <i>Emerging Opportunities in the West African Food Economy</i> , OEDC	OECD Report
8. Taylor. 2014. 'Who wants to give forever?', <i>Journal of International Development</i> , 26: 1181–96, Wiley	A rigorous examination of the different concepts of sustainability in development
9. Burns and Worsley. 2015. <i>Navigating Complexity in International Development</i> , Practical Action Pubs.	Persuasive case-based evidence to show how systemic change can be achieved at scale
10. IIED and Practical Action. 2016. <i>Fertile Ground: Harnessing the Market to Reverse Soil Degradation in South Asia</i> , Policy Briefing, IIED	Briefing about the action-research in Nepal and Bangladesh
11. Reardon et al. 2012. <i>The Quiet Revolution in Staple Food Value Chains in Asia</i> , ADB and IFPRI	IFPRI Report

This paper is part of a set of six that explore the six themes covered in the design workshop “Towards a Global Research and Learning Agenda for Inclusive Agribusiness”. Over two days 40 senior practitioners looked at how to deepen understanding and improve practice through more structured collaboration. While the themes do not cover all that is important in inclusive agribusiness, they are part of the potential for structural and systemic change inherent in many initiatives.

Each paper aims to trigger thinking on what could be done through collective action. It does not provide a complete picture of the theme but indicates the bandwidth of possibilities that could be worked on. We hope it will help you think where working with others can make your work easier, more interesting or more useful. For more information or if you have ideas please get in touch with joost.guijt@wur.nl.

The workshop was a good example of the value of combining skills and resources, and came out of joint thinking, time and funding from Wageningen University & Research, Global Donor Platform for Rural Development, Food & Business Knowledge Platform and BEAM Exchange.

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This paper is part of a series of papers on inclusive agribusiness written for the “Towards a Global Research and Learning Agenda for Inclusive Agribusiness” workshop in March 2017. Read all the papers as well as a series of blogs on ‘What’s new in inclusive agribusiness’ here: <http://www.inclusivebusinesshub.org/inclusive-agribusiness/>