

> The role of smart incentives in enhancing agribusiness growth



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The Role of Smart Incentives in Enhancing Agribusiness Growth

Lessons from Northern Ghana



MEDA

Agenda

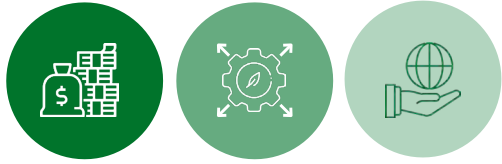
- **A Program Plus Approach**
 - Introducing MEDA's approach for agri food systems transformation
- **The Role of Incentives**
 - What are smart incentives?
 - How do incentives support systems development?
- **MEDA's Experience with Incentives in Northern Ghana**
 - Business Performance
 - Market Linkages
 - Job Creation
 - Lessons Learned



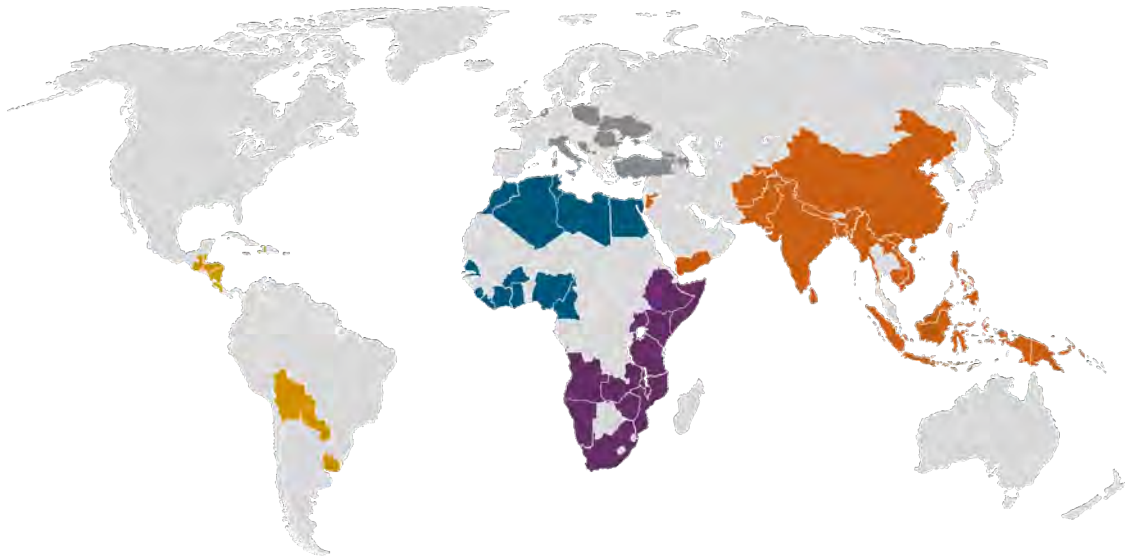
A Program *Plus* Approach

MEDA's approach for agri food systems
transformation

An Overview of MEDA



International economic development organization creating business solutions to poverty that are sustainable, scalable, and measurable. Since 1953, our combination of programs and investments have contributed to the transformation of agri-food systems in 70+ countries.



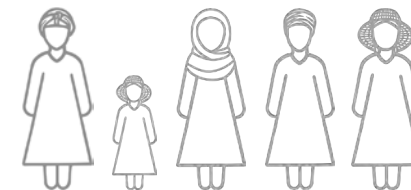
Founded in 1953 by a group of Mennonite business owners, MEDA's first investment of \$50,000 in Sarona Dairy has transformed the dairy and agri-business industry of Paraguay, creating lasting economic change that is evident today. MEDA has since worked in 70+ countries across the world.



MEDA brings a holistic market systems approach that targets the key drivers of agri-food transformation: ensuring an enabling environment; scaling production and access to markets; and leveraging blended finance.

Leader in blended finance (Sarona Dairy). As of 2024, MEDA's capital commitments reached US\$64 million, mobilizing an estimated \$240 million in external investments (~4X)

4X



Focus in Agrifood systems has allowed MEDA to intentionally work with women and youth while also tackling key environmental sustainability issues across the value chain.



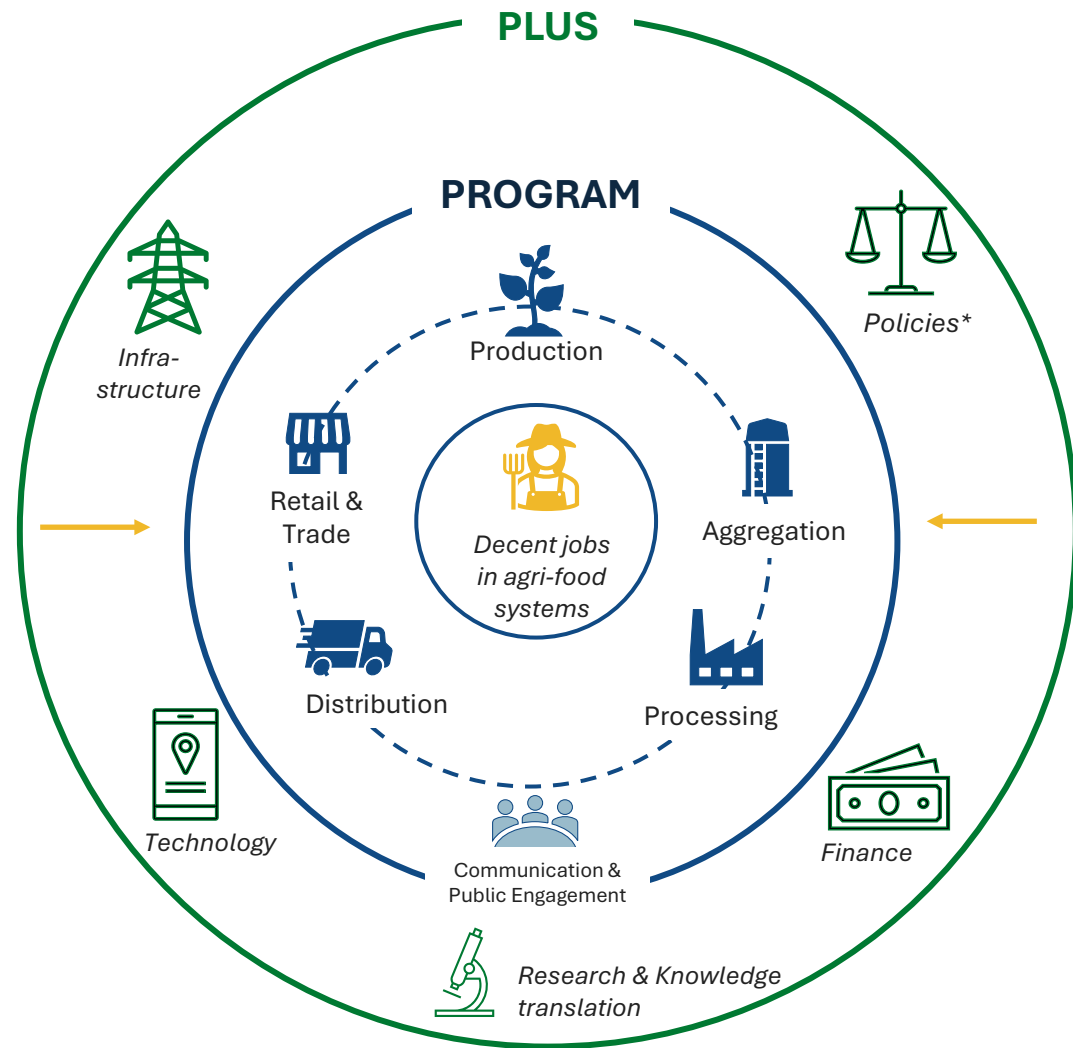
MEDA is creating decent jobs across agrifood system value chains



Since 2020, MEDA has created or supported **231,319** decent work or job opportunities.

Program *Plus*

MEDA's approach to agri food systems transformation for decent job creation



Program *Plus* is MEDA's unique approach to creating lasting change and transformation in agrifood systems

At the core is the *Program* - the foundation, which brings together the key pillars any thriving Agri-System needs. We co-create **targeted interventions with partners** based on value chain and context.

The *Plus*, brings in adaptive fit for purpose solutions that respond to unique needs at different entry points across the value chain, ensuring relevance, impact and resilience.

The result is multiple interventions that reinforce each other, creating sustainable change that builds a system and continues long after MEDA exits.

*Policies include the enabling environment (tariffs, trade, taxes, regulations etc.) plus laws, standards and norms that ensure gender equality, social inclusion and environmental sustainability



The Role of Incentives

How do incentives support systems development?

What Smart Incentives are....and are not

Smart incentives are financial and non-financial mechanisms that address a market barrier and stimulate a desired market behavior in commercially oriented market actors such as entrepreneurs, producers, SMEs, lead firms, cooperatives, and others in a targeted agri-food system.

MEDA uses smart incentives carefully and strategically to reduce the real or perceived risk of a market actor trying a new approach, business model, product, or service.

Incentives should ideally



- ☐ Be time-bound with a clear exit strategy
- ☐ Market-driven and link market actors
- ☐ Not distort markets
- ☐ Be used selectively based on market needs and to change behavior
- ☐ Generate a demonstration effect that can be scaled

Incentives should not

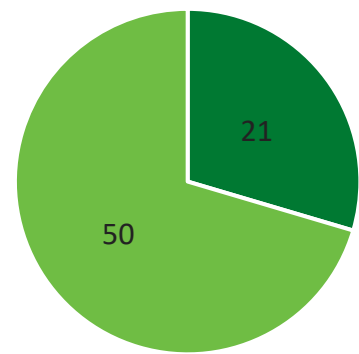


- ☐ Be long-term
- ☐ Provide a product or service for free
- ☐ Motivated by a client's inability to pay
- ☐ Provide a product or service that the market can access on their own
- ☐ Redeemed without market interaction or participation

MEDA's Track Record on Incentives

TOTAL INCENTIVES

Incentives since inception (\$M)



- MEDA Contributions
- Matching Contributions

\$72 million in total

TOTAL RECIPIENTS

612

in

30

countries

The role of incentives in systems development



Encouraging Private Sector Investment

Financial incentives can motivate private companies to invest in new technologies, products, and markets that they might otherwise consider too risky or unprofitable.



Promoting Sustainable Solutions

By aligning incentives with long-term development goals, programs can ensure that the changes they promote are sustainable. This means that the benefits continue even after the incentives are no longer provided.



Addressing Market Failures

Incentives can help overcome barriers that prevent markets from functioning efficiently. For example, they can encourage the adoption of sustainable practices or the development of infrastructure that supports market growth.



Leveraging Local Knowledge and Resources

Financial incentives can be designed to work through existing market actors, leveraging their knowledge, networks, and resources. This helps to build local capacity and ensures that solutions are contextually appropriate.

An overview of GROW2

- The **Greater Rural Opportunities for Women 2 (GROW2)** project is a five-year initiative (2021-2026) implemented by MEDA and funded by Global Affairs Canada (GAC).
- It aims to support 40,000 smallholder women farmers, 5,000 entrepreneurs, and 50 agribusinesses (at least 50% women-led) in the soybean, groundnut, and vegetable value chains of Northern Ghana.
- MEDA's use of smart incentives - financial and non-financial mechanisms aimed at encouraging favorable market-level outcomes – plays a central role in GROW2, particularly in **Production, Aggregation and Processing**

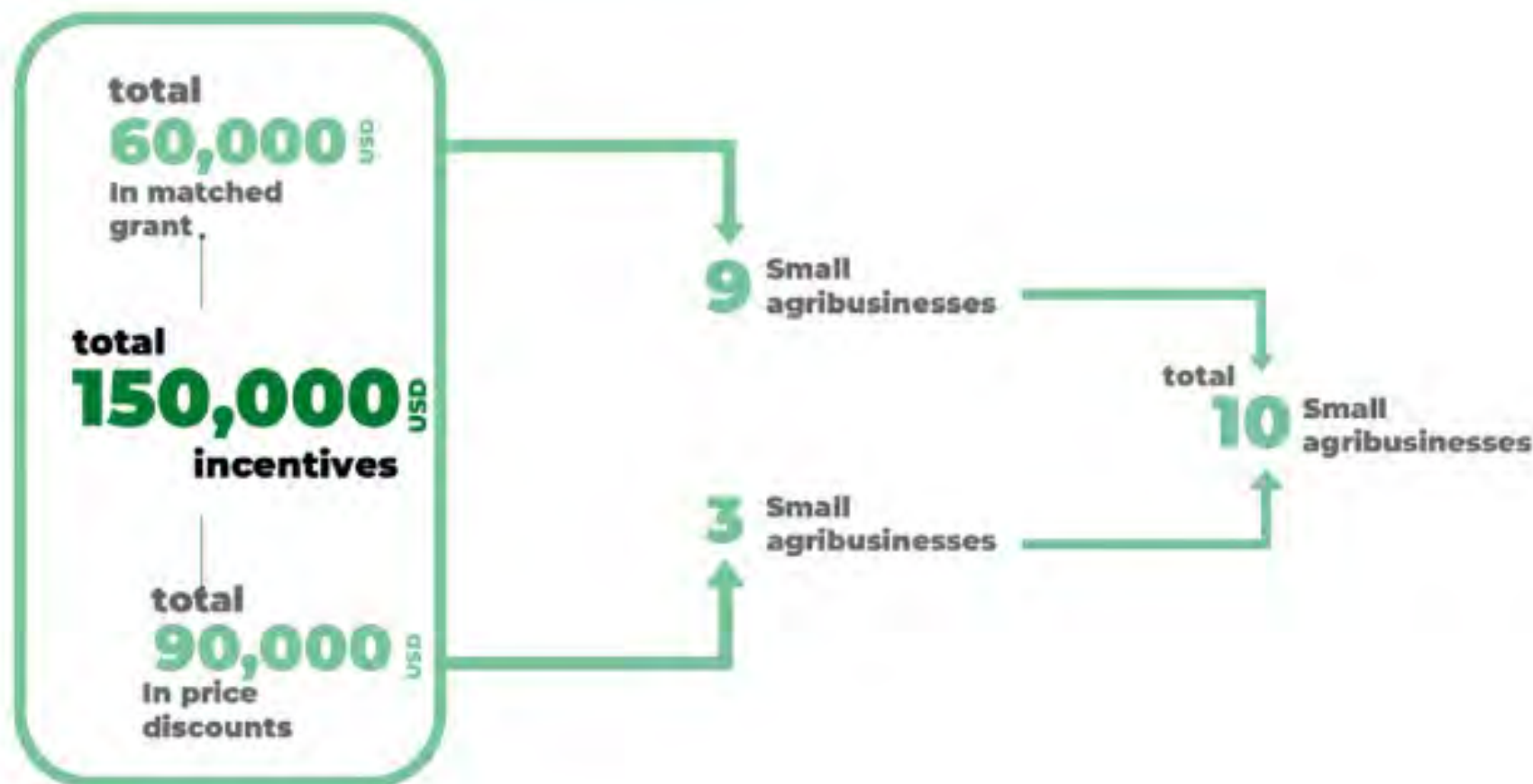




MEDA's Experience with Incentives in Northern Ghana

Observed effects on business performance, market linkages and job creation

Incentives Deployed in GROW2



- **Key characteristics:**
 - 6 of the businesses were led by women and 4 by men
 - All worked primarily with women smallholder farmers
 - These businesses vary in size, with some early stage (2–3-year-old) small enterprises and older (5 years plus) larger enterprises
 - Main products range from soy and groundnut-based foods to seeds and agricultural inputs.

Reported effects on business performance

- All businesses reported an increase in production, with production doubling (and in some cases) tripling because of the equipment procured with matching awards.
- Sales mirrored production growth, with all businesses reporting a doubling or tripling of sales in the first year following equipment procurement. This was especially the case for those receiving innovation funds.
- **Example**
 - **SMG:** Soya bean production increased from 50 hectares (100-120 MT) to 70 hectares (200-230 metric tonnes) and groundnut production increased from 25 MT to 100 MT over two planting seasons
 - **SMG:** Sales turnover increased from 600,000 cedis in 2021-2022 to 1.5 million cedis in 2023/2024





“ One of our most significant achievements has been overcoming product contamination and drudgery, which were major challenges for our business. The introduction of new equipment has allowed us to ensure the quality of our products while contributing positively to the health of our staff.”

Murijana **Abubakari**, Suglo
Suhudoo Enterprise

Reported effects on market linkages

- The matching awards have strengthened some linkages (e.g. with local supermarkets or restaurants) and relationships with SHFs as suppliers.
- Innovation funds have mainly strengthened *backward integration* with SHFs as customers
- Examples:
 - **Dinmbone Farms (DFG):** Matching award increased expansion with a new store, a new warehouse and a new partnership with Yara Ghana, a large input supplier
 - **SMG:** Innovation Fund helped expand reach to remote communities; supplying over 3000 SHFs with certified seeds
 - **Pognaa Foods:** Matching award helped diversify products and is in discussions with 3 wholesalers targeting the middle-income segment.



Reported effects on employment

- In total, the businesses interviewed added 91 new workers as follows:
 - Full-time staff hired: 27 (19 or 76% women)
 - Contractors hired: 64 (40 or 62% women)
- 7 out of 10 agribusinesses interviewed have already hired new staff, with two more planning to hire in the next year.
- This hiring was made possible by increased production and revenue, allowing these businesses to expand their teams with a focus on employing more women.



Lessons Learned

What worked

Effective targeting is key

The right businesses identified in the value chain and ready to make a match

Training should accompany incentives

The training provided alongside the incentives builds the capacity of the businesses so that they are better able to achieve intended results

Align social goals with business interests

There is a high commitment to gender inclusion with businesses actively seeking women as staff and suppliers because it makes business sense

Incentives can help create new markets

The Innovation Fund has increased reach and distribution in new locations that the businesses would not have previously considered.

What didn't

Delays in verification

When the verification process is not sufficiently streamlined, this creates delays which dampen the business proposition

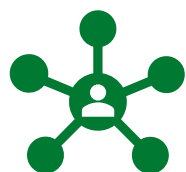
Keep it simple

Overly technical or legal language in contracts may dissuade some businesses from participating

Align payment to production cycles

Payment periods for incentives should align with planting seasons to maximize impact

Scaling up systems change



Outreach at the last mile

Input suppliers have established sales outlets and recruited sales agents in remote or 'last-mile' communities



Bundling products

Input and equipment suppliers are now working together and offering bundled input packages instead of selling items piecemeal.



Crowding in impact investors

Driven by improved investment readiness, impact investors are showing interest in investing in Northern Ghana



Embedded finance

Financial products such as lease-to-own and asset finance are being deployed by equipment suppliers, thereby increasing access

Publication

- Access our latest publication “The Role of Smart Incentives in Enhancing Agribusiness Growth in Northern Ghana” to learn more
 - BEAM Exchange: <https://beamexchange.org/resources/2142/>
 - MEDA website: [The Role of Smart Incentives in Enhancing Agribusiness Growth in Northern Ghana](#)





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