

> AgResults: building inclusive market systems
through private sector prize competitions

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Goals for this Webinar

- Summarize AgResults initiative and its prize competition model
- Illustrate benefits of prize competitions as a model that can drive market systems transformation
- Provide concrete considerations to show practitioners how proper design and implementation of prizes can drive market systems development (MSD) using two examples in Nigeria and Uganda
- Reflect on how AgResults is gathering evidence on the effectiveness of this model and its impact on improving smallholder farmers' livelihoods

\$147 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:



Identify or source
new technology



Incentivize the
private sector to
overcome market
barriers



Achieve wide-scale
adoption and
scaling



Create sustainable
markets



Australian Government

Department of Foreign Affairs and Trade

BILL & MELINDA
GATES foundation

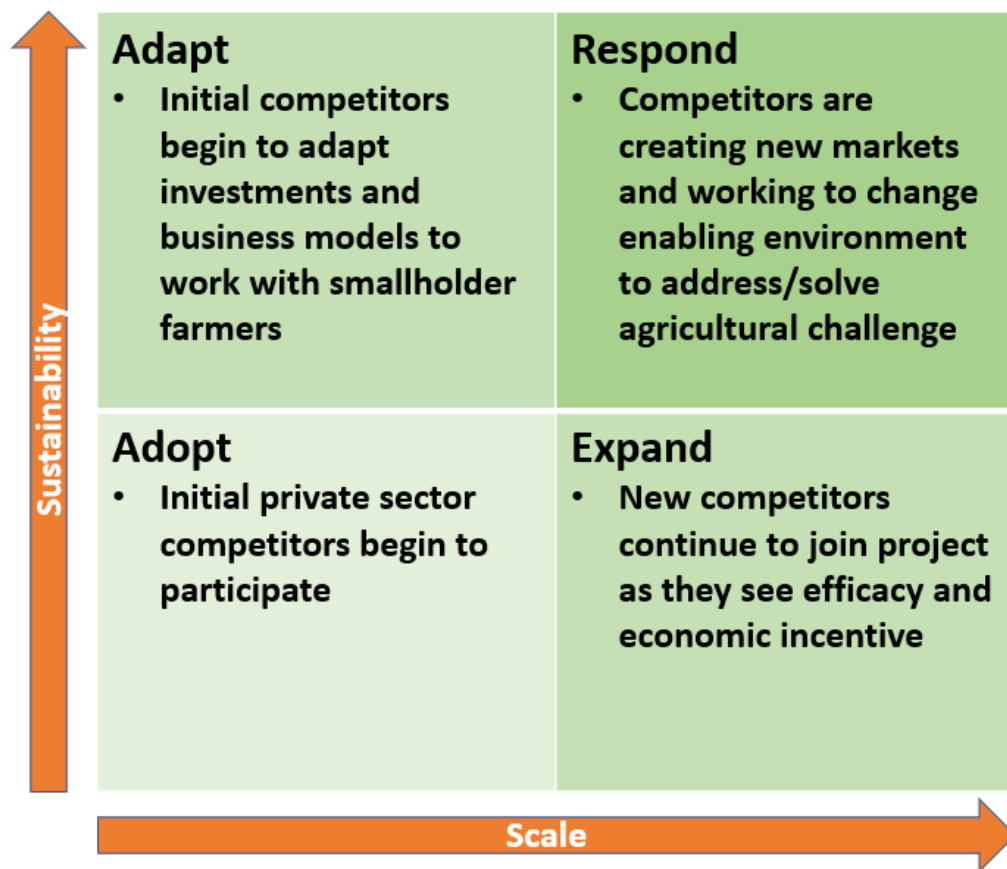
Canada



THE WORLD BANK

AgResults' Prize Competition Model and Approach

- Monetary prizes as **economic incentive for private sector** to develop new technologies or scale existing technologies to solve challenge
- Contest designed to spur systemic change (see graphic)
- Emphasis on **learning and evaluation** to gather evidence on model:
 - Rigorous independent evaluation by External Evaluator
 - Ongoing evidence-gathering through project implementation



Adapted from Nippard, Hitchens and Elliott, "Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes." The Springfield Centre, March 2014.

Geographic Distribution of AgResults Challenge Projects



Nigeria Aflasafe™ Project

Promoting adoption of biocontrol technology to combat aflatoxin (fungal mold) in maize



Kenya On-Farm Storage Project (FINALIZED)

Expanding on-farm storage solutions for smallholder farmers



Vietnam GHG Emissions Reduction Project

Testing and scaling up improved, low emissions rice farming technologies

Uganda Legume Seeds Project (CLOSED)

Strengthening production and distribution value chain for improved legume seeds



Foot and Mouth Disease Project (Regional)

Developing improved FMD vaccine for East Africa and encouraging private sector market



Zambia Biofortified Maize Project (CLOSED)

Incentivizing uptake of pro-Vitamin A orange maize



Brucellosis Vaccine Development Project (Global)

Creating a low-cost and effective Brucellosis vaccine

Prize Competitions: Market Systems Development (MSD) in Action

AgResults model's value: Make business case to change private sector behaviors and alter smallholder farmer/private sector relationship to scale up inclusive and economically viable solutions that can be sustained

3 takeaways on benefits of prize competitions to drive systemic market change

- A well-designed prize can fundamentally alter the smallholder farmer/private sector relationship by encouraging private sector to adjust business models to benefit smallholder farmers
- Agnostic solutions can incentivize results at scale through innovation, crowding-in of competitors, and results-based goals
- If the prize does not lead to results, it still offers learning opportunities and savings that can be reprogrammed for new prizes

Examples of success/failure of model to strengthen markets

- Nigeria
- Uganda

How the Prize Competition Model Can Drive MSD: Benefit 1

Benefit: A well-designed prize can fundamentally alter the smallholder farmer/private sector relationship by encouraging private sector to adjust their business models to benefit smallholder farmers

What else should practitioners keep in mind?

- Conduct deep value chain analysis and enabling environment analysis
- Choose the right intervention point with better understanding of market and actors
- Target the correct competitors that have access to those disadvantaged groups
- Pick the correct incentive and frequency of prize distribution (annual, aggregate) to meet their needs

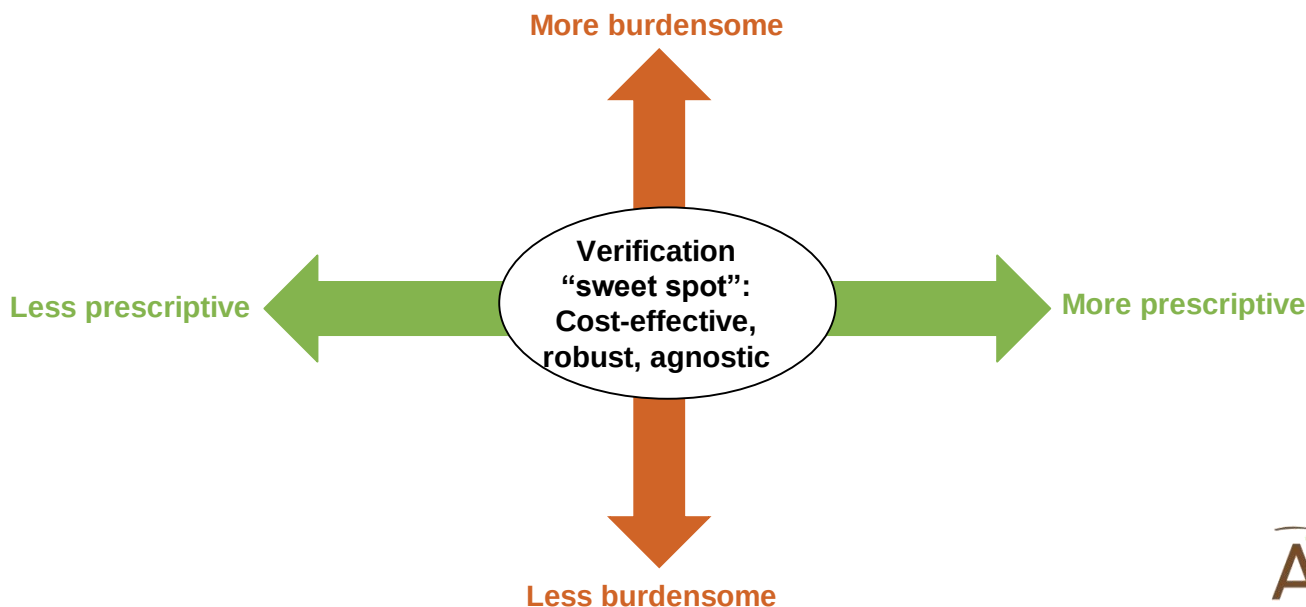


How the Prize Competition Model Can Drive MSD: Benefit 2

Benefit: Agnostic solutions can incentivize results at scale through innovation, crowding-in of competitors, and results-based goals

What else should practitioners keep in mind?

- Results-based structure requires private sector to prove concept and find sustainable solution before they receive prize
- Avoid prescriptive requirements while still allowing for robust and low-cost verification because overly prescriptive parameters disincentivizes innovative solutions
- Show economic incentive to encourage crowding-in and ensure sustainability
- Prize structure eliminates obligation to ‘pick winners’



How the Prize Competition Model Can Drive MSD: Benefit 3

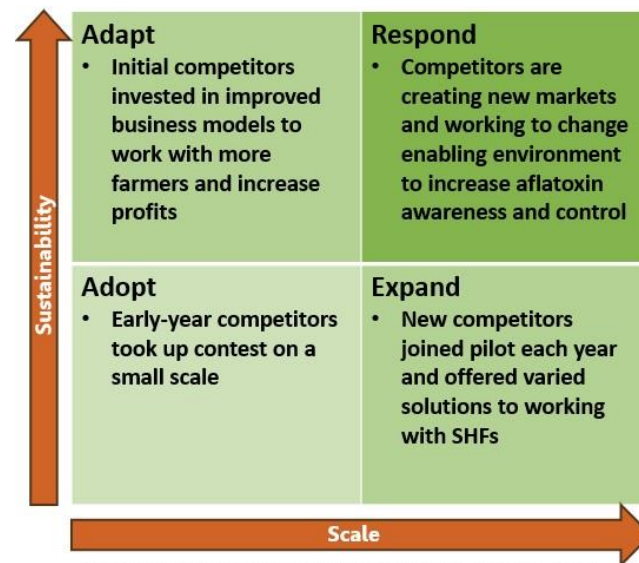
Benefit: If the prize does not lead to results, it still offers learning opportunities and savings that can be reprogrammed for new prizes

What else should practitioners keep in mind?

- If smallholder farmer/private sector relationship isn't evolving, it's time to rethink and adjust the prize structure
- There is potential to reexamine prize and restructure if needed, but practitioners should be aware of ramifications of changing prize
- If a project fails, the funding can still be reallocated to a new program
- When and where prizes *don't* lead to systemic market change is still valuable information for future project design

Example: Prize Competition Driving MSD in Nigeria

- **Nigeria Aflasafe Challenge Project:** 5-year prize competition incentivizing private sector actors to work with smallholder farmers to adopt Aflasafe
 - Per unit payment premium to maize aggregators and grain traders for each metric ton of high-Aflasafe maize produced by smallholder farmers
- What's the evidence of market change in Nigeria from the prize competition?



Adapted from Nippard, Hitchens and Elliott, "Adapt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes." The Springfield Centre, March 2014.

- ✓ Early competitors cautiously tested Aflasafe but 'crowding in' followed in 3rd year once private sector *and* smallholder farmers saw economic incentive
- ✓ Prize structure further incentivized competitors to scale product
- ✓ Verification process has been lengthy but provides quality certification from international authority
- ✓ Private sector saw commercial potential and has begun lobbying efforts to further develop market for Aflasafe-treated maize

Example: Prize Competition Driving MSD in Uganda

- **Uganda Improved Legume Seed Challenge Project:** 6-year prize competition incentivizing seed companies to produce and sell quality-verified legume seeds to smallholder farmers
 - Closed early due to enabling environment challenges, lack of competitor participation, and inability to verify quality of seeds
- What didn't work? Did we still see benefits from the intervention in Uganda?
 - ✗ Environment was too complex to identify effective intervention point to incentivize market change
 - ✗ Due to lack of verification entities, could not overcome verification challenges
 - ✗ Despite significant contest restructuring, struggled to stimulate 'crowding-in' beyond initial actors and incite scaling up
 - ✓ Raised awareness of quality seeds and need for quality verification process
 - ✓ Closed early and funds were reprogrammed elsewhere



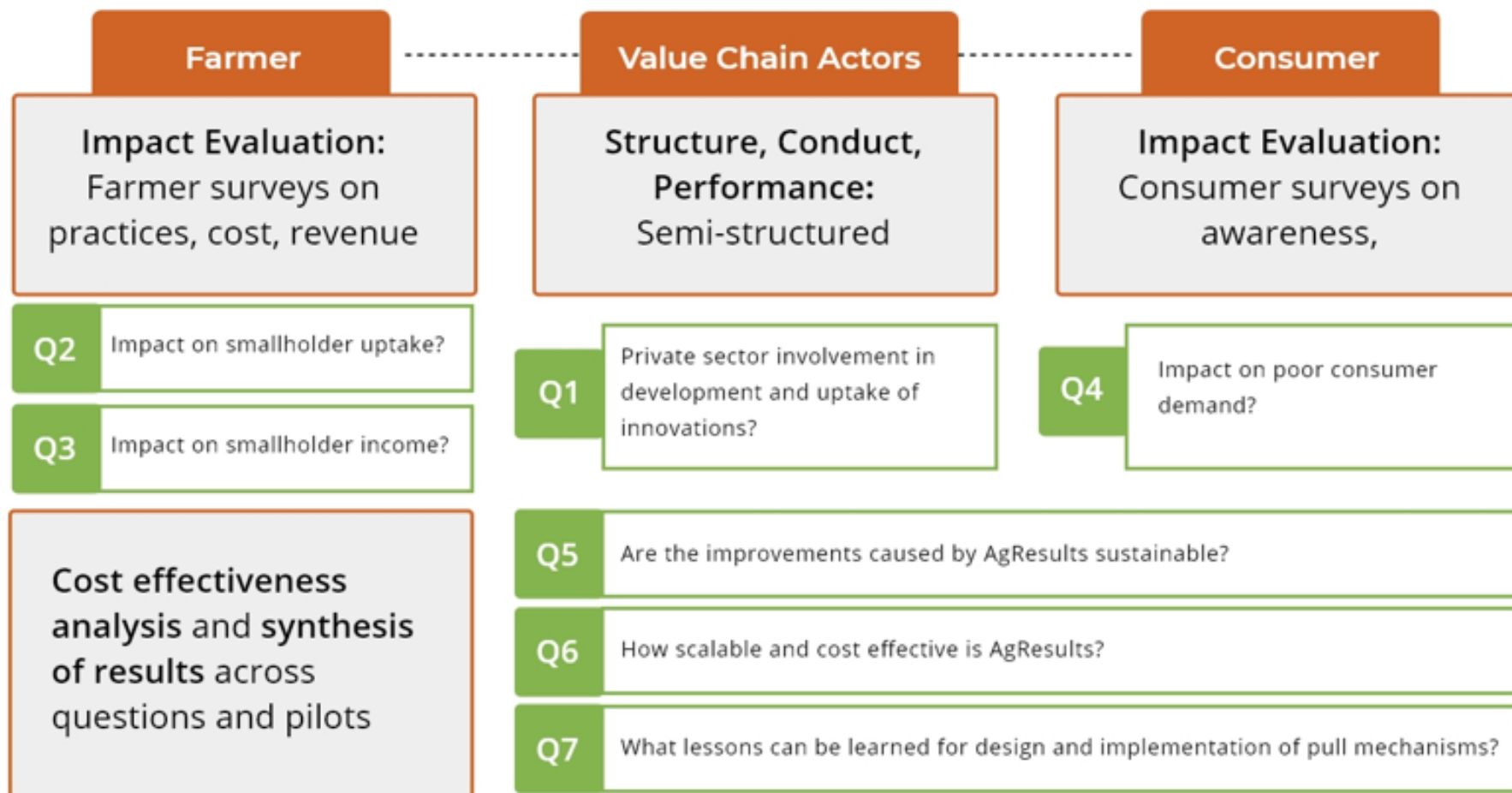
Why Learning is at the Heart of AgResults



- Importance of gathering robust evidence to prove efficacy of development funding model that departs from traditional approaches
- Prize competitions: 3rd party verification and monitoring is not designed to measure prize cost-effectiveness (payment by results) or to capture systemic change in markets and impact at farmer level
- **External evaluator assessment** determines if prize competitions are achieving objectives and assesses cost-effectiveness of approach

Find more at www.agresults.org/learning

AgResults' Approach to Gather Evidence



Summary and Reflection: Prize Competitions and MSD

- **Novel approach of AgResults** motivates businesses to invest in target markets and achieve development outcomes. Competitions are designed to overcome obstacles impeding sustainable commercial markets. If they achieve predefined results then they are awarded a prize.
- **Prize competitions have the potential to drive agricultural MSD** (when designed and implemented correctly)
 - A well-designed prize can fundamentally alter the smallholder/private sector relationship by encouraging private sector to adjust business models to benefit smallholder farmers
 - Prizes can incentivize results at scale by being agnostic to the solution and innovation through crowding-in and results-based goals
 - If the prize does not lead to results, it still offers learning opportunities and savings that can be applied to new prizes, before significant donor funds are spent.
- **Experimentation at heart of AgResults**
 - Rigorous analysis and validation in field to ensure that prizes are “right-sized” to motivate private sector, deliver benefits, without distorting market
 - External Evaluator to gauge effectiveness of the prize and measure impacts

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Find out more at: www.agresults.org

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