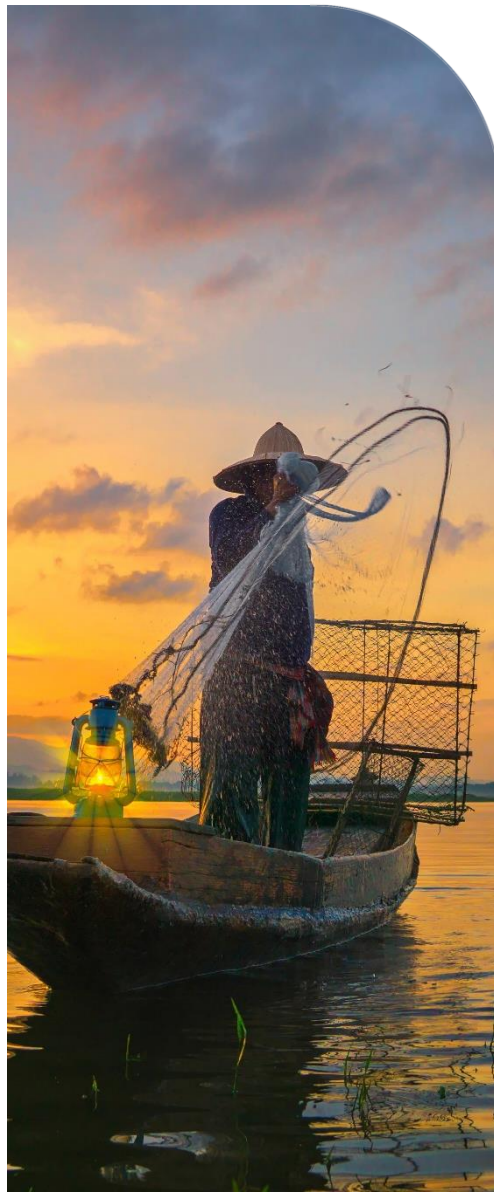


Knowledge Paper

Inclusive Business Models:

Lessons from Grow Asia's Experience



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General Statement on the EU

The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders.

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List of Acronyms

BSB	Black Soybean
CP(s)	Country Partnership(s)
DOA	Department of Agriculture
GAP	Good Agricultural Practices
IB(s)	Inclusive Business(es)
ICS	Internal Control System
KUB	Kelompok Usaha Bersama (Joint Business Group)
MAN	Myanmar Agriculture Network
MVMW	Making Vegetable Markets Work
NAV	Natural Agriculture Village
NGO	Non-Governmental Organization
PISAgro	Partnership for Indonesia's Sustainable Agriculture
PPP	Public-Private Partnership
PSAV	Partnership for Sustainable Agriculture in Vietnam
SAPA	Sustainable and Affordable Poultry for All
SCPP	Sustainable Cocoa Production Program
SOP	Standard Operating Procedure
TF	Task Force (the equivalent of a Working Group in Vietnam)
VCCB	Vietnam Coffee Coordination Board
WG(s)	Working Group(s)

Grow Asia Publications Referenced

Case Study: [Indonesia Cocoa](#)

Case Study: [Indonesia Coffee](#)

Case Study: [Myanmar Vegetables](#)

Case Study: [Vietnam Coffee](#)

Report: [Pathways to Scale](#)

Report: [Investing in the Grow Asia Network: Country led Growth](#)



GrowAsia

Preface

In Grow Asia's surveys of its 480+ partners across the region, partners have consistently identified three areas of value derived from engaging in the Grow Asia network: to have a voice in policy dialogue with governments, to meet new potential partners with whom to work, and - consistently and most importantly - to learn. In particular, the private sector's focus is on understanding the 'how to' elements of project delivery.

This study's aim is exactly that. The work distills Grow Asia's learnings from the multiple Inclusive Business (IB) value chains with which the regional network has been involved. It is built upon the experience of seven consultants funded by iBAN (the Inclusive Business Action Network), who worked directly with Grow Asia's Working Groups (WGs) in the preparation, design, and implementation of their IB projects. In addition, the study also draws lessons from independent case studies commissioned by Grow Asia of mature value chain projects in our network. These are long-standing projects for which a clearer picture of what practically works and what hinders IB value chains have emerged.

The report may be read modularly. A two-page Executive Summary and three-page IB Roadmap targeted at the private sector reader or WG partners aims to provide a compact, practical message to assist in the design of new IB models. It serves as a guide on how to avoid repeating mistakes and as a summary of modes of operating that have worked for others. The main report provides more detail about how these conclusions were reached, with supporting examples set out in text boxes. It is organized into four sections from aligning stakeholders to scaling up.

This knowledge paper on IB models and value chains should be seen as a companion piece to two other seminal Grow Asia reports: (i) [Pathways to Scale](#), which similarly is based on proven field experiences, and identifies four generic routes for going beyond individual value chains to deliver positive change at scale; and (ii) [Investing in the Grow Asia Network: Country-led Growth](#), which distills the learning of making multi-stakeholder partnerships effective at collectively designing and implementing IB value chain projects.

Grahame Dixie
Executive Director
Grow Asia

Learn more about Grow Asia's work at:
www.growasia.org

Executive Summary

Building inclusive business (IB) models in agriculture is a long-term investment that requires sustained attention, often with the close coordination of multiple stakeholders. When done successfully, it is a powerful catalyst of rural transformation by creating jobs, raising incomes, reducing malnutrition, and kick-starting economies on a path to middle-income growth. However, creating an IB model and a strong supply chain in agriculture will often be a 4 to 8-year endeavor. Progress can be steady, and impact delivered at scale - but it is not immediate.

This knowledge paper synthesizes learning across the Grow Asia network in the design, structuring, and execution of IB models in agriculture. Successful IBs typically require coordinated action of multiple partners playing clearly defined roles, covering the major project activities e.g. productivity, certification, finance, aggregation, etc. The coordination need to be orchestrated, often by a small group of lead organizations with groupings of partners. Key lessons for WG partners are summarized in the Inclusive Business Roadmap on page 7, and are organized into four phases:

1. Align Stakeholders

- **Effective on-the-ground delivery of IB generally requires local coordination and implementation agencies.** These arrangements often mirror national level multi-stakeholder partnerships. Such partnerships often require representation from local government, the private sector as well as farmer/community organizations.
- **Prior to investment, an IB model with multiple stakeholders needs to align all partners on the 'what, why and how' of the model.** To be successful, you these partnerships will need:
 - Clarity of purpose and terminology
 - Shared objectives and definitions of success as well as aligned incentives
 - A common understanding of relevant industry information, trends and reliable market data
 - Agreement on priority opportunities and challenges
 - An agenda for action with strategic rationale
 - Representative participation
 - Accountable leadership that has the legitimacy to convene
 - Clarity on roles and responsibilities of members
 - Agreement on structure, the process of coordination, and means of action, which often includes small groups with discrete tasks

2. Design the Model

- **Proven demand in the market is a must – no demand, no business model.** The presence of proven market demand is a prerequisite for any project. This is often, but not always, in the form of an active off-taker that has committed to purchasing set volumes.
- **Market demand is only half of the equation of success – for economic sustainability IB models must deliver profits for all.** All players along the value chain, starting with the farmers, must be able to generate profits, year-on-year. The most successful IB models in agriculture create sustained incentives for on-farm investment and solutions for producers to increase productivity and profit.
- **Establish market requirements and linkages upfront** to support farmer groups to align their activities and ensure buyers clearly communicate their expectations.
- **Design access to finance for smallholder farmers into the IB model upfront.** In the pilot stages of an intervention, the lead company will usually provide loans to the farmers, but as the project scales up, it is often necessary to develop partnerships with financial institutions. Financial solutions need to be adapted to the business economics of the crop, farmer, and route-to-market.
- **Ensure that there are no constraints in the regulatory or policy environment that could create unmanageable risk for small-scale players.** Policies can unintentionally create imbalanced risks for smaller-scale players. Upfront due diligence should include a review of current agriculture and trade policies to ensure that smaller-scale players are not over-exposed to market risks.

3. Build the Business

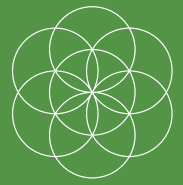
- **Start with on-farm productivity.** IB models often succeed when they initially result in sustained increases in on-farm productivity. This, in turn, leads to the lowering of unit costs, increasing volumes and the achievement of consistency in quality and sustainability. Most smallholder farmers are only achieving one-third of commercial yields, resulting in high unit costs and barriers to investment.

Numerous models across the Grow Asia network have proven to deliver the knowledge, skills, and solutions for increasing on-farm productivity across a wide range of crops. These include; demonstration plots; Farmer Field Schools; community-based agri-teams; vouchers to lower the initial costs and risks of new inputs and on-farm technology; and the use of lead, larger farmers, and/or traders.

- **A large-scale market player must often take the lead.** In nearly all instances, IB models with scaled impact and sustained profits have required the presence of a lead firm (either an upstream input supplier or downstream buyer) with a business interest in increasing on-farm productivity and sourcing agricultural products.
- **Non-profits, Foundations, and Governments can play a strong organizing and enabling role.** In certain situations these players can play a strong role in organizing farmers and incubating and funding pre-commercial activities. They cannot, however, act as a substitute for a market player over the long-term.
- **No one solution fits all value chains - IB and/or conventional business models (or parts of the business model) can be replicated in similar market contexts.** Product economics, market dynamics, and local social structures all factor into the IB solution. Ultimately, the functional efficiency of the solution, and the profit it generates, are more important than its form or structure. Field experience has shown that all manner of arrangements can work, regardless of type - including cooperatives, small local traders, major agribusinesses, etc. The critical point is that all management roles, including logistics, quality control, and price negotiation, are carried out well and effectively.
- **When feasible, bring international standards testing to local markets.** Locally available testing for international standards can create a platform for aspiring producers to meet the standards and compete with imported produce.

4. Execute, Measure and Scale

- **Begin small, with pilots in numerous locations, and with multiple farmer groups.** Not every location or farmer relationship will work. Piloting in multiple locations with a variety of farms will widen the learning and mitigate start-up risk.
- **A high level of distrust between farmers and agribusinesses often exists.** The lack of trust exists for off-takers concerned about side-selling and growers in their relative disadvantage in negotiating fair prices. Distrust can be a barrier to farmer participation. Trust can be built, or rebuilt, through sustained, face-to-face engagement over time. It can alternatively be substituted by using trusted, (generally) local intermediaries.
- **All business models, including IB models, have natural competitive boundaries and limits to scale** by the finite size of the lead player's market demand. In addition, multi-nationals and large buyers may have unique approaches to ethical and sustainable sourcing. This is increasingly seen as a dimension of market competitiveness.
- **Explore ways to scale the IB model.** From Grow Asia's experience across the network, there are four Pathways to Scale: Institutionalization, Business mainstreaming, Replication, and Catalytic financing. Each pathway and specific examples are detailed further [here](#).



Inclusive Business Roadmap

1. Align Stakeholders

To build a strong base, you will need:

- Clarity of purpose and terminology
- Shared objectives & aligned incentives
- Reliable data to identify priority opportunities and challenges
- An agenda for action with strategic rationale
- Representation from key stakeholders across the value chain
- Accountable leadership with legitimacy to convene
- Clarity on roles and responsibilities of members
- An agreement on structure, process and means of action

2. Design the Model

Gather the Facts

Do you have:

- A value chain map of the key companies and institutions?
- Production data over past 5-10 years?
- Land use, income and employment data?
- Data on sector productivity and its factors?
- Unit pricing data at all points on along the value chain?
- Input costs along the value chain?
- End-market size/volume over the past 5-10 years?
- A business environment analysis?

Prioritize Opportunities and Challenges

What will you need to do around:

- Production and Productivity?
- Market access and development?
- Standards and certifications?
- Access to finance?
- Policies and regulations?
- Managing organization and collaboration?

Build the Case for Investment

Is there:

- Presence of proven & growing market demand?
- Presence of a lead firm with business interest across the value chain?
- Opportunity to increase on-farm productivity?
- Profits for all the stakeholders?
- A clearly articulated business case?

3. Build the Business Case

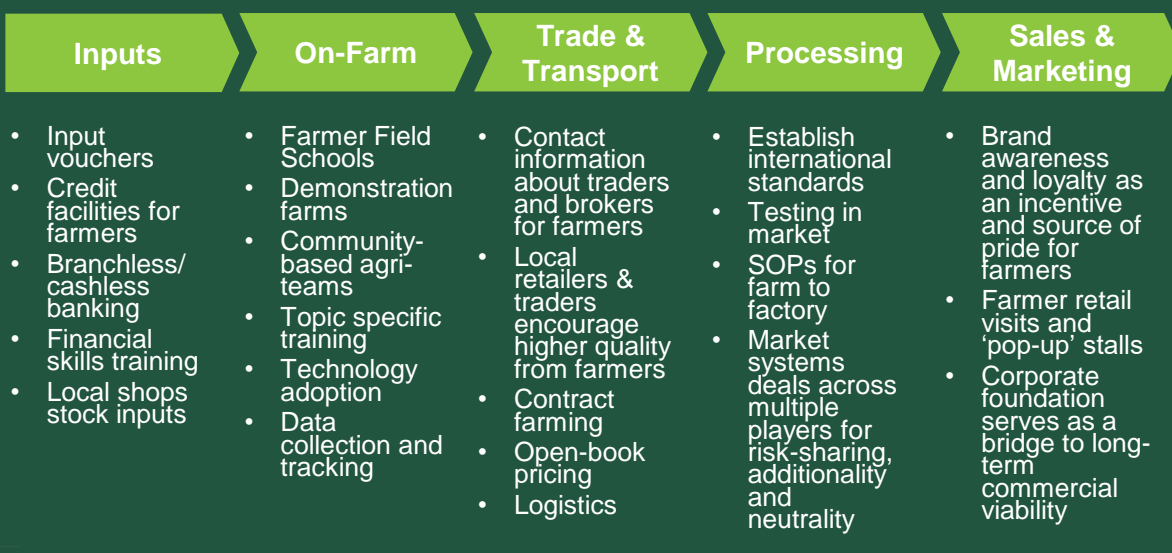
Levels of Focus

Results to Results at Scale: Collaboration on IB models often starts at the farm-level, addressing issues around productivity for short-term results before attempting to tackle more complex – and often more impactful – areas such as supporting smallholder access to finance, scaling solutions, building trust across the value chain and creating an enabling policy environment. Examples of activities under each level of focus include:



Activities

Holistic Solutions: Over time value chain projects typically take on an increasing portfolio of integrated interventions (examples below). Holistic solutions must include; building trust among smallholder farmers and other actors across the chain, lowering transaction costs, setting market requirements and standards, and addressing policies and regulations.



Players



4. Execute, Measure and Scale

Execute

- Carefully select pilot locations and partners
- Start small and identify right early adopters
- Use community resources
- Deploy task forces on discrete topics
- Work through local partners to build trust and sustainability

Measure and Demonstrate Business Case

- Baseline data survey
- Ongoing collection of key metrics
- Periodic surveys of key players
- Share best practice through trainings and focus group discussions

Scale

- Leverage government funding/infrastructure
- Develop replicability in the model
- Create effective dialogue
- Access catalytic funding



Inclusive Businesses in Agriculture

“Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the pyramid making them part of the value chain of companies as suppliers, distributors, retailers, or customers.”

Inclusive Business Action Network

Grow Asia's network of over 480 partners and 44 locally-led Working Groups (WGs) are reaching more than 1.3 million smallholder farmers through six Country Partnerships (CPs) across Asia. Grow Asia's WGs are critically important to the success of multi-stakeholder partnerships as they are one of the key pathways to coordination, action and scale. WGs enable value chains, and cross-cutting interventions to be investigated, designed, resourced, and implemented by Grow Asia's partners. Many WGs are oriented around IB projects focused on expanding smallholder farmer participation and productivity. These IB projects are working to create inclusive markets, build innovative IB models, and increase on-farm productivity and, ultimately, profitability.

There are multiple ways to include small and marginalized actors in a business model: as suppliers, as distributors, as retailers, and as customers. This knowledge paper spotlights how smallholder farmers in Asia can be suppliers in national and international agricultural value chains. Specifically, this paper investigates IB models from the perspective of the private sector with the focal question: “How can businesses work with low-income communities to create IB models?”

The work of building IBs in agriculture for smallholder farmers occurs at three levels:

- i. **On-farm Productivity and Profitability:** Ensuring productive and profitable farms of varied scales
- ii. **Market Access and Development Along the Value Chains:** Building business models designed for inclusion across an agriculture value chain
- iii. **Enabling Market Conditions:** Creating the conditions for market access/participation

i. On-farm Productivity and Profitability

- Agri-input markets and suppliers
- Farmer organization
- Farmer skills / technical capacity
- Access to finance
- Access to technology
- Management skills

ii. Market Access and Development Along the Value Chain

- Profitability to all the partners
- Identification of off-takers
- Market specifications
- Transport & logistics
- Market linkages

iii. Enabling Market Conditions

- Policy & regulations
- Market access
- Training institutions
- Infrastructure and technology
- Standards and certifications
- Financing structures
- Open and available sector data and information

It is necessary for any initiative that seeks to design, accelerate or support IB models in agriculture in Asia consider all three levels of engagement. If the right market conditions are not in place, it may be premature to attempt to design and start up an IB model or work at scale with farmers to increase productivity. Similarly, efforts to create enabling market conditions without tangible IB models and investments in farmer capacity risks distorting markets and compromising factors of productivity. This paper explores and expands upon the three levels of engagement in Southeast Asia.

Despite this momentum, for most agriculture-based businesses in Asia, it is not easy to engage with smallholder farmers due to:

- High cost of last-mile transportation;
- Unfamiliarity with the living and working conditions of poor farmers;
- Significant informality and difficulty in transactions;
- High perceived risk;
- Inconsistent quality of supply;
- Difficulties in finding ways to reduce prices/costs;
- High transaction costs; and
- Great variability in producers' access, interest assets, and abilities

For businesses that want to work with low-income communities to build IB models, lessons from Grow Asia are summarized in this report in four sections:

1. Align Stakeholders
2. Design the Model
3. Build the Business Case
4. Execute, Measure and Scale

“Unilever has been a purpose-led company from its origins. Today, our purpose is simple but clear – to make sustainable living commonplace. To realize our purpose, we need to take a stand, act on the big social and environment issue. The inclusive business model that we develop not only to secure raw material for Kecap Bango, but this also demonstrates our commitment to improve the livelihood of farmers by promoting sustainable agriculture. The long-standing engagement with the smallholders inspire us for continuous improvement. We realize that this work requires collaboration, and we are excited to partner with more stakeholders to deliver a meaningful impact.”

Nurdiana Darus, Head of Corporate Affairs and Sustainability, Unilever Indonesia

1. Align Stakeholders

A. Clarity of Purpose and Terminology:

All economic sectors are dynamic. New projects will reduce risks by engaging with businesses and communities that have a history and have already been operating for many years. As such, the alignment of the stakeholders is a necessary prerequisite to designing and launching IBs.

B. Aligned Objectives and Incentives

In any IB initiative, shared objectives are the foundation for collaboration across interest groups. When shared objectives are clearly articulated, they guide the initiative and keep it on track over many years. IB initiatives without clear shared objectives, even with good intentions, carry the danger of members pushing their different agendas over time.

C. Reliable Data, Alignment on Opportunities and Challenges

Regardless of geography and sector, there are numerous opportunities, and challenges, in creating IB models. Identifying and aligning around the highest value opportunities and challenges sets the stage for designing and building the most viable business model. A fact-base of key data and sector information ensures that the strategy and business model design is based on information, not speculation

D. Prioritized Agenda with Strategic Rationale

IB initiatives are multi-stakeholder, but business models are actor-specific – the business model for one buyer may be different from others. All business models have competitive barriers, even IB models. These barriers are natural and need to be respected so as not to compromise the financial viability of the business model. As a result, it can be hard to align priorities into a common agenda and coordinate action. A successful initiative must manage this tension between the stakeholder collective and individual company interests specific to their business model. A prioritized agenda, with a clearly articulated rationale that connects directly to shared objectives, ensures clarity and direction over time. Multi-stakeholder initiatives that lack a prioritized agenda risk devolving into informal networking meetings with no clear objectives and outputs.

Before we start, do we have:

- Clarity of purpose and terminology
- Shared objectives and aligned incentives
- Reliable data, with an agreement on priority opportunities and challenges
- An agenda for action with strategic rationale
- Agreement on structure and process of coordination
- Clarity on roles and responsibilities of members
- Representative participation
- Accountable leadership with legitimacy to convene

Insight: Coffee WG in Indonesia

In Indonesia, the Coffee Working Group set IB objectives around four priorities: quality, output, sustainability, and farmer income. These objectives aligned with the government's 10-year national agriculture strategy and then were further detailed into multi-year goals and targets (e.g. 20,000 farmers trained and certified between 2013 and 2020). The objectives were communicated to related parties. Partners agreed to the objectives and made clear their respective areas of expertise and roles they would play in the partnership. The clarity of roles and expectations contributed to an environment of close collaboration and mutual respect among partners.

To read the full case study, [click here](#).

E. Agreement on Structure and Process of Coordination

Multi-stakeholder partners require structure and process to succeed. The expectation of individual business owners to participate in or lead a sustained effort of collaboration is often unrealistic. If business is slow or there is an urgent issue to resolve, the incentive to collaborate can be high. But if business is strong the rationale for and ability to collaborate on "common" industry objectives disappears. Managers are unwilling to attend long and numerous meetings. There can be a high turnover as managers change jobs or countries. The consequence can be that initiatives begin stalling or even falling apart. The initiative's structure should account for external or unforeseen factors and spread the responsibilities efficiently across multiple players to counterbalance those factors over time. A clear process of coordination ensures that as much effort as possible is focused on taking action and making progress.

F. Clarity on roles and responsibilities of members

Different actors are better equipped and positioned to take on different roles in an IB initiative agenda. Companies focus mainly on productivity, quality, efficiency, and market competitiveness. It is often the government's role, especially in agricultural sectors, to consider the entire value chain. Starting with the farmer and smaller upstream players, governments can ensure the policy environment is conducive for IB models. Civil society and NGOs can be instrumental in the coordination of smaller players, orchestrating the roles of multiple partners, ensuring voice and representation, and delivering knowledge and training to farmers that would otherwise not be able to access it. Finally, industry associations can play a key role in facilitating the work over time. However, the role of the association needs to be clear in the beginning. If an initiative is set up in parallel to the association, there can be confusion amongst players over who is responsible for what.

G. Representative Participation

Active, representative participation is a central principle of IB initiatives and the business models they catalyze. Representation and participation of all key stakeholders along the value chain must be designed into the initiative from the start and then managed throughout the process. Smallholder farmers and other smaller-scale players are often disadvantaged in their ability to engage due to a variety of challenges. Those challenges might include: their physical distance from central meeting points (often in urban centers), budget and ability to cover the costs of attending meetings, and formal recognition as legal entities as many are not registered and therefore hard to find. The IB initiative partners must consider the above constraints and design strategies to mitigate them from the start.

Insight: Coffee Task Force in Vietnam

At the onset of the Vietnam Public-Private Partnership (PPP) Task Force (TF) on Coffee, champions (particularly IDH) made strong efforts to broaden industry participation and to promote the TF as more than just a value chain project of any single company. Partners were engaged from the government (national and local authorities), farmer groups, academics, civil society, and others with field-based expertise and broad perspectives across the coffee sector. Starting out as an informal structure, the TF currently includes nearly 30 core organizational members who contribute to the multi-stakeholder model.

To read the full case study, [click here](#).

Insight: Fisheries WG in the Philippines

In some cases, an outside organization can help reduce the pressure and cost to smaller-scale players to participate in the initiative. For instance, in the Philippines Fisheries WG, fisherfolk are represented by a NGO, Tambuyog. Tambuyog brings in fisherfolk for workshops and engages them in the project.

“Tambuyog’s work with the private sector aims to advance a social justice agenda which puts stress on the rights of fishers living in poverty, the wider environment and society, and the duty of companies to respect and protect those rights. Tambuyog and partner fishers associations engage Feedmix to work together towards better fishing and aquaculture practices and develop inclusive value chains that yield returns/benefits for partner community groups”

Dina Umengan, Deputy Director, Tambuyog



When designing an IB initiative framework to ensure representation and participation of multiple stakeholders, the partners must understand the motivations for engaging farmers and companies. Grow Asia's WGs provide insight into the driving motivations of both groups.

Why do farmers participate?

- Increased profitability in a growing, reliable market
- Access new markets through linkages with new and expanding market opportunities and buyers, with an emphasis on future growth
- Expansion of current markets by selling more volumes and/or at higher price points
- Building input supplier-buyer relationships to grow and manage risk
- Access to technology and finance from companies, institutions, and programs
- Amplified voice with other farmers to aggregate production, participate in larger markets, and gain negotiating power
- Opportunity to gain knowledge and skills that will increase productivity, price, and profit

Why do companies participate?

- Increased access to a supply of raw materials
- "License to operate" and validation by the government
- Enhanced reputation and clear value for staff to include low-income communities
- Desire to "grow the pie", expand the market and increase crop quality
- To tackle issues that no single organization can solve
- Brand complementarities and increased farmer awareness of a company with the intention of marketing complementary goods and services
- Ability to accelerate and expand to achieve greater scale at faster rates
- Building farmer relationships that are closer and more localized to gain insights and establish trust
- Amplified voice and increased company profile with the government
- Opportunity to learn about development models and how to operate in a dynamic frontier market

H. Accountable leadership that has the legitimacy to convene

In some cases, the IB initiative has been driven by large off-takers (e.g. Nestle, Unilever, Indofood), yet the role of convening and coordinating has often required facilitation or engagement from players outside the business model.

In Vietnam and Indonesia, across multiple sectors, the government has played a lead role in convening the stakeholders along the value chain, including farmers, to ensure everyone benefits.

Insight: The Government of Vietnam

At the meeting organized by Grow Asia at the World Economic Forum on ASEAN in Ho Chi Minh City on June 2010, the Government of Vietnam urged participants to join forces in finding more sustainable ways to produce coffee. Under the leadership of the Ministry of Agriculture and Rural Development, international companies and organizations (such as roasters, input suppliers, coffee traders, and NGOs) mobilized to establish a PPP TF for the coffee sector in Vietnam, which eventually merged into the Vietnam Coffee Coordination Board (VCCB). With the strong role of the government to convene partners, this initiative sought to develop a model for sustainable coffee production, focused on supporting smallholder farmers to sell their products in global markets. The VCCB has delivered a portfolio of positive actions, including training more than 200,000 farmers in Good Agricultural Practices (GAP), changing value-added tax collection to improve the industry's cash flows, mirroring the structure of VCCB at a district level to better enable on the ground delivery, and creating feedback loops of emerging field-level needs and issues.

2. Design the Model

A. Identify Opportunities and Challenges

The design of any IB initiative must be grounded in the economics of the value chain. What are the binding constraints to increasing productivity? What are the on-farm economics for smallholder farmers? Who are the key market actors along the value chain? How are current markets growing or shrinking? Are there new markets that the value chain can access?

An IB initiative must be designed around the answers to these core questions. If it doesn't exist already, a systematic, rigorous landscaping of the economics and market context for the value chain will ensure that the business model will help focus activities on the highest-value opportunities, address the key challenges and ultimately be viable in the market context. Without a clear fact-base, design decisions can be made that compromise the IB objectives over the long term.

Reliable industry data is essential in aligning actors around the current state of the industry and key priorities. Data is also instrumental in raising awareness of the state of the more marginalized actors, including smallholder farmers and the connections between business performance, quality/quantity of supply and the situation of smallholder farmers. Data can assist in building trust among stakeholders. As such, it is critical to include all stakeholders to help map out the economics of the market. Given that IB models necessitate a high degree of cooperation and communication, and stakeholders are often reluctant to share their ideas, all stakeholders must be engaged in the upfront analysis of the sector.

As opportunities and challenges are being identified and classified, they can be grouped into the following categories and then prioritized based on their value-at-stake and urgency:

- Production and Productivity
- Market access and development
- Standards and certifications
- Access to finance
- Policies and regulations
- Organization and collaboration

Inclusive Business Model Fact-Base:

- Map of the full value chain: companies, associations, government agencies, training institutions, etc.
- Production data over the past 5 - 10 years
- Land use data
- Employment data
- Sector productivity and its factors
- Unit pricing data at all points on the chain
- Input costs along the value chain
- End-market size/volume beyond 5 - 10 years
- Average smallholder farmer income
- Business environment analysis and external risks/policy constraints

“At the level of cottage industry processing, all the problems of standards and practices we have identified will be challenging to fix without proper market incentives. Burgundy Hills is currently in active discussion with supply chain partners, including growers and aggregators, and end-customers to finalize a business plan for an integrated tea processing facility in Southern Shan. Building on our expertise in marketing and distribution, only through this setup can we drive small primary processors to improve standards and adopt practices needed to take Myanmar tea to the next level.”

Nyantha Maw Lin, Managing Partner,
Burgundy Hills Co.

Insight: Fisheries WG in the Philippines – Identifying Opportunities

The sustainability of Philippines' fisheries is under threat due to overfishing. Fishing communities are getting poorer. The fishing industry employs 1.6 million people, 85% of whom are in municipal and commercial fishing. Only 14% of those employed in the sector are in aquaculture. Yet aquaculture contributes 52% of the overall production and 82% of the total value. The IB opportunity lies in increasing aquaculture production for key species.

There were three possible interventions where fisherfolk could be involved in the value chain: (i) hatcheries, (ii) nurseries, or (iii) grow-out operations. The WG calculated the cost/benefit from each of the interventions. Hatcheries needed more investment and expertise. Grow-out operations needed amounts of working capital to buy feed and take care of fish. Stakeholders concluded that a nursery (fry to fingerling) would be the best option for small fisherfolk due to smaller upfront investment and shorter turnaround time (approximately 3 months).



Insight: Horticulture WG in Myanmar – Geographic Focus

Making Vegetable Markets Work (MVMW) focused on improving the vegetable market chain and the income of 15,000 smallholder farmers in the country. The program was implemented in two states: Southern Shan State, a hilly region with much vegetable cultivation, and Rakhine State in the western part of the country, which has traditionally focused on paddy production.

The differences in these two geographies are vast. Southern Shan State is a more stable political environment with a transitioning agricultural economy. The state already produces a significant amount of vegetables for other markets in Myanmar. Conversely, Rakhine State suffers from ongoing conflict and has an agricultural economy focused on rice. Prior to the project, vegetable production was minimal and traders imported most produce from outside the state.

MVMW expanded to Rakhine State in late 2015 permitting less than two years of implementation before violence erupted in August 2017. Rakhine's agricultural economy suffered due to the conflict, which caused significant market disruptions such as lack of labor, increase in input costs, and market breakdowns. The result was that the vast majority of the MVMW benefits were realized in Southern Shan State.

Partners agreed that Rakhine is a high-potential agricultural production location. However, current political and economic challenges require a slower approach.

To read the full case study, [click here](#).

B. Develop Models and Market Interventions

Based on an understanding of the market context and economics, business models and market interventions can be designed to benefit all players, especially the smallholder farmers. Benefits to farmers include increasing the quality and quantity of production, as well as improving market access. In order to lower the transaction costs and barriers to investment for smallholder farmers, WG partners may need to take on additional activities to secure access to inputs and finance as well as provide additional support services. At first, the lead private sector business, government or donor must subsidize the costs of these additional market interventions. However, over time, these costs need to be integrated into the business model for the IB to become sustainable, as value is created for all actors.

The many IB models across the Grow Asia network – which represent a wide range of agricultural product categories, geographies, and stakeholders – illustrate the breadth of possible IB model structures. A review of these business models demonstrates the unique characteristics of each model and the influence that a specific market context can have on its structure and success.

The review also reveals lessons learned and business model elements that are widely applicable across markets:

i. On-farm Production and Productivity:

- Trust is fragile with smallholder farmers, so care must be taken to manage expectations, product pricing and relationships over time
- Aggregating and organizing farmers can be a constraint to scale – there may be a short-term role to play by a facilitator acting as market-maker; however, commercial viability must be based on direct relationships between procurement and farmer/farmer groups
- Traders can play a double role: help farmers connect with buyers (as collectors) but also provide information and training services (e.g. organize demo plots)
- Credit/banking facilities tailored to farmer needs and vouchers for agri-inputs can create incentives for on-farm investment
- Farmer organization and training takes time and requires resources. IB model design must account for the cost of ongoing farmer training and management
- Cooperative administration carries risk to IB models – more can be done to develop innovations in smallholder engagement, transaction, and risk management

ii. Market Access and Development Along the Value Chain

- Lowering transaction costs along the value chain is a fundamental component of any IB model
- Inconsistent quality and risk of contamination are the biggest risks for buyers and processors. IB models must have built-in mitigation processes for these risks in the form of standards, certifications, standard operating procedures, traceability processes, and on-going oversight/accountability
- Establishing market requirements and linkages upfront can give farmer groups focus and incentive
- MNCs and large buyers may have unique approaches to ethical and sustainable sourcing. This is increasingly seen as a dimension of market competitiveness

iii. Enabling Market Conditions:

- Access to finance can be a barrier to progress for smallholders and needs to be designed into intervention upfront. In the pilot stages of an intervention, the lead company will usually provide loans to the farmers but as the project scales up, it makes sense to develop partnerships with financial institutions
- Bringing international standards testing to local markets can create a platform for aspiring producers to meet the standards and compete with imported produce

Context:

Making Vegetable Markets Work (MVMW), worked with more than 35 stakeholders to improve the performance of Myanmar's vegetable sector for smallholders. The project focused on connecting communities with improved seeds and inputs, reliable support services such as extension, as well as water. The approach increased productivity and was seen by market players as a foundational step before more formal output market channels could flourish.

i. On-farm Production and Productivity:

Spearheaded by international agri-inputs supplier East-West Seed, support was given to key/lead farmers whose demonstration plots served as the nexus for field days and training. Activities included:

- On-farm demonstration plots
- Training of lead farmers
- Convincing small-scale off-takers and local retailers to encourage growers to produce higher quality vegetables, and stock the inputs in their retail shops

ii. Market Access and Development Along the Value Chain:

On the market side, instead of contracting, the project mapped all existing market players (i.e., brokers, traders) and shared the information with farmers in order to increase market efficiency and coordination. Local traders were brought into training days. Traders became important positive influencers in encouraging farmers to take up the new, promoted technologies.

Since the project has ended, more formal buyers have entered the market including City Mart and Metro Wholesale – companies that have entered into contracts with farmers previously supported by MVMW.

iii. Enabling Market Conditions:

Vouchers: Use of vouchers to provide a one-off subsidy for the purchase of improved inputs and technology by the growers. This has the triple benefit of (i) enabling producers to engage and understand the advantages of the new technologies, (ii) de-risking the investment, and (iii) providing growers with an extra profit, affording them the extra cash to purchase the inputs again at full price in the next season. Voucher intervention introduced new technologies with a ~40% discount for farmers.

Market Systems Deals: In market system development, project teams and private sector companies negotiate deals to implement certain activities. For MVMW, deals were mutually beneficial arrangements that contained: Risk-sharing – often through cost-sharing; Additionality – activities that would not take place without the project, often with innovation; and Neutrality – not providing one business with a long-term, unfair advantage.

Key Lessons and Takeaways:

The project's focus on partnerships without a lead buyer illustrates a method for building the foundations for more formal market players to enter.

Generating an Economic Rate of Return of 44% over a project period of 3.75 years, MVMW increased farmer incomes by an aggregate of US\$14.8 million, supported businesses to develop new services that sustained after the project concluded, and delivered key policy changes in the seed sector.



Context:

The SAPA (Sustainable and Affordable Poultry for All) approach is designed to benefit the smallholder corn farmers in Myanmar by increasing the quality and quantity of their production, and by improving their market access and integration. The lead private sector partner in the project consortium is De Heus, a Dutch animal feed company.

The WG goal is to prepare higher-quality corn that is more in line with the standards needed by De Heus, allowing farmers to sell higher quality corn, at a higher price to different end buyers (currently farmers primarily sell to Chinese and local traders, who don't require higher quality corn).



i. On-farm Production and Productivity:

SAPA developed corn standards and carried out several trials (e.g. of different varieties, irrigation vs. non-irrigation practices, etc.) on demonstration plots with existing farmers. They used some of the plots to produce according to SAPA practices, with farmer field days to show farmers the difference in practices.

Some farmers could only adopt the more basic aspects of good practices (e.g. row planting). To get the full benefits many will need access to finance to invest in productivity-enhancing inputs (e.g. soil analysis, use of single fertilizer over compound fertilizer).

With access to fertilizer and training, farmers can double yields from 2 to 4 tons, and increase their profits by 40%.

ii. Market Access and Development Along the Value Chain:

De Heus buys corn for a higher price if it is compliant with the standard - e.g. sometimes De Heus cannot buy because the moisture content is not right.

Now other traders have started to express interest in these suppliers because the quality and uniformity were higher than the rest of the market.

Myanmar-based feed mills have agreed to purchase SAPA corn that meets their requirements, guaranteeing returns on SAPA-trained farmers' investments.

iii. Enabling Market Conditions:

Traders as extension and market linkages: SAPA selected 16 traders who understand SAPA protocol and agreed to train and cover the cost of extension staff. They have a double role: (i) helping farmers connect with traders (as collectors) but (ii) providing information (e.g. organizing demonstration plots).

If a trader sees that the SAPA standard improves the quality/quantity of maize, they purchase the corn. They are effective advocates of the standard.

Key Lessons and Takeaways:

Farmer trust: there is a degree of trust with farmers at the beginning of a producer-offtaker relationship but once it is misused (e.g. non-compliance of an agreement between farmers and traders) they may be unwilling to cooperate again.

Aggregating farmers: farmers who were not part of the original design are now looking at the SAPA approach because of access to finance. In the 2019 season, key farmers are being encouraged to organize groups for themselves.

Context:

This IB model was launched by Unilever Foundation in 2002 with black soybean (BSB) smallholder farmers in Central and East Java. The project is stimulating sustainable, local sourcing from smallholders with improvements in the quality of black soybeans through GAP training, and aims to increase the welfare of smallholder soy farmers in Indonesia.

Unilever Foundation provided microfinance in the form of working capital to the farmers. Since 2018, the Foundation began introducing them to formal financial services through Rabobank and Bank Negara Indonesia. To lower risks for the bank, the Foundation is committed to strengthening cooperatives in the coming years, to build solid farmer organizations with firm financial management.

i. On-farm Production and Productivity:

Extensive technical assistance was provided in the first 15 years of the project. The focus has shifted to cooperative development through mentoring and training in business plans, IT systems, and standard operating procedures.

The cooperatives have matured in this phase into more professional enterprises that:

- Make seeds available
- Provide assistance for crop management
- Organize and collect crops
- Decide the land area and number of farmers needed to grow various crops
- Train farmers on pest management and production of organic fertilizer

Future support includes applications for climate-smart agriculture, crop calendar, and tips for the cultivation of BSB.



ii. Market Access and Development Along the Value Chain:

Open Book Pricing: Unilever provides farmers with secured and guaranteed access to the market by committing to buy crops at a price agreed annually in January. In this system, the buyer has full access to review the supplier's production costs and agrees with them on a margin. The communication about prices between Unilever and the farmers is done via the cooperatives.

Unilever has invested in the farmers, with capital investment and training. Trust among farmers and Unilever is critical.

iii. Enabling Market Conditions:

Certification: The Unilever Sustainable Agriculture Code consists of 11 elements on cultivation, environment, livelihoods, etc. that Unilever and all its suppliers must strictly follow. The Code was introduced in Indonesia in 2013 and to the black soybean farmers with the support of 12 assistants to monitor and help the farmers.

Key Lessons and Takeaways:

Brand awareness and loyalty: farmers are aware and feel proud that they produce for Bango, the black soybean sauce brand. Brand awareness is not only powerful for customers buying the product, but also for farmers producing the raw materials for it.

Unilever Foundation plays a facilitation role with farmer cooperatives, but they have faced challenges related to scaling up the cooperatives due to the lack of SOPs and governance as well as debt and financial management problems, starting with farmers which leads to greater debt among cooperatives as well.

C. Address Policy and Regulatory Constraints

The government is a critical partner in clustering, organizing and engaging with farmers, as well as setting the conditions for inclusive markets in the pursuit of increased farmer participation and productivity. IB initiatives can identify the binding cross-cutting constraints that affect the entire sector. These often must be resolved through partnerships with government officials.

While all agricultural sectors face challenges in the policy environment, less than half of the IB initiatives in the Grow Asia network are thus far actively engaged with the government in resolving these issues. The reasons behind the IB initiatives' lack of engagement with the public sector vary. In some cases, WGs perceive that policy reform has too long a timeline for action – the IB initiatives are working under shorter timelines to reach their goals and targets. In other instances, advocacy was deliberately designed out of the WGs at the beginning (e.g. Indonesia) based on the concern that the WGs would become platforms for lobbying the government. The IB initiatives for Horticulture and Sugar in Myanmar are notable exceptions.

Insight: Horticulture WG in Myanmar

For vegetables, success in promoting policy changes stemmed from the WG's efforts to convene key people with knowledge, influence, and shared interests. A strong research agenda supported policy discussions and built the project's credibility with government and sectoral leaders. Long-term impacts include (i) government recognition of the importance of vegetable production, and (ii) creation of institutions to progress the development and modernization of the sector in a more coordinated manner. One example includes the Vegetable Sector Acceleration Task Force, a platform that promoted policy dialogues and published sectoral research, and the Horticulture WG of the Myanmar Agriculture Network (MAN) – Grow Asia's Country Partnership in Myanmar.

D. Consider All Elements of Inclusivity

Among IB initiatives in agriculture, there is inconsistent consideration of the cross-cutting social elements of IB model design. Further investigation, such as the International Finance Corporation's [Investing in Women along Agribusiness Value Chains](#) report, is needed to understand the roles of women and men in production and along the value chain to determine whether there is a business case for engaging them explicitly in the business model. For instance, IB initiatives can design participation of women directly into the business model. With this design element in mind, business model execution becomes more inclusive (e.g., training sessions better adapted to women smallholder farmers).

Insight: Inclusion in IB Initiatives

In Myanmar, the SAPA Corn initiative invites both men and women to farmer trainings – usually the ratio is 2 women for every 3 men; however, they do not actively promote women to be there. Women are invited to sit in the front to encourage their participation and likelihood to ask questions. The SAPA team wants to have the extension staff to work in male/female pairs but currently out of 25 extension staff, there is only one woman.

In the Indonesia Soy initiative, Unilever Foundation is working with a number of local NGOs on women's empowerment (organizations based in the farming towns). Over 2,000 women in the Empowerment Program were reached in the scale-up phase. In developing IB models for women, the Foundation offered various programs to strengthen individual and group capacity on product knowledge, technology, financial management and business development. The Foundation further collaborated with the Ministry of Health to improve the quality of food produced by women's groups, so that they could obtain a required P-IRT (Domestic Manufacturing Industry) number, which allows them to sell in formal markets.

3. Build the Business Case

A. Establishing the “Why”

Increased profit for all actors is at the center of any sustainable IB model. This potential value can come from increases in productivity (higher quality/increased volume at lower prices) and expanded markets. While each IB model is unique to production and market context, there are pre-conditions that indicate future success:

- Presence of proven and growing market demand for the crop (often, but not always, in the form of a committed, active off-taker that has demand for certain volumes).
- Presence of a lead firm (either an upstream input supplier or downstream buyer) with a business interest in increasing on-farm productivity.
- A clear opportunity to increase on-farm productivity through knowledge, skills, and technology, with overarching goals of lowering costs, increasing scale, improving farmer profitability with consistency in quality and, long term, paying attention to sustainability.
- Emerging solutions that are profitable for all players in the value chain, starting with the farmers.

Insight: Sugar WG in Myanmar

In response to growing demand inside and outside Myanmar, a partner sugar factory is making an investment to significantly expand crushing capacity to 5,000 tons of cane per day.

By 2023, in an attempt to meet its supply requirements, the factory will expand its cultivation of sugar to 28,000 acres, with smallholders contributing over 40%. The company recognizes that smallholder farmers are an integral part of their future supply and growth plans.

It is important to note that end-consumers are increasingly demanding that companies demonstrate that their supply chains are managed ethically, sustainably, and in line with IB principles. This market demand is driving increased interest from downstream buyers in IB models. While end-market branding and customer perception can be a key part of the rationale for IB models, they are, at best, only one small element of value chain economics. All value chain actors must see the economic rationale for investing in initiatives that increase the productivity and quality of their own business.

Insight: Coffee WG in Indonesia

It was clear to the WG members early on that a shared vision was insufficient for continued partner participation and long-run success. Partners needed to have a substantiated business case for sustainable, long-term involvement.

From the private sector, Nestlé as off-taker benefited from obtaining access to increased supply of coffee beans (i.e. 10,000+ metric ton increase). Yara, as an input supplier, saw the WG as an opportunity for market entry in the geographic area and to gain a foothold in the niche market of coffee farmers. BTPN and Telkomsel, as a financial services provider and a mobile network operator respectively, hoped to use the program to expand their user base of regular savings products and digital finance products that promoted the government's cashless and branchless banking programs.

For the financing program, Rabobank, through its Foundation arm and with its focus on agri-financing, felt that the WG provided a conducive environment for farmer financing. Rabobank Foundation had certain business criteria that had to be met before deciding to align with the program and scale up its work. That criterion was mainly the performance of the farmer group as a lending organization and in ensuring farmer repayment.

The Indonesian Coffee and Cocoa Research Institute, as a state-owned propagator of elite planting material supplies, saw opportunities to increase plantlet sales and to gain access to a farmer group in order to test the development of new coffee clones. The series of business incentives for sustained engagement in the WG contributed to the development of the coffee sector in Indonesia.

B. Convening and Coordination

Coordination of multiple stakeholders requires organization, but convening is a constant challenge. Downstream business managers are busy and upstream farmers and distributors are often dispersed and lack resources for frequent transport to hubs for meetings. In addition, IB initiatives are still in the early days of using digital technology to communicate and convene.

Convening and coordination of IB initiatives require full-time attention and dedication. Strong group management and facilitation skills are critical (which at the most basic level involves using tools such as meeting agendas and meeting minutes) alongside strong WG governance (clearly defined roles/systems/processes/ground rules based on transparency, inclusiveness, and continuous communication). The need for strong facilitation and coordination requires partners set aside adequate financial resources specifically for those roles.

Given all of the challenges of convening representative participants in an IB initiative, some are moving to a nimbler model based on smaller task forces. Once the overall agenda has been set, the convening and work are based around specific issues that only a smaller subset of actors are engaged in on a regular basis.

A key challenge happens when the project goes from the early design and piloting stage into implementation at scale. On-the-ground delivery often requires that the local/district level mirrors a similar structure found at the national level (i.e. a committee comprising representatives from the government, private sector and farming communities) to coordinate activities and convene disparate partners, provide feedback from the field to national programs, and measure results.

Insight: Tea TF in Vietnam

The TF, which comprises around 30 Vietnamese tea companies and a few international companies, rarely meets together due to the operational complexity of convening such a large group of stakeholders on a regular basis. To navigate this, five to ten core members of the TF communicate weekly and have monthly meetings in Hanoi. Meetings with the entire PPP TF on Tea are then arranged on request. Updated news is circulated through meetings and quarterly summary reports prepared by the Partnership for Sustainable Agriculture in Vietnam (PSAV) – Grow Asia's Vietnam Country Partnership.

Insight: Coffee TF in Vietnam – from Pilot to Delivery at Scale

Pilot operations demonstrated the effectiveness of the TF's refined GAP standards, which increased yields by 15% and lowered unit costs and halved greenhouse gas emissions. To grow the impact beyond the 3,000 farmers initially trained, the VCCB was established as a national level multi-stakeholder platform. This platform significantly increased the breadth of the partnership to include the majority of coffee traders, the Ministry of Agriculture and Rural Development, and farmer cooperatives. Under the VCCB, the TF's GAP became accepted as the standards promoted through both government extension services as well as the private sector.

At the provincial and district level, committees were established that mirrored the multi-stakeholder structure of the VCCB at the national level, with local representatives from the public, private and farmer sectors. This structure facilitated the dissemination of the GAP, which has now reached over 210,000 farmers (63,000 via government-operated training and a further 150,000 via private companies). The arrangement not only drives effective local delivery but also provides ground-level feedback from the field to inform the national program. One example was the recognized farmers' request that the coffee GAP focus on water shortages and irrigation efficiency.

Insight: Building Trust, Aligning Incentives and Organizing Action

Organizing the Coffee Value Chain: KUBs in Indonesia

The Coffee WG started out with a simple structure that expanded and evolved as the program grew. KUBs (Kelompok Usaha Bersama, or Joint Business Groups) are independent organizations established to organize participation – around which farmers were organized in this value chain project. Even as the number of partners increases, across all the interventions, the KUB plays a crucial role that coordinates farmer participation in the working group. In the early phases of Nestlé's operations in Tanggamus, Nestlé realized that it could not work alone in organizing farmers and building capacity for them. Nestlé took the strategic step to work with informally-operated integrators in its network and support them to become KUBs.

Each KUB recruits a number of farmers groups, each with about 20 - 30 members and with their own leadership and management structures in place. Internal Control System (ICS) staff within the KUB are appointed – usually farmer champions who receive additional training by Nestlé and the KUB. ICS staff oversee the training and monitoring of farmer groups at the field schools (sekolah lapang) and are also responsible for socializing the WG's programs.

Hub-and-Spoke Model – Nestlé as a Leader

The WG adopted a hub-and-spoke model with sub-groups spearheading the various projects that comprise the WG program. Nestlé took on the leadership role within the WG and manages the various sub-groups and partners from the hub. The WG originally started with two subgroups – GAP training and replanting – and has since evolved into four sub-groups, with the addition of access to finance and branchless banking. Partners in sub-groups are not necessarily involved in other sub-groups, and hence might not interact with all other partners on a regular basis. As the hub, Nestlé coordinates these various components, especially when it comes to engaging new members, and ensures that sub-group projects contribute to the achievement of the WG's overall objectives.

As the WG leader, Nestlé plays a big role in ensuring smooth flow of communications within the WG. The coordination takes place in the form of both formal and informal discussions. Among partners at the executive level, Nestlé's Sustainable Agriculture Development Director is directly involved in communications. Field-level project communications are mainly conducted among sub-group members, while Nestlé agronomists facilitate discussions and monthly meetings. However, updates on activities and achievements must be shared to all members of the WG. The communication across the WG is partly supported by the PISAgró – Grow Asia's Country Partnership in Indonesia. PISAgró coordinates activity reports, general meeting attendance, and other announcements.

C. IB Financing Models

Inclusion comes with growth opportunities as well as financial risk for farmers. IB initiatives can stage the risk and progression of ownership of assets to the growth of the business model. In advance of developing any financial solutions, financial institutions need to be educated, and loans need to be structured around the mechanics and economics of the particular crop production. In addition, farmers/farmer groups need financial literacy and basic skills.

Insight: Corn WG in Myanmar

In Myanmar, the SAPA Corn initiative provides financial institutions basic insights on the sector and the experiences of corn farmers. SAPA recognizes that financial institutions who are interested in financing agriculture need to understand what it means to produce corn (e.g. production period, planting season, when farmers need finance, when they are able to repay the loans, whether they are able to store the corn/when they can sell again) -- all are basic insights required to understand the financial cycle of farmers.

In addition, the project is planning to train farmers on bookkeeping and understanding financial institutions so that farmers can understand how and why financial institutions make decisions and structure loans.

Insight: Sugar WG in Myanmar

The Myanmar Sugar IB initiative is planning a new approach with smallholders: to deliver supporting services and financing through medium-scale farmers (e.g. larger-scale farmers will provide smallholders with tractor services, transportation services, in-kind loans while the factories provide cash loans to larger-scale farmers only). Once the smallholders sell their sugarcane they then pay back the medium-scale farmers. Due to the often strong communal relationship it is easier for large/medium-scale farmers to recover loans from smallholders than a financing institution.

Insight: Coffee WG in Indonesia – Financial Inclusion

The Coffee WG's financial inclusion program has three main focus areas: branchless mobile banking, loan schemes, and financial management capacity building.

The branchless and cashless banking program includes basic introduction and promotion of the use of savings accounts and mobile money accounts among farmers. Selected providers allow farmers to set up a mobile savings account using their mobile numbers as IDs. Farmers can then conduct transactions through agents of BTPN WOW instead of having to visit bank facilities. Apart from savings facilities, T-Cash (electronic money service) is also used to conduct transactions with merchants, including cashless purchase of phone credit.

The WG also offers a credit facility program for farmers, involving Rabobank Foundation, Yara, IDH, Rainforest Alliance, the KUBs, and Nestlé. This program is currently piloted in KUB Robusta Prima. The KUB borrows from Rabobank Foundation and lends IDR 5 million in low-interest-rate loans with a 3-year tenure to its 201 farmers. The loan is disbursed in three stages – IDR 2 million, IDR 2 million, and IDR 1 million. The first two stages are part cash, part inputs (Yara fertilizer). As the KUB is the one administering the loans, they can earn an additional source of operational revenue from the interest gap between what the KUB borrows at and what it lends at to the farmers. Farmers then pay off their loans to the KUB when they sell their produce.

The training program by Nestlé and Rainforest Alliance also includes a financial management component. The program trains farmers to manage risks, monitor consumption cycles, and build assets. BTPN introduced the use of sub-accounts that allow farmers to manage their expenditure and reduce excessive spending on consumables.

4. Execute, Measure and Scale

A. Project Implementation

Prior to project implementation, it is critical that WG partners ensure inclusive market conditions are in place and eliminate barriers or risks that would place smallholder farmers in a more vulnerable position. Strategies for implementation gleaned from lessons across the Grow Asia network include:

- Carefully select pilot locations and partners, and consider placing more weight on readiness to engage over degree of need
- Identify the right early adopters and help them succeed in a way that is demonstrable to other farmers, through tailored and intensive support
- Start small (few and small plots) and be prepared to compensate farmers for any loss suffered during pilot phase
- Use community resources as additional support structures (see below for a description of the Vietnam agri-teams)
- Allow theme-specific task forces to make progress on specific topics, freeing the overall WGs from the burden of coordinating all activities
- Establish trust with farmers through local organizations and engage them to keep activities going

Example: Tea TF in Vietnam

The TF set up "agri-teams" to help farmers apply chemical treatment to plants. The agri-teams consisted of tea farmers or employees of the lead tea company (Phu da) - with at least a high school degree – who were trained by the lead tea company on proper chemical treatment (in line with GAP). The lead tea company is also in charge of purchasing and supplying pesticides and chemicals to the agri-teams.

The agri-team model ensures that farmers do not use harmful chemicals and ensures the safety and quality of the final product. The initiative has been successful thus far, but while the number of agri-teams has increased from 3 to 11, there remains a need for more.

Example: Fruits and Vegetables WG in Cambodia

The WG, in collaboration with Aeon Mall, Natural Agriculture Village (NAV), Kandal Provincial Department of Agriculture, ASPIRE Program, and the Department of Horticulture, organized an event to promote Cambodian-produced vegetables and to raise consumers' awareness on safe vegetables.

Farmers represented from 8 agricultural cooperatives from 3 provinces were invited to participate in the event. During the 3-day event, Aeon Mall's and NAV's sales of Cambodian vegetables doubled and sales continue to increase even after the event. The increased sales translated to increased incomes for more than 400 farmers, of which more than 60% are women. Aeon Mall has expressed interest to continue organizing the event regularly and plans to expand it to include fresh fruits and other commodities. NAV hopes to continue organizing the event to increase the number of contract farming arrangements with farmers.

Insight: Horticulture WG in Myanmar

The level of MVMW support and coordination varied by dealer. For some dealers, such as East-West Seed, MVMW staff worked alongside company staff every day. In other instances, company teams worked independently, with MVMW only playing an advisory and monitoring role. Different levels of support were agreed upon during the negotiation stage and allowed partners a degree of independence or assistance depending on need. In follow-up interviews, partners agreed that more support from MVMW staff, which were often stretched too thin at one person per township, would have helped to achieve greater scale, faster results, and greater impact.

An Intervention Manager from MVMW and one person from each partner business coordinated all activities and decision making. These individuals served as a funnel through which all communications were channeled. At the field level, staff met at monthly meetings and then regularly communicated through instant messaging and phone calls. Partners submitted short monthly reports to the Intervention Manager. Concurrently, Mercy Corps staff took responsibility for monitoring & evaluation, including baseline, mid-line, end-line, farmer feedback, and research studies.



Insight: Coffee TF in Vietnam

In an iterative process, project activities under the TF progressed from initial pilots (two demo plots) to more structured (and scaled) interventions, as partners gained confidence in their working relationship with each other. They were able to do this by:

1. Piloting Activities with Competitors in a Pre-competitive Space

Companies such as Yara and Syngenta provided in-kind inputs of fertilizers and chemicals. Members would determine their own demo plots, in consultation and negotiation with other stakeholders. Companies determined the business case for involvement in specific activities and looked after their own interests. No companies working in the same industry (such as fertilizer) would share a given demo plot. Such a comingling of inputs would fail to serve their business interests in distinguishing their products.

2. Selecting Farmer Champions

Integral to project activities was the careful selection of farmer leaders, who provided their time, reputation, and farmland to support demo plots. The TF private lead played a strong role in identifying these farmers, who ideally needed to exhibit

- A strong commitment to the project;
- A general understanding of technical farming practices; and
- An openness to adopting new technologies.



3. Harnessing Expertise from the TF:

With deep industry knowledge, various organizations provided technical inputs to a package of training materials, including participating in technical tours and demo plots, organizing training-of-trainer activities, and supporting farmers with value chain resources. NGO partners also shared best practices in sustainable coffee farming and certification (Common Code for the Coffee Community, or 4C, and Rainforest Alliance). Farmer leaders then played a key role in transferring knowledge to other farmers in their networks.

4. Using Farmer Cooperatives as the Backbone of Coordination:

Cooperatives formed a key pillar of the TF's approach. Each province would have a central cooperative, which would then work with smaller farmer groups who effectively functioned as satellite groups. The central cooperative would then coordinate functions such as input distribution, collection, sales and payment on behalf of the satellite groups.

5. Expanding the Scope of TF Activities:

Over time, the project activities became even more sophisticated, with an expanded package of services to farmers, such as advanced technical training and financial repayment options. At the same time, the TF began to experiment with ways to expand its reach, through cooperative arrangements for farmers and inclusion in broader industry initiatives to support the coffee industry.

B. Measurement and Evaluation

Measurement is critical to know whether and how an IB initiative is succeeding, and yet many IB projects still are not monitoring their progress. Even when monitoring and evaluation processes are in place, engagement is often tracked more closely than productivity. A few examples can provide guidance on how to measure and track IB initiatives in agriculture.

Insight: Coffee TF in Vietnam

In Vietnam, the Coffee TF leads communicate (via telephone, emails, meeting) often and frequently (sometimes weekly) with project managers and TF staff in the field with farmers to track progress against baseline metrics. The project manager compiles data metrics (e.g. average yield, water consumption, fertilizer usage, coffee bean size, profit) from farmers in demo plots and controlled areas. Through their demo plots, farmer leaders share best practices (via training) with other farmers. On a monthly basis, the project manager sends performance results to the Coffee WG leads, who compile the information into key performance indicators for quarterly reporting to the entire TF.

Insight: Corn WG in Myanmar

Partners in the SAPA initiative collected data and conducted surveys that went out to responsible Department of Agriculture (DOA) staff in the three regions which were most promising in the interim report. The report comprised data from 300 farmers on production calendar, current and historic price, production costs, inputs, corn practices of different farmers. On the basis of that analysis, the project coordinators conduct focus group discussions with DOA staff, traders, corn market actors, during which they present findings of the research.

Insight: CocoaTrace™ in Indonesia

In 2014, a CocoaTrace™ smartphone app was launched to allow field staff to collect geo-referenced data such as farm location and size, buying stations, number of cocoa trees on the farm, productivity, prevailing diseases and pests, and the application rate of recommended practices. The app's built-in functions can quickly analyze survey data to allow users to easily handle and interpret farmers' statistics.

By consolidating industry data into a single framework at scale, the data has become much more usable. Buyers can use CocoaTrace™ in their supply chain to track cocoa deliveries from Sustainable Cocoa Production Program (SCPP) farmers. Farmer organizations are able to use CocoaTrace™ to extract data on their members and to monitor members' production capacity as well as income gains from certification. Banks have also used data from CocoaTrace™ as the basis for extending loans for farmers. This level of data sharing would not be possible without an industry-level collaboration.

C. Pathways to Scale

Ultimately, for any IB model to fulfill its promise of profits and impact, it must be scalable. From Grow Asia's experience across the network, there are four pathways to scale for IB models in agriculture:

1. Institutionalizing the multi-stakeholder approach
 - Leverage institutional infrastructure and funds
 - Influence policy dialogue and improvements
2. Business mainstreaming
 - Change business practices
 - Shift how banks operate
 - Scale-up with companies
3. Project replication
 - Learn and build on other's experiences
 - Replicate lessons for on-farm management
 - Create scale by engaging multiple companies under one project
4. Catalytic financing
 - Find donor start-up grants
 - Seek matching grants
 - Leverage donor funding to raise standards and meet market requirements

Each pathway and specific examples are detailed further in our [Pathways to Scale](#) paper.



Conclusion

IB models hold promise for tens of millions of smallholder farmers across Asia to increase their productivity and profitability by participating in sophisticated and scaled value chains. However, inclusion of smaller, more marginalized players into agricultural value chains is not automatic, nor immediate. Building IB models requires the commitment and alignment of many stakeholders, over an extended period of time. It requires a rigorous understanding of the market economics of the specific value chain with a clear design on how smaller-scale players are included in a manner that delivers profit for all. With increased awareness of the potential of IB models, innovations in information technology and on-farm production methods, and expanded, on-going coordination across the value chain, business leaders have the potential to build the future of agriculture that delivers both increased productivity for the market and increased profitability for smallholder farmers across Asia.

About iBAN

The Inclusive Business Action Network (iBAN) is a global initiative supporting the scaling and replication of inclusive business models. Through its strategic pillars iBAN blue and iBAN weave, iBAN manages an innovative online knowledge platform on inclusive business and offers a focused Capacity Development Programme for selected companies and policymakers in developing and emerging countries. iBAN creates a space where evidence-based knowledge transforms into learning and new partnerships. With its focus on promoting the upscale of inclusive business models and consequently improving the lives of the poor, iBAN is actively contributing to the achievement of the United Nations Sustainable Development Goals. iBAN is funded by the German Federal Ministry for Economic Cooperation and Development and the European Union. It is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

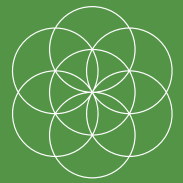
www.inclusivebusiness.net

About Grow Asia

Grow Asia was established by the World Economic Forum, in collaboration with the Association of Southeast Asian Nations (ASEAN) Secretariat, to bring together farmers, governments, the private sector, NGOs and other stakeholders in Southeast Asia to convene, facilitate and help scale inclusive agriculture value chains as well as multi-stakeholder sectoral coordination. At the core of our work are three goals: to lift the productivity, profitability and environmental sustainability of smallholder agriculture in the region.

Grow Asia currently comprises the regional Grow Asia Secretariat in Singapore; six Country Partnerships, each supported by an in-country team; and 44 Working Groups, organized around specific value chains (such as coffee) or cross-cutting issues (such as agri-finance). The network now engages 480+ partners and is reaching close to 1.4m smallholders.

www.growasia.org



Grow**Asia**

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