

REPORT FROM SMALLHOLDER INNOVATION PLATFORM CO-DESIGN FORUM

On September 26-27, 2017, IDH, the Sustainable Trade Initiative and the Bill & Melinda Gates Foundation brought together an extraordinary high-level group of 50 practitioners and decision-makers from companies, NGOs, banks and donors who each have deep vested interest in the transformation of smallholder farming into a viable business.

The purpose of the workshop was to showcase IDH's groundbreaking work on smallholder "service delivery models" and co-design the Smallholder Innovation Platform that will build on this work in the future.

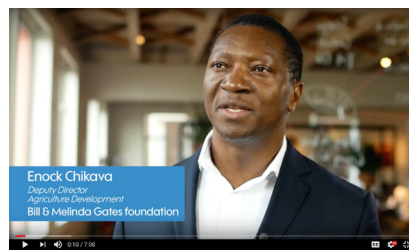
Input for the meeting included [IDH's vision of the Platform](#) and the [executive summary](#) of IDH's forthcoming report on insights.

In this short report, we provide you with some of the most important learnings that we gained from you--our partners and stakeholders--and IDH's refined insights on the design of the Smallholder Innovation Platform.

THE CHALLENGE

Co-hosts Enock Chikava and Joost Oorthuizen laid out the challenges of transforming smallholder engagement and the vision of the Smallholder Innovation Platform as an "engine" of transformation.

Enock made it clear that we need to apply business analytics to the business of smallholder agriculture. Only with a strong analytical foundation can we reduce costs and risks to make smallholder business attractive. When we do so, we can transform relationships in value chains, from extractive to mutually value creating. Then, when we engage governments with those concrete business fundamentals and collectively advocate in the real interest of farmers, we can transform the enabling environment in which we work with smallholders.



Joost laid out a vision for the Smallholder Innovation Platform as a center of excellence for engaging with smallholders. This is the next evolution in IDH's nine years of work with companies and NGOs in value chains. IDH's new analytical modelling tool will unlock innovation in smallholder engagement and enable these models to grow to scale. This can provide the insights that service providers need to truly transform to farmer-centric business models and drive systemic change.



ECOM → WEST AFRICA

"STAY AWAY FROM A ONE-SIZE FITS ALL APPROACH"
 "MAPPING YOUR MODEL IS VERY USEFUL. NOBODY WAS DOING THIS BEFORE"
 "THE SDM ANALYSIS HELPED US TO TRANSFORM INTO A FARMER-FOCUSED BUSINESS. ADOPTING THIS FARMER FOCUS IS A PRE-CONDITION FOR THE SUCCESS OF THIS PLATFORM AND THE COMPANIES IN IT."

OLAM

"FOR THE FIRST TIME WE HAVE A COMPREHENSIVE OVERVIEW OF THE ENTIRE SERVICE PACKAGE WE PROVIDE TO FARMERS"
 "WE FACE TWO MAJOR CONSTRAINTS IN REALIZING OUR AMBITION TO SERVICE 45000 FARMERS: LACK OF FINANCE & DIGITIZATION. BLENDED FINANCE COULD GO A LONG WAY IN REDUCING THE RISK WE TAKE PRE-FINANCING THESE FARMERS"

- COCOA - IVOIRY COAST & GHANA

MONDELEZ

"BLENDED FINANCE COULD HAVE GREAT MULTIPLIER EFFECT FOR US. A SHARED FIRST LOSS FUND COULD UNLOCK A 10 TO 20 TIMES HIGHER INVESTMENT IN TREE PLANTING"

ANATRANS

"IF THE PLATFORM CAN SUPPORT US IN SETTING UP A FARMER-LED SDM, WE CAN FOCUS ON OUR CORE BUSINESS AGAIN. TO THAT END, WE NEED TO LEARN MORE ABOUT FARMER LOYALTY, DIGITIZATION, AND REDUCE OUR RISK EXPOSURE"

→ CASHEW - IVOIRY COAST

→ CASHEW - BURKINA FASO

FEEDBACK FROM PARTICIPANTS GUIDING IDH'S FURTHER DEVELOPMENT OF THE SMALLHOLDER INNOVATION PLATFORM

Companies and NGOs who are providing services to farmers validated the value they see in the analytical modelling

- They are keen on benchmarking against a growing database of analyses of SDMs in different crops and countries. The value lies in identifying improvement opportunities and in communicating in a common language from field operations both to corporate headquarters and to potential financiers. Several saw the SDM modelling and the link to the growing SDM database as an effective means to speed up their internal adoption of best practices and to disseminate/cross-fertilize best practice across countries that typically operate as isolated “silos”.
- IDH was asked to provide more insight into the methodology of the modelling—we are hopeful that the forthcoming Insights Report will address some (but surely not all) of that hunger. We will be developing “deep dive” webinars in the near future to address this request.
- Companies are keen on expertise that will help them “layer in” or bundle services to farmers that will make their service models more effective.
- There are opportunities to link various service providers who are addressing different types of farmers in the same geographies, and to stimulate entrepreneurship in service delivery where it is most lacking. Donors were particularly keen on this synergistic opportunity.

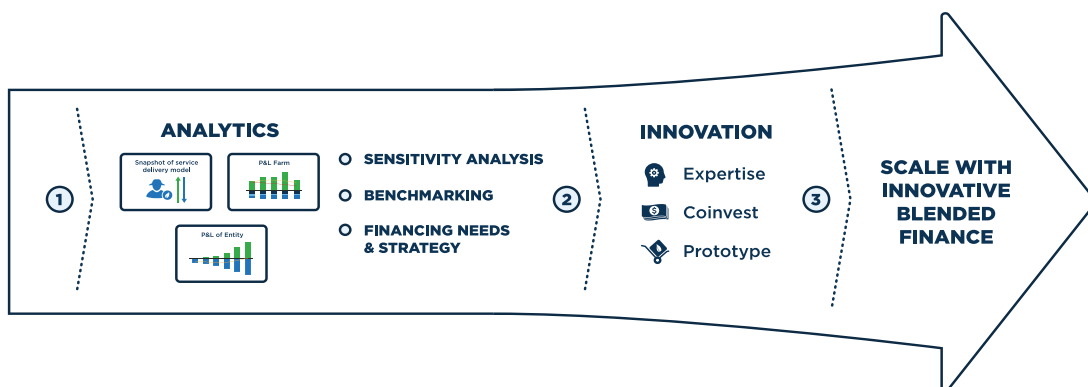
Cross-cutting initiatives

- Digital technologies were widely seen as both important and needing a home for collective development. IDH was encouraged to use its cross-commodity, multi-country approach to advance digital approaches ranging from mobile payments and financial services, to inter-operability of data systems for collective learning.
- Service providers expressed a need for development of human capital for service delivery operations and hope that this could be addressed collectively in the SIP.
- Banks and donors see value in the analytical modelling because it provides improved visibility into the actual relationships at farm level and helps to identify feasible opportunities to invest in value chains that create value for farmers.
- There is potentially significant funding and creativity available for scaling efforts, but apparently a short supply of farmer-focused business models to take advantage of those investment funds. The Smallholder Innovation Platform is seen as an important source of “deal flow” to take advantage of this opportunity.
- Companies saw value in having multiple funding opportunities available to create competition between banks, driving innovation in the banks service offerings.

- The link between farm-level analytics and blended finance was evident; several innovative structuring ideas were offered that could be accelerated by having multiple financial institutions and “de-risking” opportunities linked to the platform. The group was challenged to think bigger, moving from individual “piecemeal” deals to a collective of deals that would create a billion-dollar market, truly making better farmer business into substantive business.

A PATHWAY FOR SERVICE PROVIDERS TO IMPACT AND SCALE

The “core business” of the Smallholder Innovation Platform is to provide advisory services to individual service providers who want to transform their method of farmer engagement. The SIP--as a source of expertise in smallholder engagement and as the curator of the database of SDM analytics and best practices--will be the “go to place” for expertise on smallholder service delivery. The figure below illustrates a pathway for service providers who work with experts from the Sustainable Innovation Platform to improve their services to smallholders.



IDH has developed a structured methodology to leverage data and business modelling to unlock more innovative business models and sustainable financing that can reach smallholders at scale. The uniqueness of this approach is that it is replicable, comparable, and actionable.

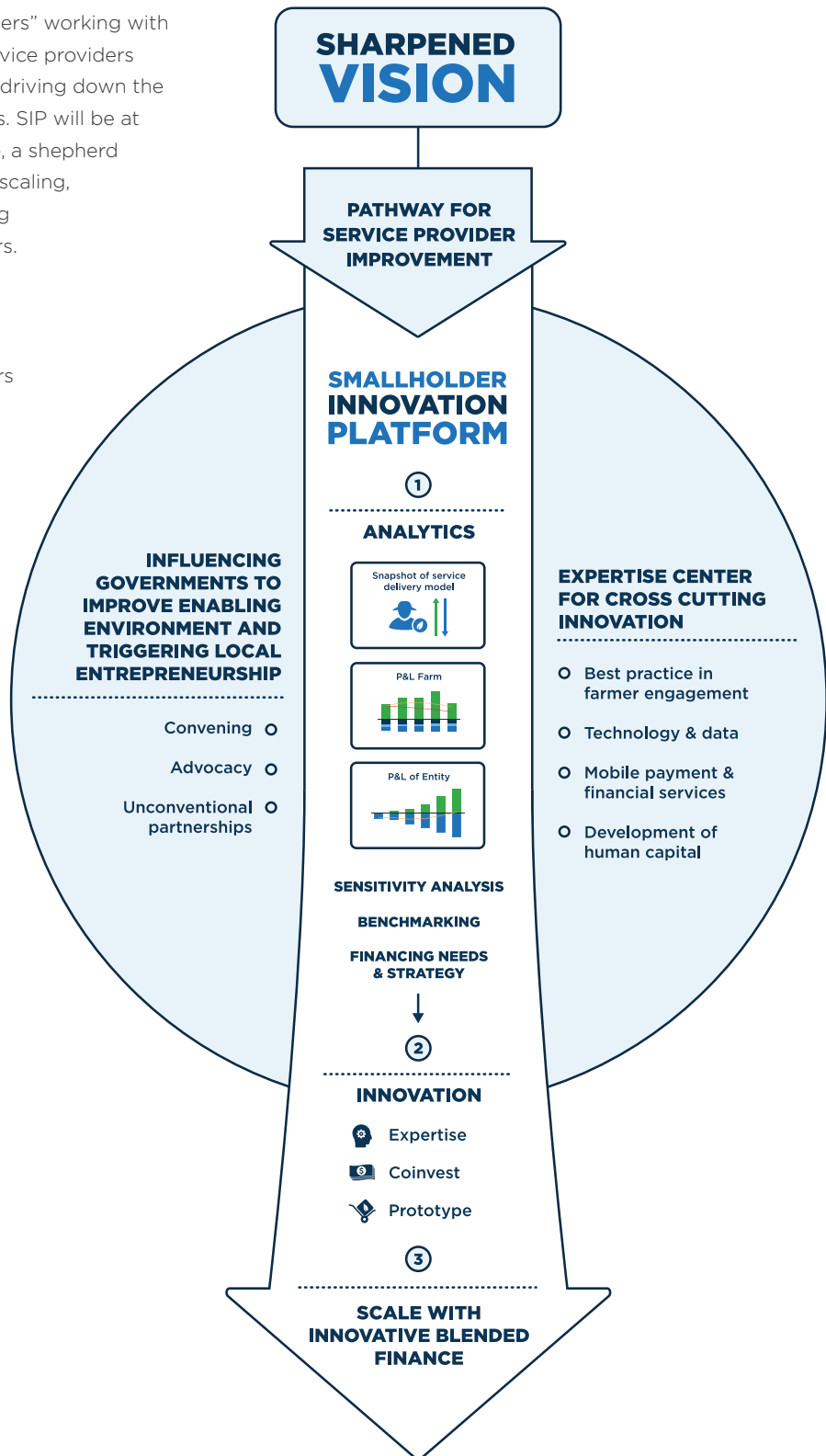
The approach starts with a rigorous analysis in which specialized analysts work with service providers to assess their service delivery operation and engagement with smallholders. A “snapshot” is then created of the service delivery operation and an assessment of projected farmer-level and “service delivery entity” level profit and loss. The actionable insights from this analytical approach help service providers to benchmark their business and identify the business levers to transform their approach to smallholders.

IDH'S SMALLHOLDER INNOVATION PLATFORM IN A NUTSHELL—SHARPENED, BASED ON YOUR FEEDBACK

IDH vision is for the Smallholder Innovation Platform to be the “service provider to service providers” working with smallholder farmers. The SIP helps service providers increase their farm-level impact while driving down the costs and risks of smallholder business. SIP will be at once a provider of analytical expertise, a shepherd and co-investor for improvement and scaling, and a convener for collectively tackling problems that face all service providers.

The Smallholder Innovation Platform will be the go-to place for companies, NGOs, financial institutions, and donors who want to transform the way they engage with smallholder farmers. It provides

- a pathway towards more impact and scale for individual Service Providers,
- an expertise center for collective learning and innovation on cross-cutting issues that face all Service Providers, and
- a convening platform to systemically reduce costs and risks through convening and advocacy to engage public sector in new and unconventional partnerships to transform the “enabling environment” in local settings.



WHERE DO WE GO NEXT WITH THE SMALLHOLDER INNOVATION PLATFORM?

IDH is taking your feedback on board as it develops the Platform. Here are IDH's commitments going forward:

Service Delivery Analytics and Investment in Innovation

We are now in negotiations with our most important donor partners to fund the Smallholder Innovation Platform. But IDH is not sitting still in the meantime. Based on the feedback we have received, we are ever more confident that we are serving a clear need in the smallholder engagement space. We are continuing with the SDM work through our value chain programs and expanding our co-investment in innovation in smallholder engagement. IDH's co-investment builds upon the SDM analytical work—so companies and NGOs who want to develop their programs and seek support will follow this clear pathway.



We are now training additional experts in the SDM-approach to serve the demand for these services. Andre Dellevoet is charged with staffing the platform in Q1 2018 in Nairobi, with expert staff trained to support companies world-wide. Companies who are interested in the SDM-approach should contact IDH through the value chain programs or Andre Dellevoet directly.

dellevoet@idhtrade.org



Digital transformation

Building on the direct feedback from our stakeholders about the need for convening and innovation around digital approaches, IDH is giving this high priority. We will launch a digital program in early 2018 to address this clear market need. If you have contributions or requests, contact David Rosenberg.

Rosenberg@idhtrade.org

Deeper dive into the SDM approach

In the coming weeks and months, we will

- Publish our report on Insights from our SDM work.
- Organize webinars to provide deeper insight into this work.
- Consult with our stakeholders on further methodological development.

Thank you again for your participation and contribution. Please reach out to us if you have further questions or ideas for development. We are grateful for your confidence and ever more motivated to continue on this path.

Joost Oorthuizen

Executive Director, IDH

Enock Chikava

Deputy Director, Agricultural Development, Bill & Melinda Gates Foundation

