Pathways to Scale
An overview

Introduction

Grow Asia is a multi-stakeholder partnership that collaboratively supports smallholder farmers to increase farm productivity, profitability, and environmental sustainability by 20% by 2020. Through the active partnership of the private sector, government, civil society, researchers, and farmers themselves, Grow Asia supports 46 value chain projects across 37 working groups. Of these projects, about 40% are in design, 40% are in early stage implementation and 20% are operating at scale. In total, Grow Asia currently has over 300 partners operating in five countries.

At the invitation of ASEAN governments and with the support of the World Economic Forum, Grow Asia is helping to institutionalize locally-driven Country Partnerships and broaden/deepen value chain projects. The value chain projects, co-created and led by partners, are diverse in their range of activities and types of partners involved at a country-level. Partners are collectively working toward the shared goal of reaching 10 million smallholders to improve their yields, net incomes, and environmental sustainability by 20% by 2020.

To achieve this ambitious goal, it is important that successful value chain projects will need to give even greater attention to scale and impacting large numbers of smallholder farmers. As Grow Asia approaches the close of its second year of operations, there is an increasing appetite among partners to understand, learn from and highlight these alternative pathways to scaling. We do not believe that there is a single pathway to scaling. Rather, we have grouped the field experiences into four pathways that we believe will lead us toward scale. None are mutually exclusive. Which pathway or approach is appropriate to a specific value chain project – or activity within a project – is highly contextualized. Grow Asia's goal in presenting this framework is to help partners understand the range of activities and available to them, and for partners to adapt, build on these examples, and create their own pathways to scale.

The four pathways to scale are:

1. Institutionalizing the multi-stakeholder approach
2. Business mainstreaming
3. Project replication
4. Catalytic financing

1. Institutionalizing the multi-stakeholder approach

This pathway refers to the decision by stakeholders, often the government, to integrate successful approaches or activities that were modeled by value chain projects. This could be done at the national or provincial level. Influencing government policies and approaches is a powerful way to achieve greater impact because government has arguably the greatest reach to smallholders. For systematic change, governments must be part of the solution. There are opportunities to leverage existing infrastructure and investments, and play a positive role in influencing policy. Already there are several examples of how partners have inspired the institutionalization of activities that benefit smallholder farmers.

Leveraging institutional infrastructure and funds – Philippines Corn

Leveraging Government Infrastructure: In the Philippines corn working group project, the government allowed ZDMC Grains Inc. (ZGI) to operate an existing government-owned post-harvest processing center in Zamboanga del Norte. The facility was originally closed due to inefficient operations. After ZGI presented its plans, it convinced the government to allow ZGI to rehabilitate the plant, rehire government staff to operate the plant, and pay the government a tolling fee of PHP0.20/kg ($ 4/MT) of corn dried. This arrangement allowed ZGI to reduce upfront risks and investment requirement, and has laid the foundation for the multi-stakeholder corn project.

Leveraging Government Funding: In the same project, ZGI and other working group members were able to leverage existing government funds in order to catalyze greater activity in the project. Farmers' access to finance was a bottleneck to greater scale. To address this bottleneck, the Department of Agriculture channeled PHP 40 million (US$800,000) through the Agricultural Credit Policy Council (ACPC) to be loaned to farmers. Further, the ACPC funds originated from penalties that banks pay for non-compliance with the Agri-Agra Reform Credit Act, which mandates that 25% of banks' loanable funds be allocated to agriculture. The corn working group project thus created a suitable avenue through which the funds could be unlocked and reach smallholder farmers.

Influencing policy dialogue and improvements – Coffee in Vietnam

Creating an effective dialogue between the Public and Private Sectors: In the Vietnam coffee working group, the Vietnam Coffee Coordination Board (VCCB) originated from the activities of the coffee working group, and serves as an interlocutor between the private and public sector, with the overall aim of influencing and improving policy making and implementation. The VCCB is an industry-wide body that comprises representatives from the government, provincial authorities, domestic and international companies, and farmers.

The success of this Public-Private dialogue through VCCB (see below) is leading to the creation of similar boards in Vietnam for Black Pepper and Tea. The basic concept is also being introduced in Myanmar for the seed sector.

Improving Government Tax Collection: Since its establishment in 2013, the VCCB has already resulted in tangible improvements in the coffee sector. For example, the VCCB's input resulted in changes to the government's VAT policy on coffee exports. Previously, exporting companies would have to leave substantial deposits with the Ministry of Finance before exporting, and were only allowed to claim the VAT back from the government afterwards. With input from coffee companies and the VCCB, as well as a consultation workshop and paper submitted to the Ministry of Finance, coffee exporters no longer have to set aside deposits for exports. This has greatly improved the cashflow and efficiency of Vietnamese coffee exporters.

Aligning Government Advisory Services Messages with the Good Agricultural Practices (GAP) emerging from Working Group Projects: The VCCB and the coffee working group were also instrumental in the development of the National Sustainability Curriculum (NSC). The NSC provides a standard reference for coffee planting in Vietnam, as opposed to the myriad planting protocols that the farmers were previously introduced to. The revised coffee production protocols are based on the PSAV's coffee working group's field results. These were proven to reduce the greenhouse gas emission per unit of green coffee by about 50%. The NSC has been adopted by the national agricultural extension agency, and is even being incorporated into the World Bank's VnSAT project, which aims to reach more than 60,000 farmers.

Influencing policy dialogue and improvements - PISAgro

Country Secretariats becoming an important interlocutor with Government: Through its work, PISAgro has become the de facto interlocutor for sustainable agriculture dialogue between the Indonesian government and private sector. The lessons and results from the PISAgro working groups have had a positive impact on policy-making and implementation.

Improved Operation of Government Micro-Credit Scheme: For example, the government's national micro-credit scheme, called KUR, aims to provide smallholder farmers with accessible credit. However, widespread adoption of the scheme has been challenging due in part to the scheme's one-size-fits-all approach. In consultation with PISAgro members, partner financial institutions, and government ministries, PISAgro has provided insights on tailoring loan terms to use of proceeds and crop cycles, alongside other recommendations to improve the scheme's implementation.

Advising on Land Title Certification: In addition, PISAgro is also playing a similar consultative role for the government around the topic of land title certification. Through such engagements, PISAgro is clearly contributing to the institutionalization of an improved approach that arose from the experiences of their multi-stakeholder projects.

2. Business mainstreaming

Grow Asia partners are testing inclusive business models through collaborative value chain projects. While these projects are intentionally pre-competitive, there must be commercial value and a business case for private sector partners to commit to taking part. Ideally, successful projects would demonstrate that embedding smallholders into sustainable value chains can create shared value, and that there is strong financial and economic justification for mainstreaming the approach.

Avoiding the Challenge of Moving from a CSR Initiative to Business Mainstream: A potential challenge in business mainstreaming occurs during the transition of projects from companies' CSR teams and budgets into the core procurement functions. Ideally, procurement teams would be involved from the start, as part of holistic value chain solutions that address key elements, including access to inputs, finance, training, and markets.

Organizing Multiple Partners into Holistic Value Chain Solutions: Value chain projects typically address key elements, including access to inputs, finance, training, and markets. Such solutions require the integration of multiple stakeholders. Experience has shown that a project typically involves integrating the activities of 5 to 15 different partners. These are usually self-organized, but to avoid the logistical difficulties of finding mutually convenient times for them all to meet, working group leads typically arrange partner meetings around specific issues. Thus, it is important to have project leads and managers who understand different perspectives (private sector, governments, civil societies, farmers) and can establish effective ways of operating in a multi-stakeholder environment.

Changes to business practices

Adjusting and Adapting Business Practices. Among the working groups, there have been examples where partners have made changes to their methods of operating because of their experiences in multi-stakeholder projects. For instance, in the Indonesian corn working group project in Dompu, Syngenta and BPR Pesisir Akbar, a rural bank, realized that they needed to alter their business practices to improve project implementation. BPR Pesisir Akbar doubled the number of the field officers available to support smallholders, matching the number of field officers that Syngenta had. Both organizations also decided to cross-train their staff in agronomy and loan criteria, thus aligning their messages and improving their ability to serve the smallholder farmers.

Building Trust & Integrating Local Traders into the Value Chains: Similarly, in the rice working group in Indonesia, Bayer, and Tiga Pilar Sejahtera (TPS) realized that it was not enough just to have Bayer field staff and TPS mill staff conducting technical assistance to farmers. TPS decided to introduce the role of field assistants. They would have an important part of the program, particularly in building trust and loyalty with farmers. TPS also realized that they needed to work with local aggregators to scale up their work.

Bayer are taking a similar multi-stakeholder approach as the leaders of the newly-formed Rice Task Force in Vietnam where they will be working with other national and multi-national organizations to develop more sustainable and inclusive rice value chains.

Changes to how banks operate

Changing how banks operate: In the Philippines, together with Bank of the Philippine Islands (BPI) Foundation and PinoyME, Grow Asia and PPSA supported the formation of a Value Chain Consortium. The Consortium comprises banks, corporates, NGOs, and government agencies, and serves as a platform for exchanging information, brokering transactions (i.e. putting the different stakeholders together to form actual partnerships), and documenting the different partnership models. Consortium members initially agreed on six agribusiness partnership models (of which four were PPSA projects) that will serve as pilot cases while commercial banks gave commitments to address the financing constraints of the selected agribusiness models. If successful, the pilot financing models can lay the foundations for banks and financial institutions to mainstream innovative ways of providing finance to smallholder farmers.

Scaling up within companies

Piloting and Scaling up within companies: In Indonesia, Nestle has developed a model of purchasing coffee through KUBs – a type of farmer cooperative model where a lead farmer, or trader, invests in processing facilities and purchases from smaller farmer groups in the region. This model has proven successful, and Nestle has since scaled up its operations to 9 KUBs in Lampung, Indonesia. By creating and replicating these manageably-sized marketing entities, Nestle has been able to purchase produce from over 18,000 smallholder farmers, and doubled the volume of coffee they purchase to 20,000 MT per year.

Similarly, Syngenta Indonesia has achieved promising results from its corn working group project in Dompu, and have started new projects in Madura and Southeast Aceh.

3. Project replication

Project replication is when Country Partnerships or crop-specific Working Groups bring in new partners to expand the implementation of the value chain project. Project replication is mainly based on building on the successful elements from an earlier project. There are examples where a business is unable to mainstream the project, despite the commercial value being demonstrated. For example, an off-taker may have an upper-limit on the amount of crop that can be procured within a country. At that point, the Grow Asia platform facilitates communication and exchange among business competitors, which can lead to new partners adopting and replicating the successful model. This market-led approach can transform the agricultural market by enabling new companies to learn from and adopt shared value models.

Avoiding the 'Not Invented Here' Syndrome and the Business Model Incompatibility Problem: One of the potential issues that arises here is the need to overcome a so-called "Not Invented Here" syndrome. For example, a lead firm within the sector might have demonstrated that an approach or business model can be successful. Another company, however, is often reluctant to replicate the approach for fear as being seen as lacking the creativity to have developed the new approach themselves. For this model to be replicated, it is important that new partners can adapt the projects to their needs and take ownership of the projects.

Replicable business models can significantly reduce risks & accelerate scaling: New businesses have a high rate of failure. The equivalent of franchises has higher success rates. The business models are well understood so that expensive mistakes are avoided. As an approach, it is particularly useful to (i) reduce the exposure of small scale producers to financial risks, (ii) to encourage entrepreneurs to start new businesses, and (iii) for banks to feel more confident about loaning because they understand of the financial needs and viability of the business model. In Asian agriculture, there are some very notable agricultural examples of reaching scale though replicable business models. For example, the integrator model for broiler chickens and hogs, where the agribusiness provides feed, young stock and technical advice coupled with a firm buy back agreement to their network of out-growers. The introduction of milk collection routes into new milk shed. And the emergence of machinery contractor businesses providing tractor, threshing, spraying, and harvesting services to smaller scale producers.

In other working groups, Grow Asia partners are exploring ways to replicate successful projects. Nestle's successful experience in purchasing coffee from KUBs in Lampung, Indonesia has led other partners to explore ways to replicate the model. Unilever Indonesia is also exploring how its success with black soybean production can be replicated with other companies and organizations in yellow soybean.

PPSA Corn Working Group – Biotech Farms and Zamboanga Grains

Learning and building on other partners' experiences: Biotech Farms, one of the Philippines' largest and most progressive integrated hog and poultry layer farms, is planning a new project that is modelled after ZDMC Grains Inc.'s (ZGI's) project in Zamboanga del Norte. ZGI is a post-harvest and logistics company that offtakes yellow corn produced by smallholder farmers and sells them to a feed milling and hog raising cooperative in Batangas, South Luzon. ZGI also spearheaded the development of the corn working group project by convening different organizations that provided smallholders farmers with farmer development services, access to credit and insurance, input and production technologies, and post-harvest support. The project is still in its early phases, but has demonstrated sufficient results and promise for Biotech to explore how to replicate aspects of the ZGI model for corn as well as for rice.

PSAV Tea Task Force

Replicating lessons on reducing agro-chemical residues: The Tea working group in Vietnam is adopting this approach to scale, to address the key challenge of chemical residue levels in tea exports. Led by the Vietnam Tea Association, the group is working with local tea companies to establish agri-teams that can support smallholder farmers with on-farm spraying activities. Eventually, the group targets reaching 13 local companies who have established internal agri-teams, thus helping them to address the issue at scale.

Swisscontact's Sustainable Cocoa Production Program (SCPP)

Creating scale by combining under one project several different companies: The Sustainable Cocoa Production Program (SCPP) was initiated in 2012 with the aim of improving the competitiveness of the Indonesian cocoa value chain. The program started with three private sector companies working with Swisscontact in Sulawesi, and has since expanded to now reach ten private sector partners, including PISAgro members Nestle and Cargill. The project targets

165,000 smallholder cocoa farmers in 11 provinces across 57 districts. SCPP employs a holistic set of activities including Good Agricultural Practices (GAP), technology transfer systems, farmers' organizations, and market access and certification, among others. The integrated and well-established approach facilitates adoption by new partners as well as extension into near areas.

The SCPP has created tremendous impact for smallholder farmers, training 87,660 farmers on GAP and other best practices to date. Farmers have seen up to 62% yield improvements with net attributable income (less farm input cost) nearly doubling from $470 to $937 per farmer. On the environmental side, the project has achieved 29% of its greenhouse gas reduction goal, taking cocoa emissions from 1.09 to 0.77 tCO_2e/MT. These results are an indication of the impact and scale that can be reached when successful projects are replicated.

4. Catalytic financing

Bilateral, multilateral donors and development agencies have been investing in agriculture for decades, catalyzing significant improvements in agronomy and the enabling environment improvements. There has been a shift recently as donors started to emphasize the need to embed smallholders in profitable and sustainable value chains to achieve lasting impact on livelihoods. As national economies and food systems become increasingly global, the importance of engaging with the private sector as strategic partners in achieving sustainable agriculture and secure food systems broadens.

Despite differences in approaches – donor projects often have lengthier time frames and are less dynamic and fluid than private sector approaches – there are opportunities to align developmental efforts with private sector-led multi-stakeholder approaches. With the various programs that offer matching grants to private sector-led initiatives in the region, the additional funds have the potential to unlock key bottlenecks and catalyze greater impact for smallholders. As this pathway develops, working group projects can become effective multi-stakeholder platforms that serve as interlocutors between donor agencies, developmental partners, and the private sector, thus establishing effective systems that are driven by market opportunities.

Alternative funding sources for Partnership for Sustainable Agriculture in Vietnam (PSAV)

Donor start-up grants for Secretariats: PSAV is the oldest partnership among the Country Partnerships, and the significant results achieved have attracted interest from other donors besides Grow Asia. Through discussions with Grow Asia, PSAV and the Vietnamese Ministry for Agriculture and Rural Development (MARD), the Australian embassy in Vietnam decided to grant A$100,000 over two years to the government to support the launch of the secretariat. The Japan International Cooperation Agency (JICA) has also expressed interest in providing some support for PSAV activities, such as funding logistics and meetings for PSAV. They are particularly interested in sponsoring policy roundtable discussions.

Matching grants

Accessing Matching Grants: Grow Asia is exploring opportunities across the Country Partnerships to tap into existing sources of donor and developmental partners' funding. In the Philippines, Grow Asia and the PPSA are exploring how working group projects can align with the Philippines Rural Development Program of the World Bank, which provides matching grants to agribusinesses in specific crops and value chains. The World Bank's VnSAT project also provides matching grants for coffee and rice value chains, and could present an opportunity to align with the working groups' activities. Facilitating access to such grants could be a potential value-add that Grow Asia can contribute to in the future.

Accessing Donor Funding: These donor funds can often fill key gaps in projects that private sector and civil society partners often do not have the capacity or resources to undertake. For example, in the Rice working group in Myanmar, donors, through multi-donor fund the Livelihoods and Food Security Trust Fund (LIFT), are funding local NGOs to provide farmers with agronomy training. This training is enabling smallholders to grow rice to a standard that is acceptable to private sector partners, in this case, Heineken. Farmers are thus able to sell their rice at a premium, and Heineken can have a sustainable rice supply for its beer production.

Summary

Through various illustrations of the four pathways to scale, this document is intended to provide the reader with a range of options of lifting the scale and impact of their value chain projects. The intention being that these approaches can be used as the foundation for developing project plans, featuring a mix of interventions, and adapting them to suit local context and different business models.