What are Pay-for-Results Prizes and Why Do They Matter?

*Pay-for-Results: From Concept to Design to Lessons Learned*

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Meet the Speakers

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$152 million multi-donor initiative that uses Pay-for-Results (PfR) prize competitions to incentivize the private sector to invest in high-impact agricultural innovations that help achieve the following goals:

- Reducing Food Insecurity
- Improving Household Nutrition and Health
- Increasing Livestock Productivity

AgResults' *theory of change* rests on the idea that, if appropriately incentivized, the private sector will respond by creating and/or scaling new technologies to benefit smallholder farmers:

1. Identify or source new technology
2. Incentivize the private sector to overcome market barriers
3. Achieve wide-scale adoption and scaling
4. Create sustainable markets
AgResults in Action around the World

**Nigeria Aflasafe™ Project (COMPLETE)**
Promoting adoption of biocontrol technology to combat aflatoxin (fungal mold) in maize

**Senegal Crop Storage Finance Project**
Scaling group storage and finance access solutions for smallholders.

**Kenya On-Farm Storage Project (COMPLETE)**
Expanding on-farm storage solutions for smallholder farmers

**Foot and Mouth Disease Project (Regional)**
Creating high-quality FMD vaccines for Eastern Africa and encouraging a private sector market

**Tanzania Dairy Productivity Project**
Incentivizing delivery of specialized input bundles and extension services to develop dairy value chain

**Vietnam GHG Emissions Reduction Project**
Testing and scaling up improved, low emissions rice farming technologies

**Brucellosis Vaccine Development Project (Global)**
Creating a low-cost and effective Brucellosis vaccine

**Uganda Legume Seeds Project (CLOSED)**
Strengthening production and distribution value chain for improved legume seeds

**Zambia Biofortified Maize Project (CLOSED)**
Encouraging uptake of pro-Vitamin-A orange maize

**Indonesia Aquaculture Project**
Scaling adoption of advanced technology inputs for fish farmers
Why Prize Competitions?

Prize competitions offer a unique value-add over traditional “push” (grant) funding:

- **Heighten Awareness**
  - Opportunity to educate, inspire, and mobilize on neglected issues.

- **Pay Only for Results**
  - Payments upon achievement of specific outputs.

- **Spur Private Sector Market Action**
  - Solution-agnostic to allow private sector to respond in ways best suited to their business practices.

- **Stimulate Innovation and New Ideas**
  - Allow for experimentation, multiple solutions, and varied paths to success.

Prize competitions create an enabling environment that encourages the private sector to scale agricultural technologies to make markets systems more sustainable and resilient.
Development Prize Competition Objectives

AgResults tests the viability of prize competitions in promoting private sector engagement with smallholder farmers. The AgResults prizes fall under one of four primary objectives.

- **Research**: Research and development of a new product or innovation to address a development challenge.
- **Delivery**: Improve distribution channels and adoption of a solution or technology that solves a development challenge.
- **Advanced Market Commitment**: Guarantee a market for the development of a product, incentivizing both research and delivery innovation.
- **Outcome**: Achieve a development outcome, agnostic of the technology or approach used to drive that outcome.

Although different types of prizes vary in their objectives, they all aim to increase awareness of challenges and solutions, spur private sector action, and stimulate innovation.
How Prize Competitions Encourage Innovation and Scale-up of Agricultural Technologies

AgResults competitions use monetary incentives to stimulate initial demand in otherwise thin markets. They show private sector ‘competitors’ the potential of expanding their business models and networks to scale agricultural technologies, benefiting previously excluded populations and strengthening entire food systems.

1. Prizes motivate the private sector to venture into untapped markets and adopt new ways to solve existing problems.
2. Prize-driven actions encourage competitors to adapt current business models and create new partnerships.
3. As the economic benefits of technology delivery emerge, the broader market landscape shifts and expands to strengthen relationships and scale the use of agricultural technologies.
4. Over time, mutually beneficial interactions along the value chain position competitors to better respond to changing market demands, transforming the entire market system to be sustainable and resilient.

Adapt
- Initial competitors begin to adapt investments and business models to work with smallholder farmers

Respond
- Competitors are creating new markets and working to change enabling environment to address/solve agricultural challenge

Adopt
- Initial private sector competitors begin to participate

Expand
- New competitors continue to join project as they see efficacy and economic incentive

Scale

A Closer Look: The Kenya On-Farm Storage Challenge Project

**Problem:** Eastern Africa suffers from post-harvest grain losses that cost about $US1.6 billion annually, but many smallholder farmers cannot access on-farm storage technologies and are forced to sell their crops immediately after harvest or use insecticides or less effective methods to store their crops.

**Solution:** US$12 million prize competition incentivized private sector companies to develop, market, and sell on-farm hermetic storage devices to smallholder farmers in Kenya’s Rift Valley and Eastern Regions to overcome storage challenges and reduce post-harvest loss.

**Prize Incentive and Structure**

- Competitors qualified for prizes by selling a minimum of 21,000MT of storage capacity to smallholder farmers.
- Mid-point prizes of $750,000 each and proportional prizes totalling $1M or $3M (depending on the region) incentivized storage providers to invest in new distribution channels to rural areas.
- Smallholder farmers increased use of hermetic devices to reduce post-harvest loss.

**Results (2013 – 2019)**

- 9 companies participated
- 1,390,777 devices sold
- 413,265 MT storage capacity created
- 300,000 farmers reached
- $4.85M in competitor investments leveraged
Prizes and the Private Sector: Driving Scale-up in Kenya

In Kenya, prizes for on-farm storage device sales encouraged companies to rethink their distribution approaches. As they adjusted their business models and strengthened partnerships along the value chain, they successfully delivered storage technologies to smallholder farmers to reduce post-harvest loss and improve nutrition.

- Pay-for-Results Prizes to Engage New Actors
  AgResults’ Kenya Pay-for-Results prize competition used monetary awards to motivate companies to develop innovative distribution channels to deliver on-farm storage devices to farmers.

- Incentives that Shape Competitor Behaviors
  These monetary “nudges” motivated competitors to reach previously inaccessible smallholder farmers and gave them the initial capital needed to innovate with outreach to rural areas and populations.

- Shifts in Business Models to Expand Distribution
  Prize money provided competitors with capital so they could reinvest into marketing and distribution efforts and more easily deliver on-farm storage to more smallholder farmers.

- Stronger Value Chain Relationships
  As testing standards evolved and storage companies improved access to finance and distribution networks, they developed stronger value chain relationships with distributors and end consumers.

- Commercialization of On-Farm Storage Technologies
  Kenya’s agriculture sector is positioned to continue to scale-up delivery of storage technologies to smallholder farmers, improving nutrition and reducing post-harvest loss.
A Closer Look: The Nigeria Aflasafe™ Challenge Project

**Problem:** In Nigeria, the high prevalence of aflatoxins in maize produces a toxin that is carcinogenic and is associated with childhood stunting.

**Solution:** US$12.68 million prize competition that incentivized private sector aggregators and grain traders to work with smallholder farmers to adopt Aflasafe™ and improve the quality of maize.

**Prize Incentive and Structure**
- Competitors worked with farmers, providing them with value-added services (including access to and training on using Aflasafe™ and other inputs) and market linkages.
- Competitors received a premium payment of $18.75 per MT of aggregated maize with a >70% prevalence rate of Aflasafe™.
- Smallholder farmers benefited from higher yields, linkages to premium markets for aflatoxin-reduced maize, and consumption of aflatoxin-reduced maize.

**Results (2013 – 2019)**
- 35 companies participated
- 213,510 MT of Aflasafe-treated grain aggregated
- 75,788 farmers reached
In Nigeria, prizes for aggregated Aflasafe™-treated maize encouraged companies to teach best practices in Aflasafe™ application to smallholder farmers while raising public awareness of the health benefits, creating an enabling environment that drove up market demand and market prices for a higher-quality product.

AgResults’ Nigeria Pay-for-Results prize competition used monetary awards to show the private sector the potential economic benefits of delivering a biocontrol agent to smallholder farmers.

These monetary “nudges” motivated competitors to test out the nascent product and prove its efficacy among smallholder farmers through demonstrations and extension services.

As companies built initial trust and credibility, they coordinated to formalize delivery and technical assistance to smallholder farmers, driving changes in competitors’ business models while delivering a range of key inputs.

Aggregators reinvested incentives in stronger networks along the maize value chain while raising government awareness of health benefits, shaping a more welcoming enabling environment around aflatoxin-reduced maize.

With an interconnected value chain and high demand for a premium product, the maize sector is poised to continue scale-up and use of Aflasafe™ to produce higher-quality maize.
AgResults’ prize competition model uses monetary incentives to enable private sector competitors to overcome financial and logistical challenges impeding sustainable market growth.

These competitors are incentivized to establish critical partnerships along the value chain to better deliver solutions to smallholder farmers.

In Kenya, competitors created partnerships to build out distribution channels and reach previously inaccessible smallholder farmers.

In Nigeria, competitors partnered on value-add activities (input delivery, extension services) to drive up market demand and prices.

Prize competitions shape stronger value chains that increase access, trust, and the delivery of technological solutions, strengthening market systems so that they are more sustainable, inclusive, and resilient.
Thank you!

For more information and resources, visit the AgResults website:

https://agresults.org/
AgResults Resources and Links

• The AgResults Approach
• AgResults Learning Library
• Learning Doc: Takeaways from Seven Years of Using Prize Competitions to Transform Markets
• Final Report: Kenya On-Farm Storage Challenge Project
• Final Report: Nigeria Aflasafe Challenge Project
• Blog: “Why Pay-for-Results Development Approaches Matter Now – More Than Ever”