



Maximizing Finance for Development (MFD) in the Agriculture and Food Sector Webinar Series

Series 2: Application of the MFD Value Chain Diagnostic Tool

June 12th, Wednesday 2019

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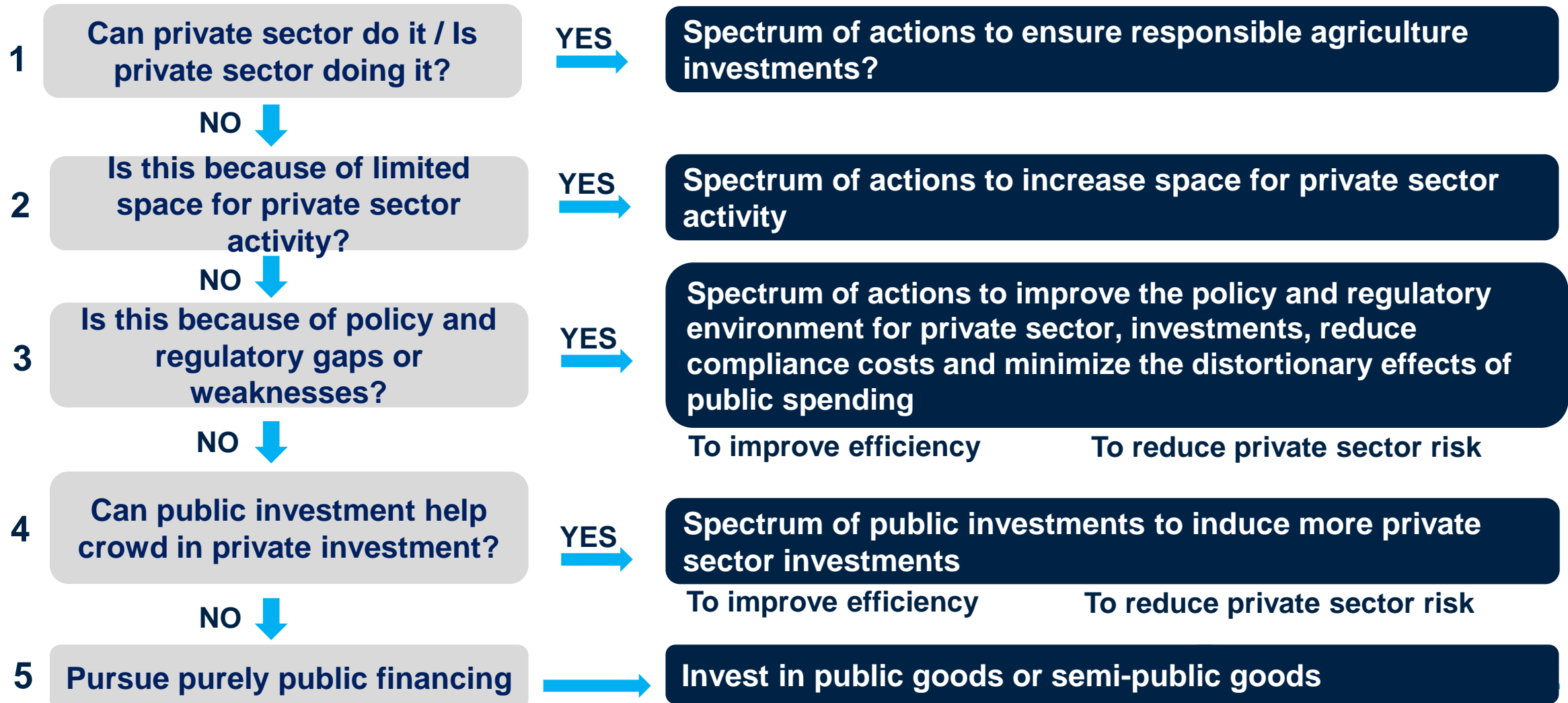


1. MFD – recap on the overview

- 1) Current levels of investment in agriculture value chains are insufficient to achieve the potential contribution of agriculture to key development goals.
 - Need to increase from billions to trillions in investments, spanning public and private, local and global
- 2) Crowding-in private investment requires:
 - Increasing space for private sector activities, including better focus of scarce public finance on public goods/services
 - Improving policy and regulatory environment which address market failures and encourage private sector participation
 - Refining incentives and reducing transaction costs and risks for private investment
- 3) Required actions include:
 - **Diagnostics** that are more oriented to the private sector
 - A structured, inclusive public-private dialogue to inform a robust reform and investment program



1. MFD – recap on the overview - Cascade



2. MFD Value Chain Diagnostic

1) Purpose of the diagnostic:

To identify constraints, opportunities and solutions for leveraging private sector engagement in the given value chain

2) Approach:

To map out identified constraints, opportunities and solutions on a matrix based on the components of the value chain



3. MFD Value Chain Diagnostic Tool

Steps:

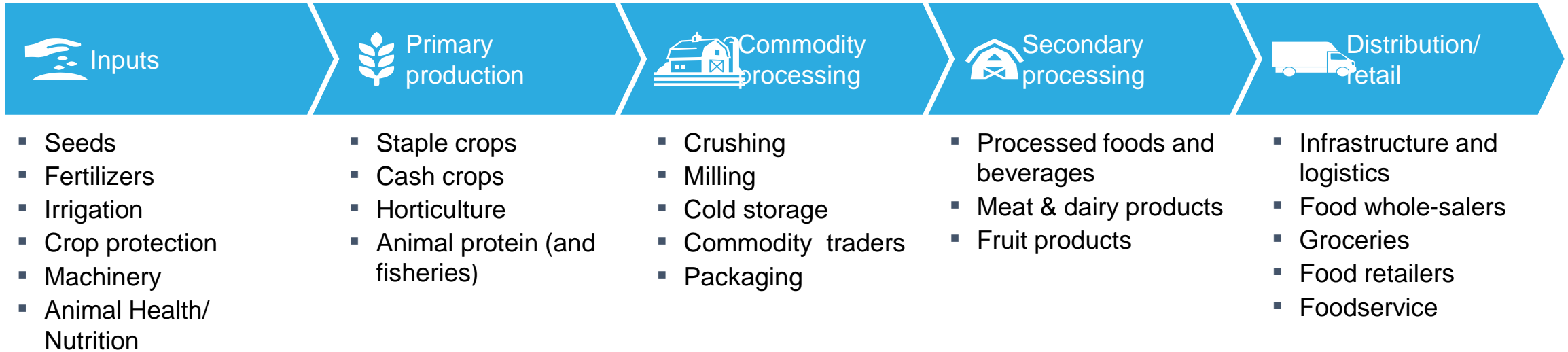
- Develop a sector overview
- Conduct an institutional mapping
- Breakdown value chain components into detailed activities
- Interview with key stakeholders
- Identify 1) issues, 2) solutions and 3) actions and map them out on the matrix
- Prioritize selective actions



Step 1: Develop the Sector Overview

Components of Agriculture Value Chains

Outline of sector organization



Policy and regulation

- Tariffs, import/export restrictions, taxes and subsidies
- Non-tariff trade barriers (e.g., Food Safety standards)
- 3rd Party (public and/or private) Support services (R&D, farmer extension, inspection, certification, etc.)
- Ease of doing agri-related business
- Environmental & Social standards



Infrastructure



Financing



Step 2: Institutional mapping – who does what

Case: Ethiopian Beef value chain

Organization	Research & Development	Input Supply	Production	Processing	Distribution & Marketing
Ministry of Agriculture	- Provides policy environment, formulate strategies and lead the extension service			- Provides inspection service, Certify abattoirs	- Assist in market search and market linkage - Quarantine services for export
Ethiopian Institute of Agricultural Research	- Generate technologies	- Disseminate technologies			
Ethiopian Meat and Dairy Technology Institute			- Provides short term and tailored trainings to the private sector, assist in land acquisition etc.		- Assist in market search and market linkage
National Institute of Animal breeding	- Implement breeding policies	- Import, produce and distribute semen	- Manages stud bull producing herd (Mainly for dairy)		
Ethiopian Veterinary Drug and Feed Regulatory Agency		- Certify feed processing industries - Provide laboratory services	- Ensures quality and safety of feed and drug in use		
National Veterinary Institute		- Produce and disseminate vaccines			
ATA	- Identify systemic bottlenecks and recommend solutions (Capacity gaps)				- Market info and linkages



Step 3: Breakdown activities

Based on the institutional mapping

Case: Ethiopian Beef value chain

VC Function & Activities	Actors	Comment on private sector involvement or not: <i>could private sector do it</i>	Reasons for non-involvement of private sector: <i>possible areas of intervention</i>
Research & Development - <i>Improvements in Boran breed genetics</i> - <i>Management strategies to limit bush encroachment</i> - <i>Development of processed meat products to serve the consumer market</i>	FSoE FSoE, NGO FSoE PS	PS could do it if incentivized Maintain as state function E AR mainly with limited PS action	- Space, PPI - PPI - RAI, PI
Inputs - <i>Extension support</i> - <i>Production of drugs and vaccines</i> - <i>Sales and distribution of drugs and vaccines</i> - <i>Feed testing and regulation</i> - <i>Feed formulation and sale</i> - <i>Pastures</i> - <i>Rangeland drinking water supply</i> - <i>Feedlot machinery & equipment</i> - <i>Transport vehicles</i> - <i>Abattoir equipment</i> - <i>Veterinary health services</i>	FSoE, RSoE FSoE FSoE, PS FSoE PS, COOP RGoE RGoE PS PS PS RGoE, PS	PS could do it in a limited way NVI (PS could do it as PPP with FSoE PS (informal) does it but needs more resp. PS activity NVI, PS could do testing PS does it but could do more PS does it on a limited basis Remain as state PS does it PS does it PS does it Remain RGoE and PS PS could do it PS does it PS does it PS does it	- RAI, Space, PPI - Space, PI - RAI, P&R - P&R, Space - RAI, P&R - Space, PI - PPI - n/a - PI - n/a - RAI - P&R

Breakdown a VC component into activities

Fill this area based on interviews (next step)

Continue...



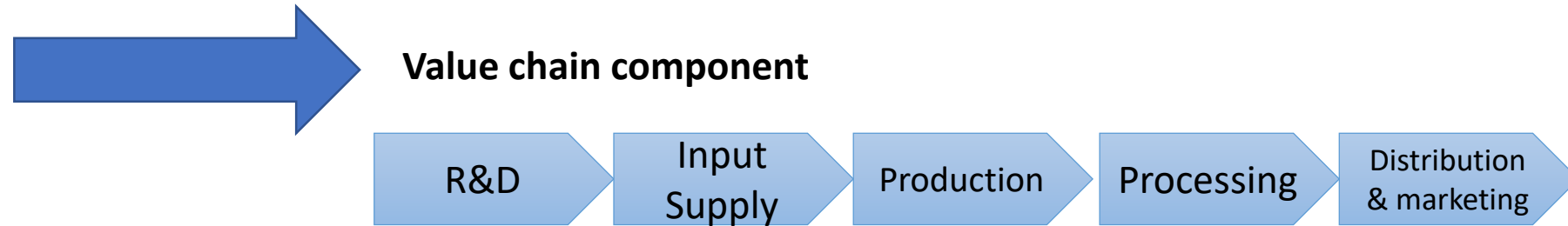
Step 4: Interview with key stakeholders

Suggested process:

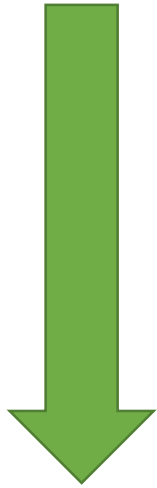
- Organize an inception workshop to obtain inputs to preliminary assessment
- Design a semi-structured questionnaire
- Interview with key VC sub-sector informants, both from the private and public sector based on the questionnaire
- Organize round table events with sub-sector actors to verify analysis and obtain more inputs



Step 5. Map them out - issues, solutions and actions



Cascaded Questionnaire



1. Environmental and social concerns to ensure responsible food and agricultural investment
2. Concentrated market power and space for investment – actions to broaden the space for private sector participation
3. Constraining public policies and regulations – actions to improve policy and regulatory environment
4. High transaction costs and risks – opportunities for public investment to induce private investment
5. Limited public goods and services



Step 5. Map them out - issues, solutions and actions

Put all into a matrix...

	Research & Development	Input Supply	Production	Processing	Distribution & Marketing
Environmental and social concerns to ensure responsible food and agricultural investment					
Concentrated market power and space for investment – actions to broaden the space for private sector participation					
Constraining public policies and regulations – actions to improve policy and regulatory environment					
High transaction costs and risks – opportunities for public investment to induce private investment					
Limited public goods and services					



Step 5. Map them out - issues, solutions and actions

Example: Beef value chain in Ethiopia

Question 1: Environmental and social concerns: actions to ensure responsible food and agricultural investment



1. ENVIRONMENTAL AND SOCIAL CONCERNS: ACTIONS TO ENSURE RESPONSIBLE FOOD AND AGRICULTURAL INVESTMENT

Bush encroachment is a researchable issue, as it is threatening the population of cattle in favour of browsing animals like camels and goats

The policy on livestock production areas needs to be revisited and reformulated, given the real risk that if the rangeland isn't protected and the production base not addressed Ethiopia could become a meat importing country by 2028

Private business needs to develop binding contractual agreements and monitoring systems with support for prosecution by law enforcement
Programs to improve the productivity and availability of younger cattle for feedlotting
Promotion of more feedlots will create its own demand for feed
Promotion of animal handling skills and use of custom-made animal transportation trucks

Food safety regulations need to be consistently applied

More support for the development of businesses processing for the local market will help the pastoralists raise incomes.

Private abattoirs need to honour order commitments and competitive alternate markets are needs to place livestock

Additional supply of meat to the domestic market will increase competition and reduce prices to consumers. Calls for nutrition education to bring change in consumer behaviour

Foreign-owned abattoirs should be encouraged to partner with local investors for internal marketing

Go through each cascade question...



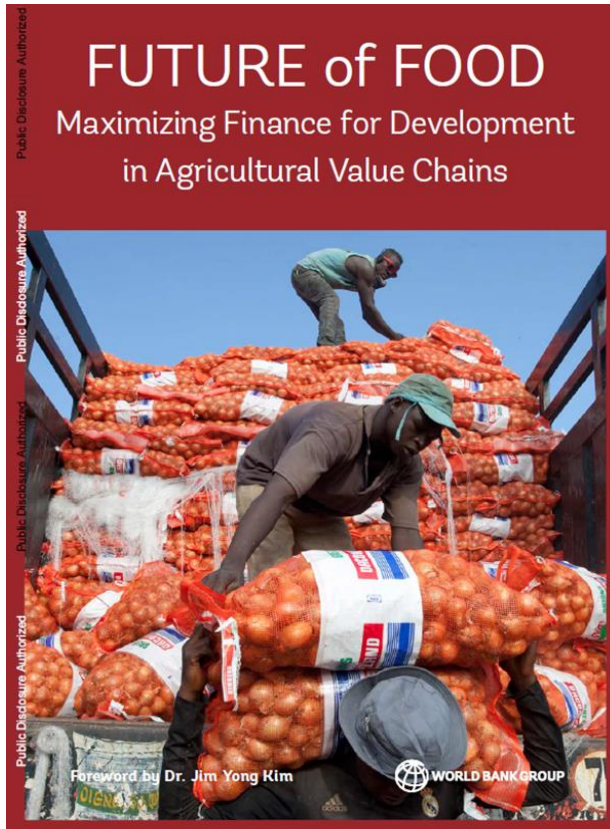
Step 6: Prioritize selective actions

Points of consideration to prioritize actions identified:

- Country context
- Available resources
- Expected impact
- Cross-cutting vs VC specific
- Timeframe



Appendix 1: Publication - Future of Food



Maximizing Finance for Development in Agriculture Value Chains (2018)

A joint WBG publication outlining coordinated complementary activities of World Bank, IFC, FCI and MIGA for addressing development challenges using the Cascade Approach to maximize private finance.

For further information:

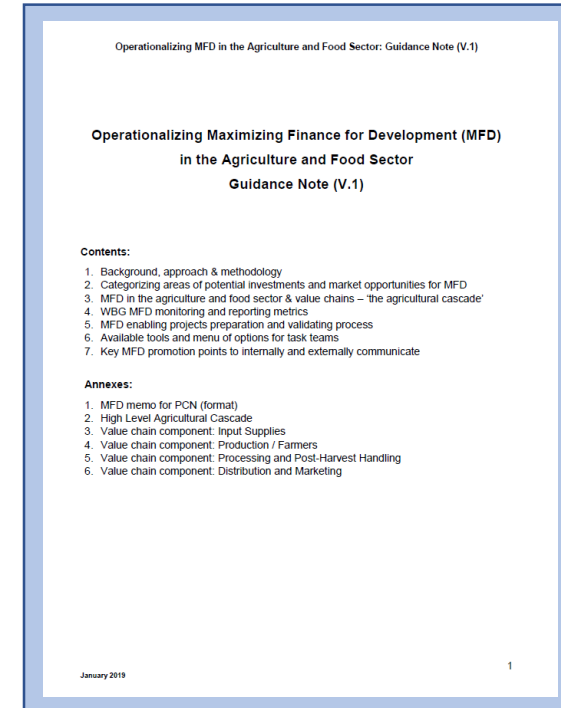
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Appendix 2: Operationalizing MFD Guidance Note

Contents:

1. **Background**, approach & methodology
 2. Categorizing areas of **potential investments and market opportunities** for MFD
 3. MFD in the agriculture and food sector & value chains – ‘the agricultural **cascade**’
 4. WBG MFD **monitoring and reporting** metrics
 5. MFD enabling projects **preparation and validating process**
 6. Available **tools and menu of options** for task teams
 7. Key MFD **promotion points** to internally and externally communicate
- Annexes. Each cascade for value chain components



Living document: V.2 in 1Q FY20 based on early lessons learned

