

DIGITAL PLATFORMS FOR AGRICULTURE IN SSA & MATCHMAKING FOR TRANSFORMATION

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BACKGROUND

The challenges in agriculture in Africa, particularly for smallholder farmers producing 80% of its food for consumption, are complex, and no single solution exists to reverse age-old issues around markets, infrastructure, poverty and exclusion.

The effective application of digital technology has emerged as a catalytic tool in addressing market gaps and challenges faced in agriculture, including for smallholder farmers (SHFs) at the end of the last mile. Africa has seen an emergence of fintech and agtech innovators beginning to break down the barriers in agriculture, including the delivery of financial services, inputs, mechanization, logistics, market access, business management and learning tools.

Fintechs and agtechs typically face major challenges in driving breakthrough solutions to scale and commercial viability. One pathway for innovators to gain traction in markets is to integrate technology into product and service offerings with mainstream banks, mobile network operators and other companies in order to improve their use and delivery to consumers. Digital platforms can host multiple service providers, working to offer “end-to-end” services to drive transformation in agricultural markets and impact for SHFs, while decreasing risks and increasing revenue models for fintechs, agtechs and other market actors.

Over the past five years, Mercy Corps AgriFin programs have worked with more than 130 partners both to build capacity of fintech and agtech innovators to scale and broker partnerships for them onto larger digital platforms, typically hosted by banks, mobile network operators, large agricultural enterprises and government. These digital platforms are evolving as strong drivers for impact and viability in delivery of key services for agriculture and also for scale up of young, breakthrough technology providers, which have scaled services through a range of platform partners.



The potential for transformation through the combination of digital platforms for scale and Africa’s thriving technology innovators is immense. GIZ and Mercy Corps AgriFin are working together to foster the expansion of services and development of select product bundles of key platform players in East and West Africa. This work culminates in a Digital Platform Blueprint Report later in the year.

CONTEXT

This is our first blog post to dive into the ongoing learning process on digital platforms for agriculture, with a focus on the core aspect of “matchmaking” between large digital platforms hosted by commercial banks, mobile network operators, agribusiness and government and the innovators that can bring a host of critical services for farmers and food systems.

Upcoming blogs in this series will focus on learnings from platform and innovator specific deep dives, followed by a Digital Platform Blueprint Report later in the year.

First, let us define core terminology for both digital platforms and technology innovators:

-  Digital platforms are online businesses that facilitate commercial interactions between at least two different groups—with one typically being suppliers and the other consumers.¹
-  Technology innovators include companies across Africa that are building digital solutions to cover the wide range of challenges facing farmers and agribusinesses across the Continent, including innovators in financial services, market access, farmer training, logistics and mechanization, input delivery, traceability and more.

The benefits for tech innovators joining in digital platforms for agriculture can be significant. Digital platforms can bring strong and trusted brands for farmers, core business services such as scaled technology, communications, finance or agricultural services, regulatory coverage and an ability to manage data in ways that can drive scale and viable business growth.

In successful partnership, platforms can help tech innovators dramatically increase scale, while cutting costs in marketing, tech development and adding value in data exchange and bundled services that can make the tech innovators more impactful in markets.

SUCCESS FACTORS

Early snapshots of learning from our Digital Platform Blueprint Report exercise have explored partnership challenges and success factors, also highlighting the role of matchmakers in overcoming challenges and facilitating successful partnerships.

Success factors platform and tech innovator partnerships can include:

- Recognized mutual benefit to ground the relationship in the partners' shared interests across the platform activities, including formal documentation of relative value propositions and aligned strategic interests across target markets, geographies and balance of roles and responsibilities.

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- Clear and transparent platform product and technical roadmaps that strategically meet SHF needs allow all parties to communicate their timelines and strategically sequence their partnership building to match their product development. Potential partners can quickly identify key relationships and work together towards a shared vision.
- Building frameworks for light and rapid prototyping speeds up partnership building whilst sparing resources and getting a good sense of partnership feasibility and needs. At the same time, some larger platforms may require in-depth due diligence of a potential partner before full engagement, meaning sufficient time must be awarded at initial partnership stages to set the foundation for collaboration.

CHALLENGES

There are also significant challenges in these partnerships, which can range from imbalanced revenue sharing arrangements, building up critical dependencies and perceived loss of control of some aspects of the business.

The challenges can be grouped into engagement and process related challenges outlined below:

Challenges related to engagement terms

- Mismatched revenue models make it difficult to practically bundle complementary products/services whilst creating value for both players. For example, revenue sharing requires joint efforts in closing sales whereas a purchase agreement would require less end-user sales for one counterpart.
- Limited capacity to manage partnerships. If partners are not included in decision-making, progress on overall platform activities can be decelerated. This includes expanding to new geographies, on-boarding new features, or bundling in additional products. By creating processes and resources to actively engage partners in key decisions, platform owners can ensure their platform evolves in a cohesive and coordinated manner.

Process related challenges

- Discordant timing can strain a platform's capacity to onboard partners. Platforms may pursue promising partnerships whilst juggling a large number of immediate priorities, stretching their capacity to fully onboard new partners whilst concurrently hitting larger platform milestones and targets.

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- Need for high levels of trust in counterparts. Particularly in relation to data sharing that may be required between parties, high levels of trust are needed at initial partnership building stages. Protracted brokering processes can create uncertainty. Putting in place clear protocols and agreements can smoothen the path to improved collaboration.
- Perceived skews of bargaining power can make tech innovators anxious about losing their decision-making power and affect partnership negotiations.
- Upfront costs incurred by tech innovators when presenting their value propositions to established organizations can be a barrier to entry and risk some organisations are not able to take.

RECOMMENDATIONS

Given the business sensitivities in building platform and tech innovator partnerships, the role of neutral brokers or “matchmakers” can support the development of more successful partnerships through:

- Aiding both sides to position their value proposition appropriately and develop a shared understanding of roles and responsibilities.
- Prompting the difficult questions that clarify the terms of partnership. This includes topics such as revenue sharing models and data ownership structures. Matchmakers create open forums to iron out complexities and can help structure conversations around more sensitive topics.
- Offering neutral judgment to even out bargaining power between platforms and innovators. Matchmakers leverage their impartiality to level out negotiations and promote fair discussions and partnership terms.
- (re)Aligning interests: a critical role matchmakers can play is advance discussions around the mutual benefit and complementarity in partnership, rather than competition. Building trust and goodwill of all parties involved is a key outcome of matchmaking, building the foundation of partnership success.

We look forward to continuing to share our insights from our Digital Platform Blueprint learning process, culminating in the release of our Digital Platform Blueprint Report later this year. Please don't hesitate to be in touch with your own experience, questions and recommendations to us at Mercy Corps AgriFin!

GIZ

The Tech Entrepreneurship Initiative ‘Make-IT in Africa’ promotes digital innovation for sustainable and inclusive development in Africa. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) implements this project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), as part of BMZ’s Digital Africa Initiative.

In close collaboration with more than 30 corporate and finance partners, social enterprises, hubs, and networks, ‘Make-IT in Africa’ supports an enabling environment for young entrepreneurs – to enable better access to finance, markets and skills.

For AgTech start-ups Make-IT in Africa has recognized digital platforms as a viable path to improve market access, drive financial sustainability and increase impact.

The D4Ag Initiative therefore aims to improve conditions to help AgTech start-ups scale their digital solutions via platforms. D4Ag supports AgTech Start-ups to integrate their solutions into digital platforms through expanding opportunities, building capacities and facilitating partnerships.

MERCY CORPS AGRIFIN

Mercy Corps’ AgriFin programming (MCAF) represents USD 35 million in innovation funding from the Mastercard Foundation, Bill and Melinda Gates Foundation and the Swiss Development Corporation to support development, testing and scale of digitally-enabled services for smallholder farmers. With this support, AgriFin now reaches more than 8 million smallholders.

1. <https://itif.org/publications/2018/10/12/itif-technology-explainer-what-are-digital-platforms#:~:text=Digital%20platforms%20are%20online%20businesses,suppliers%20and%20the%20other%20consumers.>