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Catalyzing private finance into climate-smart agriculture: The science-driven accelerator program

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Abstract

The agriculture sector is the economic backbone for most developing countries and is crucial for strengthening food security, increasing incomes and driving inclusive and sustainable growth. However, the sector remains untapped due to low levels of productivity exacerbated by the effects of climate change. To strengthen resilience to climate change and efficient functioning of food systems, significant financial investment is required. The public sector and donors cannot handle this alone; the private finance and investment sector needs to increase its financial commitments. Yet high perceptions of sector and country risks and the inability to assess and manage these risks, lack of available market data and high transaction costs hinder the private sector's investment in agriculture. Additionally, for-profit businesses operating in a climate-smart way across agricultural value chains often lack the commercial and technical capacity to scale agricultural research innovations. Bringing innovations to scale requires a holistic approach. Innovation and impact management literature indicated that scaling innovations via a development project focusing only on a single innovation have limited success in scaling. It has been shown that it is necessary to integrate innovation processes with capacity development, finance and other complementary solutions. One novel way to achieve this integration is through an accelerator program. Accelerator programmes are considered promising approaches to support growth-driven, for-profit companies in their goal to reach scale as they provide an institutional space for integrating innovations with complementary solutions. However, there is little systematic and empirical evidence of the performance of accelerator programmes for scaling science-based innovations in low- and middle-income contexts. Market analysis shows that many companies that have the potential to bring innovations to scale already exist. However, macro-scale challenges and shocks (droughts, recession, covid-19 pandemic) in a fragile market environment discourage entrepreneurial appetite, hindering thinking beyond short-termist revenue targets. A science-driven accelerator programme for climate-smart agribusinesses opens up opportunities to create a pipeline of de-risked, and science-based investment solutions into sustainable agriculture in the Global South.

Keywords: Business acceleration, innovation scaling, sustainable finance