



BUILDING INCLUSIVE AND COMPETITIVE HORTICULTURE BUSINESSES (BICHOBS) IN TANZANIA'S SOUTHERN HIGHLANDS



2024

CASE STUDY HIGHLIGHTS

In 2020, Rikolto began implementing a 4-year “Building Inclusive and Competitive Horticulture Businesses” (BICHOBS) project in Tanzania’s Southern Highlands. It set out to engage 30,000 fresh fruits and vegetable smallholder farmers organized into 68 Farmer Business Organizations (FBOs) and 500 off-takers with the objective of improving the performance of Tanzania’s horticulture sector.

This case study delves into the results from the midline evaluation in May 2023 with regard to FBO capacity strengthening through Business Development Services (BDS) offered to agribusiness clusters. The strategy adopted to achieve results was built around the combination of SCOPE assessments and the iCRA Agribusiness Cluster (ABC) approach.

KEY RESULTS

- BICHOBS has reached **104 agribusiness clusters**, including 22 formal FBOs. This represents a total of **30,625 farmers** (adult male 12,762; adult female 7,774; youth male 6,028; youth female 4,061) who have already benefited from the project.
- BDS support has improved the scores of FBO professionalism. SCOPE Assessments indicated the average **increase in score from 2.46 (considered immature organizations) at baseline to 3.18 (considered maturing) at midline.**
- Farmers have been connected to new markets, through **16 established market linkages and 8 new linkages** being facilitated by BICHOBS. This has contributed to increased sales margins on average.
- Access to finance results showed that **25% of the producers received loans** through VSLAs or commercial banks, **compared to 19% at baseline.**
- Rikolto estimates the **costs of BICHOBS as 200 EUR per farmer and 59,000 EUR per cluster.**

The results demonstrate the effectiveness and efficiency of BICHOBS in delivering its targets. However, a question about overall cost-efficiency remains - i.e. could the same results be achieved at lower costs? This question is essential as Rikolto considers whether this BDS approach is scalable.

The approach is already showing promising signs. Rikolto reports that **BDS providers are now directly providing services to FBOs and agro-dealers are creating their own FBO networks.** Rikolto has not been involved in these processes, which demonstrates initiative from within the market system and positively indicates potential for replicability, scale, and sustainability.

However, midline results also showed that agribusiness clusters and FBOs need further strengthening and it is likely that they will need to be supported beyond 2024.

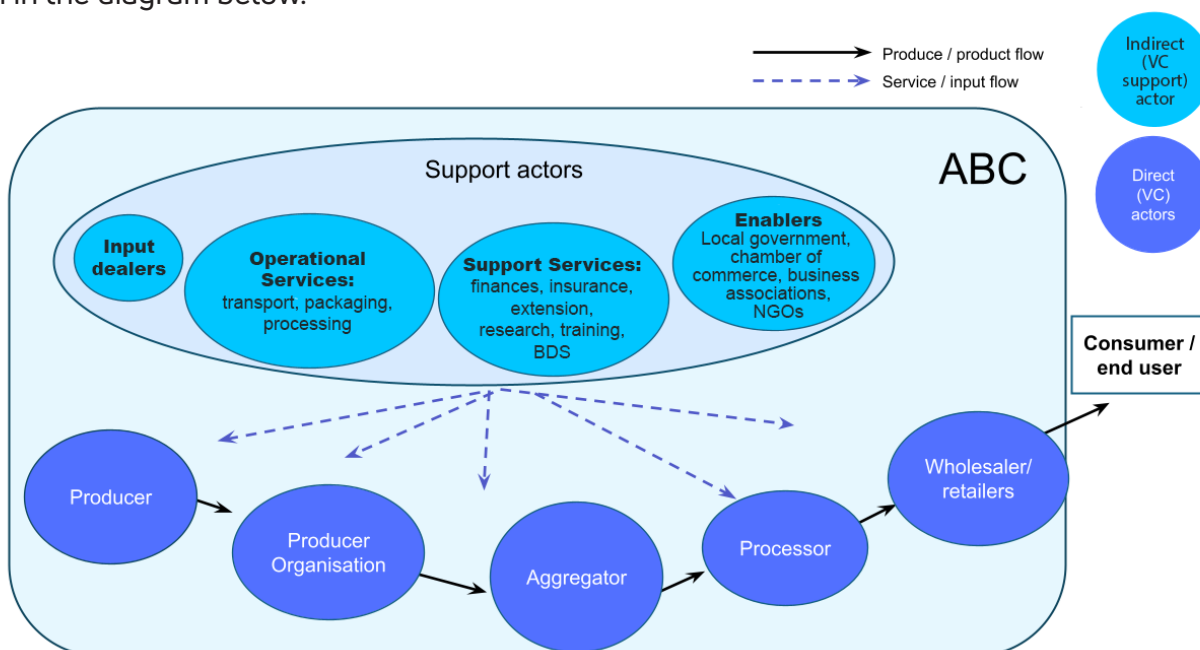
INTRODUCTION

In 2020, Rikolto started the “Building Inclusive and Competitive Horticulture Businesses” (BICHOBS) project in Tanzania’s Southern Highlands. The 4-year project, funded by the European Union (EU)’s flagship AGRI-CONNECT programme, set out to include 30,000 fresh fruits and vegetable smallholder farmers in 68 Farmer Business Organizations (FBOs) and 500 off-takers in Iringa, Njombe, Mbeya, Songwe, and Katavi Regions. In these regions, farmers face significant challenges to increase their vegetable and fruit yields, despite great potential for growth. Typically, there is limited access to new technologies and sustainable farming techniques, and climate change is causing erratic rainfall, droughts and floods. These challenges lead to low productivity and poor quality of produce in the sector. Poor food quality has consistently led to rejected goods and reduced prices for farmers. Hence, the value chain does not typically benefit smallholder farmers.

To tackle these challenges, the overall objective of the project was to improve the performance of Tanzania’s horticulture sector and the inclusion of smallholder farmers as well as assess horticulture’s contribution to job creation and nutrition. This case study focuses on Rikolto’s integration of iCRA’s **Agribusiness Clusters (ABC)** approach with SCOPEinsight’s FBO assessment tool. An ABC is an informal collaboration among a local network of farmers, agri-SMEs and service providers, that collaborate to market a specific commodity and its end products, guided by a shared vision and competitive strategy. These supply chain actors are shown in the diagram below.

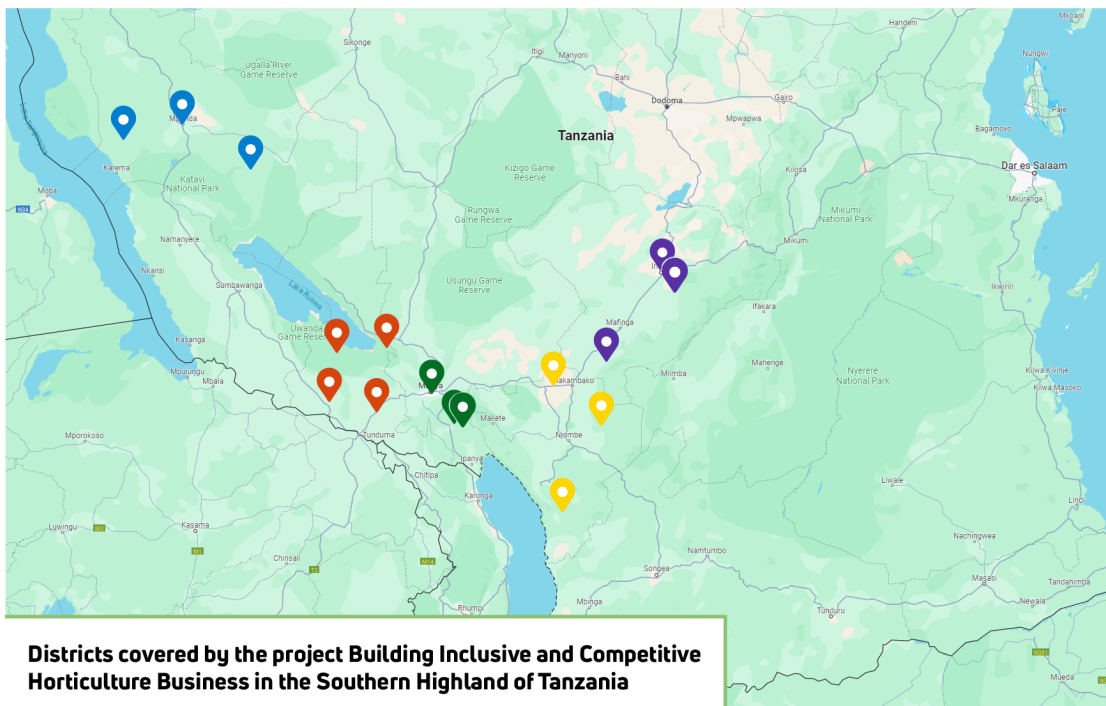


Figure 2: One of the project agronomists from MIICO Zephania Semkogo training farmers to improve their yields in the Songwe region.



As of May 2023, Rikolto was working with 34 FBOs and 82 **production clusters**, reaching more than 30,000 farmers with services such as support on Good Agricultural Practices (GAP). This case study aims to enable the reader to understand how the **agribusiness cluster** approach supported farmers and FBOs to access services that enabled improved yields, stronger competitiveness, more reliability in accessing markets, and improved profitability.

BACKGROUND



- Mpanda District
- Tanganyika
- Mlele District
- Busokelo District
- Rungwe District
- Mbeya District
- Mbozi District
- Songwe District
- Ileje District
- Momba District
- Njombe District
- Wangingombe District
- Ludewa District
- Iringa District
- Kilolo District
- Mufindi District

The selected regions have climates that provide the highest long-term potential for horticulture growth in Tanzania. However, three significant challenges need to be addressed to unlock this potential:

1

Weak capacity of FBOs: Horticulture farmers in the target regions are predominantly smallholders with farm size ranging from 0.1 to 2.0 hectares. These smallholder farmers are the least organized actors in the market system and thus the most vulnerable to adversities. FBOs often lack adequate organizational, leadership and business skills, and the necessary capacities to provide services needed by their members.

2

Inadequate access to business development services (BDS), including finance: The baseline study found significant demand for BDS, especially related to access to markets and finance. Previous projects had not addressed this sufficiently. The few financial institutions that finance horticulture often charge very high interest rates and request collateral. This leads to farmers using their own funds or borrowing from relatives and Village Community Banks (VICOBA), which limits the ability of the farmer and the FBO to grow their business.

3

Inadequate access to specialized horticulture agronomy services: With an average of 5-8 extension officers, Rikolto estimates that most districts are severely underserved by extension staff, who may also not have the appropriate horticultural knowledge. On the other hand, access to these services from the private sector (agro-input dealers and off-takers etc.) are rarely coordinated with the public sector.

The BICHOBS project aimed to achieve two outcomes: 1) To increase the **profitability** of the horticultural sector for smallholders and traders and 2) To increase **competitiveness** of the horticultural sector. These were to be achieved through 4 outputs:

<p>1 Increase access to sustainable Business Development Services (BDS) for farmers engaged in horticulture production</p>	<ul style="list-style-type: none"> % farmers accessing quality BDS % farmers accessing formal financial services % of FBOs improving services (per SCOPEinsight score)
<p>2 Increase margins for members of the farmer organizations and other value chain actors, through improved trading relationships and efficiency within the horticulture value chain</p>	<ul style="list-style-type: none"> % increase of margins for members of the FBOs # of new market linkages established, e.g., contract farming
<p>3 Improved sector governance and coordination mechanisms through strengthened horticulture platforms and member-based organizations</p>	<ul style="list-style-type: none"> # of active DCPs participating in decision making & implementation # of improved priority by-laws and regulations formulated approved & effectively implemented
<p>4 Increased consumption of high nutritious diets</p>	<ul style="list-style-type: none"> % of stunted children 0-59 months in the targeted regions % of 0-23 months old children getting minimum acceptable diet

This case study will focus on achievements and lessons learned around outputs 1 and 2.



Figure 3 Zedekia Luvanda (left) Agronomist from OBO Investment (BDS) who were the service providers in extension and input supplying in the BICHOBS project. They played a big role in improving farmer capacity but also connecting them with Agro-input dealers. In the photo he is training farmers in the Katavi region.

STRATEGY

The strategy was built around the iCRA's ABC formation approach and tools, as it is the overriding implementation model for the BICHOBS project. As described in the following section, the model turns traditional farmer advisors into agribusiness coaches, who play a facilitative role for partnerships around a farmer-based organization in their respective agribusiness clusters.

However, acknowledging that there was a need for an agricultural extension system that can reach large numbers of farmers and respond to women and young farmers, production clusters were also formed. These were the initial stage of developing full agribusiness clusters. After conducting a diagnostic study, Rikolto organized a network meeting and identified the needs per cluster in terms of what to produce, stakeholder on the ground, the roles and responsibilities of each partner, such as Financial Institutions, buyers, agronomists, collection centers, type of agro-inputs and type of trainings.

In order to deliver integrated production and agribusiness services BICHOBS worked with many partners, such as Agrónomos sin Fronteras, Inades-Formation Tanzania, MIICO Consortium and the Tanzanian Chamber of Commerce, Industry and Agriculture (TCCIA) Mbeya. Rikolto also contracted SCOPEinsight and iCRA for support on FBO assessments and Agribusiness Cluster development.

The project collaborated with all stakeholders in the value chain. This included both vertical and horizontal integration with the Ministries of Agriculture, Finance, and Planning, local government authorities, input suppliers, traders, producers, local government administrations, and microfinance institutions. As a result, all levels of government (national, regional, and district) supported the project during the identification of needs, priority setting, and proposal development.

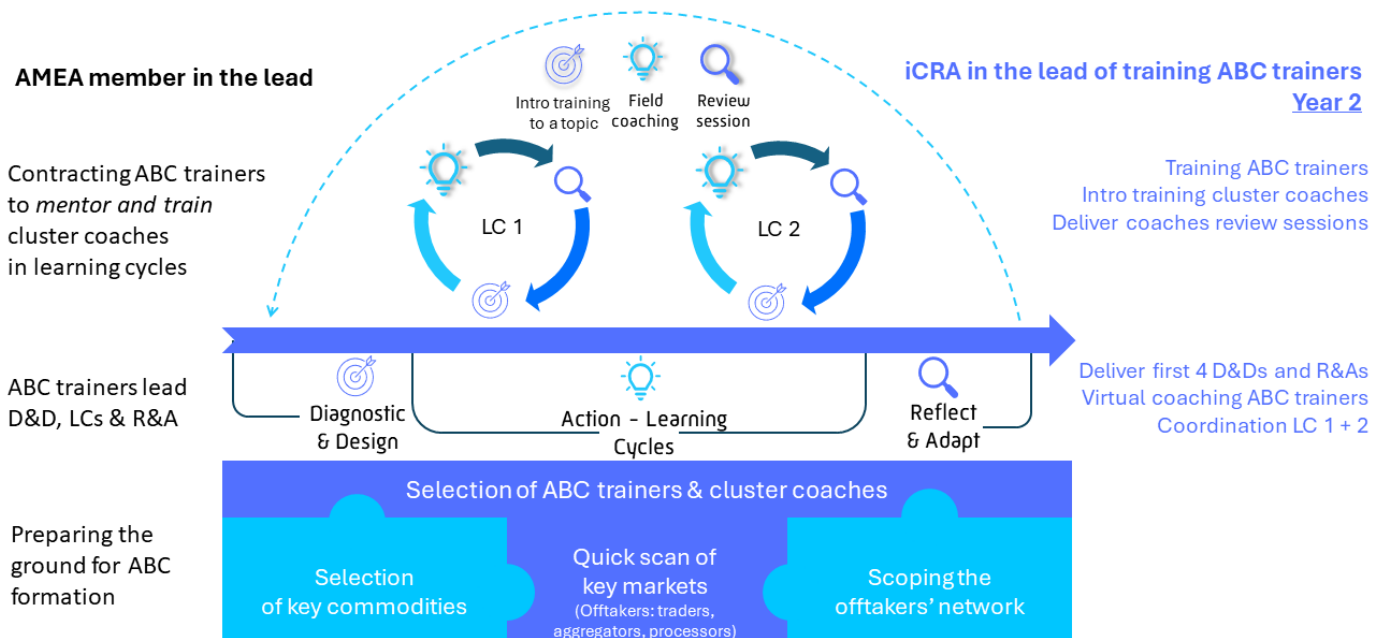
AGRIBUSINESS CLUSTER FORMATION APPROACH AND TOOLS

iCRA's Agribusiness Cluster approach for the first 2 years is shown below (extracted from the [AMEA Toolbox](#)). The key stages are local coach (LC) training, diagnostic and design (D&D) processes, and action learning cycles (LCs) leading to reflection and adaptation of the agribusiness cluster plans. The important point to note is that this is a process that aims to develop actions for all agribusiness cluster actors, not just the off-taker or the FBO.

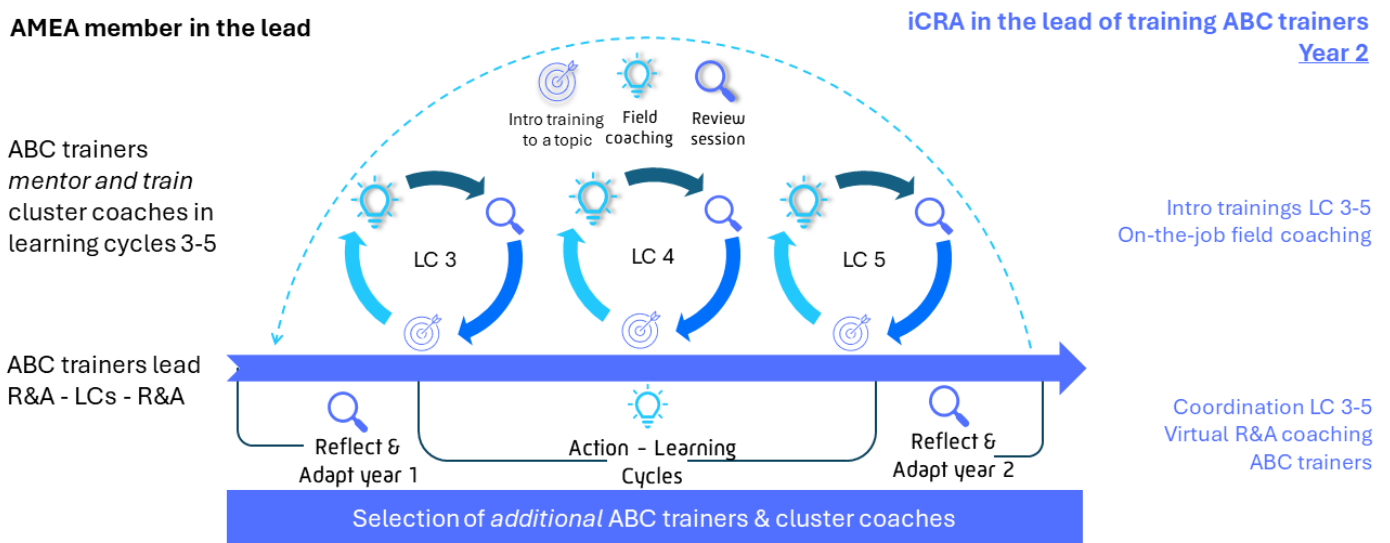


Figure 4: One of the local coaches Sadick Raphel training farmers on GAP's at Mamba in Katavi region.

ABC formation year 1



ABC formation year 2



Unlike conventional agriculture development, where advisors work with farmers, iCRA turns them into agribusiness coaches for local value chain partnerships. This means that, under the iCRA model, **coaches are expected to play a facilitative role in the formation and strengthening of business networks**, which are established as partnerships around a farmer-based organization in their respective **agribusiness clusters**. Instead of focusing primarily on technical and agronomic services for farmers, coaches are expected to link aggregating or processing firms, farmer organizations, traders, and agro-input dealers to each other but also involve other supporting actors like banks, insurance companies, and transporters in the cluster.

DEVELOPING AGRIBUSINESS CLUSTERS

During the project inception, a total of 104 farmer groups were identified, of which 22 were formal FBOs. Since then, 7 national trainers have been building the capacity of 75 local coaches in the five regions of the project to provide support to the 82 production clusters and 22 FBOs (a total of **104 agribusiness clusters**).

REGIONS	NUMBER OF CLUSTERS	LOCAL COACHES
Njombe	23	22
Iringa	20	19
Songwe	13	12
Mbeya	13	13
Katavi	13	9
TOTAL	82	75

In addition, BICHOBS involved 154 local government authority (LGA) agricultural extension officers and community development officers, who coordinated with the cluster coaches to reach many vegetable and fruit growers with agronomy and business development information.

BDS DESIGN AND DELIVERY

BDS was delivered to the 82 production clusters and 22 FBOs. The aim was to support the 82 production clusters to become formalized FBOs. The local coaches directly provided group formation training to the 82 production clusters. The curricula were based on the iCRA modules.



Figure 5 One of the input suppliers Hilda Emmanuel located at Chang'ombe village Songwe region, The agrovet helped most farmers to get their needs on time instead of traveling to Songwe town or ordering from Mbeya city.

The BDS provided to the 22 FBOs was tailored based on a BDS diagnostic study and then FBO assessments. The study provided a baseline on the quality of services, type of service, availability, affordability, access and financial sustainability of service delivery models. In addition, the diagnostic study ascertained if there were any innovative approaches and financing mechanisms for FBOs to access BDS and ensure their sustainability. Rikolto considered the BDS diagnostic study a prerequisite for increased access to sustainable BDS for farmers.

Rikolto also went further to conduct a comprehensive assessment of BDS providers. In all, 214 BDS providers were interviewed, of which 74% were input suppliers (see table below).

CORE BD SPECIALISATION	IRINGA	KATAVI	MBEYA	NJOMBE	SONGWE
Access to market	3	-	2	3	1
Finance	8	3	5	1	-
Infrastructure development	2	-	1	-	-
Input supply	43	10	61	10	20
Input supply - Superdealer	6	-	2	5	1
Technology and product development	2	-	5	1	1
Training and technical assistance	2	1	7	5	1
Other	-	2	-	-	-
TOTAL	66	16	83	25	24

In addition, semi-structured interviews with key informants were conducted and the local BDS Alliance in Mbeya was interviewed to understand the scope of the services it provides. The study was followed by a conference that aimed to collect information on the BDS landscape in the regions.

Rikolto also surveyed the FBOs regarding their demand for and access to BDS. Rikolto conducted semi-structured questionnaires to the leadership of 53 clusters/FBOs initially mapped for the project, ensuring representation of women and youth. The results below showed that most FBOs could enable access to GAP training (80%) and input provision (45%) services for its members. However access to most other services remained relatively low.

TYPE OF SERVICE	NO. FBOs PROVIDING THE SERVICES
Training in Good Agricultural Practices (GAP)	43
Access to inputs (seed, fertiliser, pesticides)	24
Support to women's groups	15
Access to finance	14
Sustainable market access	13
Environmental protection	13
Water resource use management	12
Support to youth	12
Group information	8
Bulking and storage	5
Value addition	2
Policy and advocacy	0

Based on these surveys Rikolto issued a call for applications from BDS providers. The criteria used were types of services provided, financial viability of these services, experience working with FBOs in the past, and level of investment in staff's soft skills. The initial focus was on setting up demonstration plots. Therefore, the seed company/input supplier was required to co-finance 60% of the cost.

The 22 FBOs were assessed using SCOPEinsight's Basic tool. This showed an average score of 2.46 out of 5, indicating that the FBOs were relatively weak. Based on the assessments results and iCRA's Diagnostic and Design (D&D) workshop for different value chains, Rikolto tailored training programs for each FBO. This was therefore a participatory and demand-driven exercise based on FBO's business plans.

The most prevalent type of training was Good Agricultural Practices (GAP) (61%), followed by collective marketing (28%) and financial management (14.96%). The GAP training was delivered with support from LGA and program agronomists. The organizational development training was delivered by consultants through group sessions, such as to the management of FBOs and via Farmer Field Days.

BDS EFFECTIVENESS

To evaluate the effectiveness of BICHOBS' approach, we return to the objectives presented: 1) increase in access to sustainable BDS for farmers; and 2) increase margins for members of the FBOs and other value chain actors through improved trading relationships and efficiency. In addition, BICHOBS provided support for youth enterprise development.

INCREASED ACCESS TO SUSTAINABLE BDS FOR FARMERS

This was measured by FBO/cluster access to quality BDS, access to finance, and improvements in FBO/cluster services to members.

By May 2023, access to BDS was available to 67% of the farmers. This is higher than the baseline finding, where only 50% had access to BDS. An evaluation confirmed the project met its target by 100.96 percent: a total of 30,625 (adult male 12,762; adult female 7,774; youth male 6,028; youth female 4,061) farmers had already benefited from the project.

INCREASED MARGINS FOR VALUE CHAIN ACTORS THROUGH IMPROVED TRADING RELATIONSHIPS

The mid-term report (MTR) found that both average acreage and productivity increased for fruits and vegetables in the project area. The average acreage used for growing fruits and vegetables was 1.01 acres and 0.51 acres, respectively. The MTR found that margins had increased for all targeted crops, especially for avocado. The ability to generate increased margins is the result of increasing the **capacity of the cluster/FBO** to support farmers to increase yields of marketable produce and to **find suitable markets**. This is also enabled by supporting **access to finance**. These results imply BICHOBS beneficiaries were beginning to consider their farm as a business entity.

BDS outcomes were measured by improvements in **FBO professionalism**. On average, assessment scores increased from 2.46 in the baseline to 3.18 in the midline.

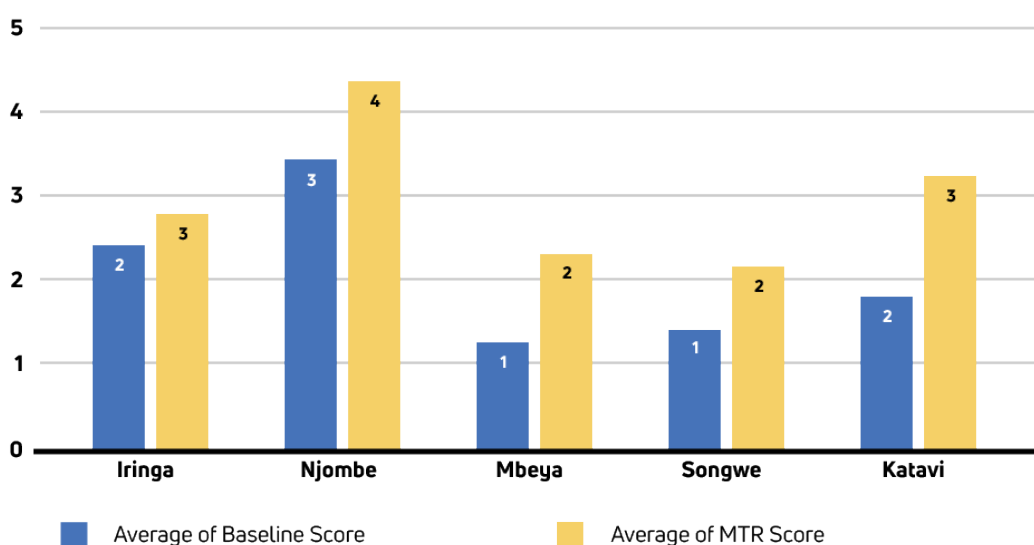


Figure 1: Average Score per region

Average score per SCOPE dimension

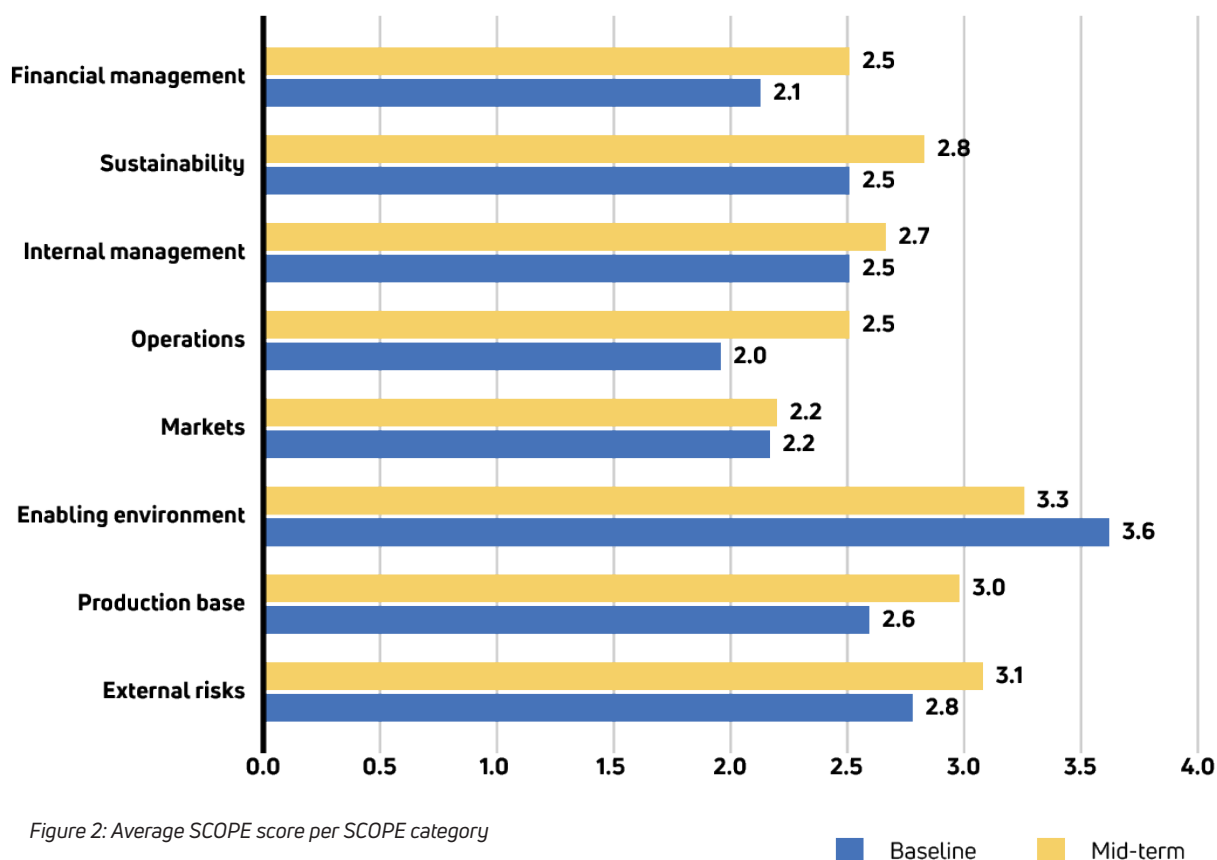


Figure 2: Average SCOPE score per SCOPE category

Rikolto considers the most significant improvements to be in Marketing and Leadership. BDS providers focused on these topics to ensure a good foundation on which other training could follow.

Farmers were also **connected to new markets**. BICHOBS facilitated 16 market linkages in year one and currently supports eight new market connections in the tomato, onion, and chili value chains. 31 TCCIA employees were also trained to provide contract brokering and arbitration services. The MTR found that the project was being successful in assisting FBOs to develop fair business partnerships.

However, the MTR also found that technical training does not necessarily lead to desired technological changes and business breakthroughs. Soft skills (i.e., business skills, organizational and relational training) are equally important. The MTR emphasized the need to focus on building these soft skills as the groups, particularly production clusters, lack cohesion due to weak leadership and managerial skills. Additionally, since farmer engagement in the FBO/cluster is primarily due to collective marketing, efforts need to be intensified to connect farmers to reliable output markets.

The **access to finance** work also yielded positive results. The midline evaluation showed 25% of the producers surveyed had received loans, compared to 19% at baseline. Moreover, 42% of those receiving VSLA loans have used them primarily to finance investments in fruit and vegetable production. Rikolto also worked to bring in financial service providers, such as CRDB Bank, so that farmers could select based on services provided and their long-term relationships. However, the MTR noted that there was a need to invest in local coaches' financial literacy so they could serve as a strong link between financial institutions and farmers. The MTR also noted the need to strengthen the clusters/FBOs, which is essential to access finance (i.e. formal registration, good governance and strong financial systems).

BICHOBS also enhanced sector governance and coordination with four platforms established out of the five planned at the end of the program. These are the Avocado Platform in Mbeya, Food Smart City in Mbeya, Avocado Platform in Njombe, and Chili Platform in Songwe and Katavi. The MTR noted that this process of facilitating public-private collaboration and management of multiple stakeholders' interests can lead to positive outcomes.

EFFICIENCY OF THE BDS APPROACH

The overall cost of the BICHOBS project is €5.9m over four years. The intention is to improve the lives of 30,000 people who will be part of over 100 FBOs/Clusters. This implies support of €200 per person and €59,000 per cluster over the four years.

In terms of the objective of reaching 30,000 people the project can be considered efficient as it has already met this target. There are also promising signs in terms of capacity development of clusters/FBOs and the improving margins. It should also be noted that the agribusiness cluster requires "significant upfront 'sunk' costs: initiating activities on the ground, formulating FBOs and clusters, building local networks and trust, engaging pilot farmers, identifying demonstration plots, and linking up with local institutions through farmer field days"¹. We can therefore expect the endline to show much greater efficiency.

There remains the question of overall cost-efficiency: could the same results be achieved in a different way at lower cost? This question is essential when we consider whether the BDS approach is scalable. However, the approach is already showing promising signs, as Rikolto reports that BDS providers are now directly providing services to FBOs and agro-dealers are creating their own FBO networks. Rikolto has not been involved in these processes, which demonstrates initiative from within the market system and positively indicates potential for replicability, scale, and sustainability.

¹ MTR, 2023

SUSTAINABILITY AND SCALABILITY

On sustainability and scalability, the results are mixed. As mentioned above, knowledge and capacities were created at the community level (such as LGA agricultural extension officers, coaches, agro-dealers, seed/seedling producers, and community health workers). The improved knowledge and relationships developed will, to a certain degree, be sustained after the project ends. It is also likely that there will be transfer of knowledge to new farmers and building of new relationships following the project end. It also appears that the use of improved seeds and fertilizers would continue especially for those groups and farmers who now have access to finance and markets.

However, the MTR also noted that agribusiness clusters and FBOs need further strengthening; it is likely that they will need to be supported beyond 2024. There are potential initiatives that can build on BICHOBS work such as the Building a Better Tomorrow (BBT) initiative. These initiatives could build upon the local coach network which has been established but will need further support as FBOs are unlikely to pay for their services in the short term. These initiatives would also need to subsidize BDS to FBOs, such as that provided by the seven seven national ABC trainers. It is expected that TCCIA and MIICO will continue to support FBOs on market linkages and innovation on new technologies, especially on climate-smart agriculture and entrepreneurship skill development. However, Rikolto expects to be involved in new initiatives from 2024 onwards.

Rikolto also believes that there should be a coordination mechanism (certifications) for BDS in Tanzania which would improve BDS quality and incentivize FBOs to contribute to the cost of the BDS. Additionally, support should be provided to BDS providers to enable them to customize their products and bundle their services. This BDS market system actions could enable scaling of BDS.

ICT platforms also provide potential to scale services. The MTR suggested using appropriate tech options such as promotional videos, bonanzas, and other social media content distributed on Facebook and YouTube, rather than sophisticated digital platforms.

The establishment of chili and avocado platforms also should enable scaling of best practice. These platforms were started up by BICHOBS and now need to become member-led to ensure they are sustainable beyond the project.



Figure 6: Adoption of Good Agricultural Practices in a greenhouse



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