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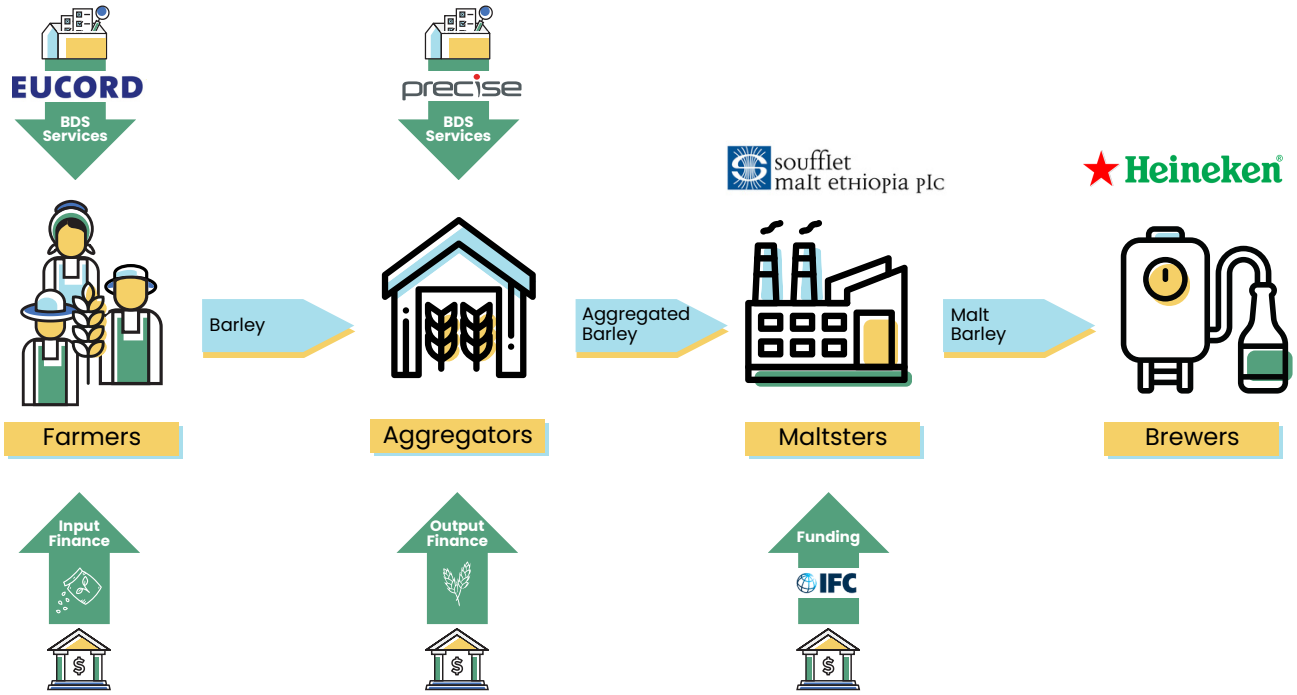
LEARNING INTO ACTION CASE STUDY SERIES

SCALING AGRI-BDS IN THE ETHIOPIAN BARLEY VALUE CHAIN

Insights from the IFC–Soufflet ET Advisory Services Project Phase I

IFC - Soufflet ET Advisory Service Project Phase 1 aimed to strengthen Ethiopia's malt barley supply chain through increased local sourcing, improved aggregator capacity, and business development services (BDS). Co-financed by IFC and GAFSP, the $2m advisory project was implemented with EUCORD, PRECISE and Soufflet Malt Ethiopia, and formed part of a broader $20m IFC/GAFSP equity investment in Soufflet's new malting plant which started operations in 2021.



KEY FINDINGS

- The Ethiopian barley value chain has succeeded in moving from import dependence to exporting within a decade of focused investment
- Aggregators and farmers have a very close relationship, often an informal contract farming arrangement.
- Integrated investment in processing facilities, aggregator capacities and agronomy supported by input/output financing has been highly effective – trade increased by ~600% over 3 years and farmer revenue exceeded targets by 60%.
- The Agribusiness Leadership Program (ALP) is highly valued by both Soufflet and Aggregators and contributed strongly to Aggregators capacity to expand their business.
- Adaptation over more than a decade has led to a more efficient and effective integrated approach which could be replicated by other value chain actors.
- This approach and lessons learned should be taken into scalable approaches to truly transform the Ethiopian Food System.

The project built from the earlier IFC–Heineken project continuing a private sector–led sourcing model anchored in aggregators and contract farming but with Malteries Soufflet taking over the malt barley grain collection operations from Heineken. The Soufflet business model focused on developing partnerships with aggregators through formal contracts, digital payment systems and capacity building for both aggregators and farmers. Local consultancies provided business training/coaching and agronomy support, alongside Soufflet's field teams. Local banks, such as Awash Bank provided transaction support, including a pilot of an e-payment system.

Starting from Heineken's 2019/20 baseline of 15,000 MT, Soufflet expanded procurement to 88,439 MT by 2023, which was also the year that **Ethiopia achieved self-sufficiency in malt barley production** and was able to export for the first time. The project focused on supporting intensification in Arsi and West Arsi and expansion into Bale and Shewa, exceeding targets in sourcing, capacity building, digital tools, and sustainability. While yield results were inconclusive, IFC rated the project "successful" based on full output, outcome achievement and partial progress on impact-level metrics.

Indicator	Target	Achieved
Barley procured by Soufflet	80,000 MT/year	88,439 MT/year
Farmers reached	55,000	79,044
Female farmers	5,500	7,301
Hectares under sustainable management	40,000 ha	52,437 ha
Aggregators using e-payment system	50	60
Aggregator-Soufflet contracts signed	350	434
Farmer sales revenue	$79.1m	$126.6m

Business Development Services (BDS) were a core component, delivered alongside bundled support that included input financing, certified input supply and agronomic extension services. The BDS track focused on building aggregator capacity through the Agribusiness Leadership Program (ALP) which enabled aggregators to obtain output financing. ALP was delivered through a blended model combining in-person sessions, mobile coaching, and SMS-based reinforcement.

The project engaged 100 Agri-SMEs—including 91 model farmers (with capacity to aggregate), seven cooperatives, and two unions. 69 were assessed with SCOPEinsight and 31 with the pilot ALP Metric Tool. Of the 100 Agri-SMEs trained, 74 remained active and provided performance data, forming the basis for ROI and outcomes analysis. By project close, 83 aggregators were reassessed—59 with SCOPEinsight and 24 with ALP Metrics—and 72 demonstrated measurable capacity improvements. The average estimated cost of BDS per SME was $3,000.

INSIGHTS AND RECOMMENDATIONS

The following insights and recommendations were obtained from analysing performance data for 74 SMEs using a tool that was developed for the ISF Advisors study on BDS Cost Effectiveness. This was followed by interviews with IFC, Soufflet, Aggregators and BDS providers.The data provided was of excellent quality, however there was no data for employment generation or disaggregated data for capital raised per SME.

1. Cost-effectiveness must be calculated using the cost of the full integrated package

The Return on Investment calculation showed that for every $1 invested in ALP support aggregators generated an additional $183 in turnover. The ROI for access to finance was also impressive. However other services such as input financing, certified seed and agronomy services were equally important. **We should therefore examine cost-effectiveness based on the cost of all services.** This shows a more realistic but still impressive $27 in turnover generated from $1 of Advisory Support. It was also noted that returns beyond the project should be taken into account e.g. enduring partnerships with Aggregators.

2. A robust approach to segmenting and tailoring BDS in Phase II should be developed

IFC tested a new approach to assessing Aggregators. This **new tool (ALP Metrics) enabled cost savings of up to 80%** on this process, **however BDS Providers reported that additional time was still needed** to obtain a deeper understanding of Aggregator needs. In Phase II it is intended to use this data to segment Agri-SMEs and tailor training/coaching. It is **recommended that IFC develops a robust process and measures the effectiveness** of this targeted approach. The ASLC Segmentation Guide can offer some ideas. It is also recommended that BDS Providers and Agri-SMEs develop specific targets rather than a uniform 20% target as used.

3. Cost-share to build a culture of paying for ALP services

Both Soufflet and the Aggregators interviewed regarded **ALP training and coaching as "very important" and "essential"** as it enabled Aggregators to improve internal and financial management which was **critical for accessing finance and expanding their business.** It also helped them manage their tax affairs. Aggregators also clearly expressed their willingness to pay for these services. **IFC and Soufflet are therefore encouraged to use a cost-share approach** in Phase II to build a culture of paying for these services that will enable a robust local BDS market to develop.

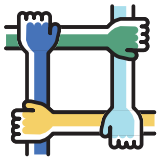
4. Invest in flexible, resilient BDS approaches

Significant external disruptions, such as COVID-19 and conflict, underscored the value of flexible BDS approaches, especially the ability to deliver training through digital tools and remote coaching. **It is recommended that IFC continues to invest in these approaches which have the potential to be resilient to such disruptions and deliver essential services at scale.**

5. Improve data collection to track agronomy improvements

The package of support for production (input financing and seeds by Soufflet; extension services by EUCORD) also contributed significantly to the results achieved. Support was provided through a combination of digital agronomy advice and GAP training. The **cost of monitoring each farm was too expensive** and therefore group discussions were used to assess performance and identify improvements. It is recommended that IFC/Soufflet **consider ways in which data can be collected in a more systematic way to track improvements in GAPs and good environmental practices.**

6. Improve co-operative decision making speed



Cooperative aggregators often under-performed compared to private businesses and there are now very few Cooperatives/Unions in Soufflet's supply chain. This is **partly related to speed of decision making** in a highly dynamic market which limits their ability to aggregate and trade high volumes. It is recommended that Cooperatives employ experienced Commercial Managers **who are empowered to take business decisions.**

7. Expand ePayment services as mobile coverage improves

The E-payment pilot was considered a success and this is **especially valuable to Aggregators** as it enables them to trade more frequently and deliver higher volumes. It is **less valuable to farmers** who prefer to be paid in cash. This may change as mobile phone coverage and e-money apps are rolled out to rural areas.

8. Strategy development for gender equity improvement

A gender analysis was conducted but the **approach to engaging and empowering women** at field and aggregator level was **not well defined.** It is r**ecommended that IFC develops a strategy** to enable women to receive support to improve their contribution to the supply chain and open up opportunities to progress into more advanced roles. The outcomes from this strategy should be **measured and included in the impact indicators.**

9. Assess trade-off between efficiency & Impact

Soufflet will integrate agronomy support and Aggregator coaching into their business model **but it is likely to be of a lower intensity.** Phase II, with its' lower budget and ambition to expand to new areas, will test whether this approach can achieve similar impact in a more efficient way. It is recommended that the Phase II MEL system includes processes to **assess the trade-off between efficiency and impact.**

10. Conscious effort to disseminate learning to inspire other malters

Phase II could inspire other maltsters to develop service bundles (agronomy support + enterprise support + input/output financing). It is **recommended that conscious efforts to disseminate learning will be needed to support the uptake of these practices.** This will require value propositions for different stakeholders in a value chain.

Scaling effective BDS models requires coordinated action across public, private, and donor stakeholders. The private sector, including buyers like Soufflet and aggregators themselves, can embed BDS within their commercial operations—testing co-financing schemes, bundling services with contracts, and partnering with financial institutions to expand access to finance and digital tools. The public sector, including ministries and extension systems, should subsidize early-stage training and digital literacy, strengthen agri-SME business capacity, and support the certification and quality assurance of BDS Providers. Meanwhile, donors and development finance institutions (DFIs) such as IFC and GAFSP play a critical enabling role by combining infrastructure investment with advisory support, and by developing performance tools like segmentation frameworks, ROI models, and metrics that strengthen accountability and comparability across programs.

How we calculate BDS Cost Effectiveness

The Soufflet ET AS project invested an estimated $300,000 in BDS, including assessments, coaching, curriculum adaptation, and local service provider support. This served 100 Agri-SMEs across different organizational types. The calculation of ROI is shown below:

Metric	BDS Cost	Total Advisory Cost
Total BDS Investment	$300,000	$2,070,516
Total Agri-SMEs Targeted	100	100
Agri-SMEs with Performance Data	74	74
Median Annual Revenue (74 SMEs)	$548,049	$548,049
Average BDS / Advisory Cost per SME (assuming all Agri-SMEs received some support)	$3,000	$20,071
Return on Investment (turnover)	$183:1	$27:1

Notes

1. BDS Cost is the actual cost as reported by IFC Ethiopia
2. Total Advisory Cost is the reported actuals which includes agronomy support services.
3. ROI is only calculated based on turnover growth.ROIs on jobs created and capital growth was not possible as employment data was not tracked and input/output finance was not available in a disaggregated form.