

Topic 1: Segmenting the Agri-SME Market and Tailoring BDS at Scale – Theory and Practice



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Agri-SME segmentation

BETTER SEGMENTATION FOR BETTER SUPPORT

About the Agri-SME Learning Collective

The Agri-SME Learning Collective (ASLC) accelerates learning in the agricultural SME finance sector by sharing insights and best practices. Its mission is to equip practitioners, donors, and policymakers with the knowledge needed to strengthen the sector and drive positive social and environmental impact.

This Guideline was developed by the Business Development Services /Technical Assistance (BDS/TA) Working Group led by ADA/SSNUP, AMEA and Argidius.

Guidance for Improving Targeting of Agri-SMEs with appropriate BDS & TA

- Need for **improved quality** of Business Development Services (BDS) and Technical Assistance (TA) provided to Agri-SMEs for better outcomes
- Need to **better identify agri-SME segments** and their **specific needs of technical support**
- Existing segmentation frameworks not easily applicable in practice and/or not always relevant to identify the most suitable support

➤ The ASLC recently published:

Guidance document for Improving Targeting of Agri-SMEs with appropriate Business Development Services and Technical Assistance

Proposed multidimensional segmentation

(beyond size or business stage)

Legal form

- Private enterprises
- Social enterprises, cooperatives and other hybrids
- Unregistered organisations

Position in value chain

Within the value chain:

- Production
- Aggregation
- Processing
- Distribution & sales

Serving the value chain:

- Equipement
- Other (non-financial) services

Level of management capacities

- **Basic level**
- **Proficient level**
- **Advanced level**
- *Based on governance and financial criteria, to be assessed in terms of trends*

Adapting BDS to specific Agri-SME segments

	Management system improvement	Market access and product development	Capacity building for farmers
<i>Main beneficiary</i>	<i>Agri-SME</i>	<i>Agri-SME and farmers</i>	<i>Farmers</i>
Basic level of management capacities	Basic governance, risk & financial management	Marketing strategy	Not appropriate
Proficient level of management capacities	<ul style="list-style-type: none"> • HR • Advanced financial, risk & business management • Digitalisation of processes 	<ul style="list-style-type: none"> • Product certification • Marketing strategy • New product development 	Basic training
Advanced level of management capacities	<ul style="list-style-type: none"> • Advanced financial, risk & business management • Digitalisation of processes 	<ul style="list-style-type: none"> • Marketing strategy • New product development • Digitalisation of transactions between AVCAs 	Specialized capacity building



Scaling Agri-SMEs in Ethiopia: The ATI AgriHub Experience

AgriHub is an **AFD funded 5-years project** **designed to** provide support to MSMEs in ACC Woredas through business development service and access to finance

Mission

- To build a platform that will serving as a **central unit** within ATI to provide **business development services** and **access to finance** for SMEs across ATAI projects to **improve, scale up,** and **sustain** their business to deliver **competitive** products and/or services and
- Thus, promote the **development of the agricultural private sector** to benefit smallholder farmers.

The project is designed to achieve its mission through execution of **3 components**



Ensure that MSMEs are **institutionally strengthened** to deliver **competitive products & services** through various methodologies

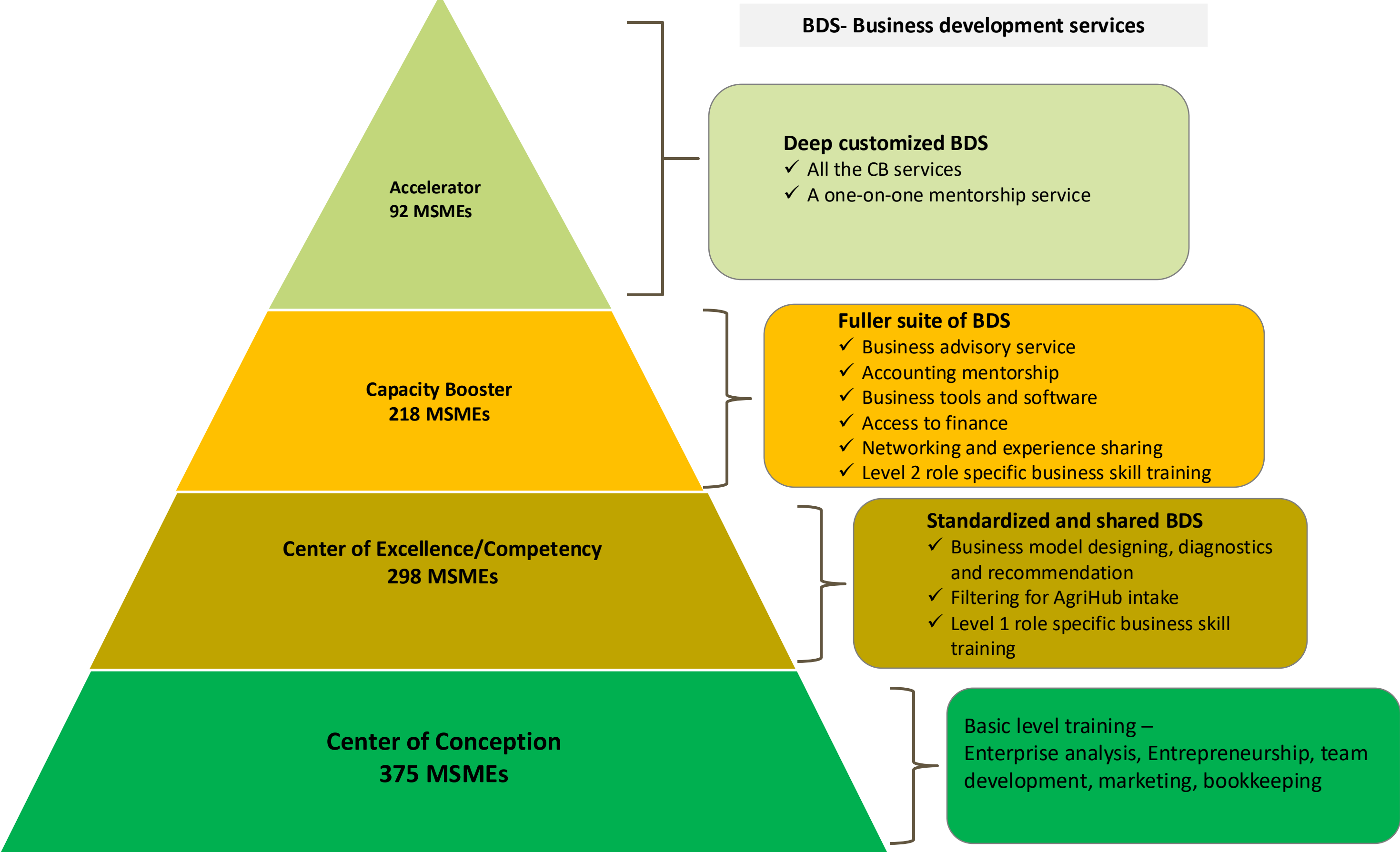


Link mature enterprises to financial institutions for working capital and asset finance to ensure sustained business growth



Develop efficient **methodologies & tools,** and **network of partners & service providers** to build **ecosystem** for post AgriHub outreach

AgriHub employs Four tiers of BDS, which are classified based on the level of enterprise maturity



Definition of Agri-Hub BDS tiers and SMEs recruitment

Accelerator

This is the highest level of the tier, and MSMEs at this level have reached the maturity stage of their businesses. They place a high value on personnel management, product and/or service diversification, system deployment, and control. At this stage, businesses have maintained their market competitiveness and profitability and are ready for further growth and expansion

Capacity Booster

This tier includes MSMEs in the growth stage of their business, where their size and complexity have increased, resulting in human resource management issues. Enterprises at **this stage are characterized by their market competitiveness** in terms of price, quality, & productivity

Centre of competency

This is the 2nd lowest of the four tiers, in which MSMEs are in the early stages of their business lifecycle and are **undergoing market testing**. Enterprises at this level are informal in nature and use simple methods of business management; they are characterized by **low productivity and operational efficiency**

Centre of conception

This is the lowest of the four tiers; entities here are **not yet enterprises and are not legally registered**. They are on their way to becoming an enterprise and are under the support of ATI.

In line with the definitions, mandatory and threshold criteria are identified for each tier...

Criteria Type

Mandatory Criteria

- Mandatory criteria are prerequisite requirements for enterprises to be recruited or promoted from one tier to the next

Threshold Criteria

- Threshold criteria are 5 category with 16 sub-criteria, which provide minimum percentages for enterprises to be recruited or advance to the next tier
- Enterprise size, financial performance and management, human resource management, planning and marketing management** are the five categories

Mandatory criteria



Center of Conception

- Entities that are under ATI support
- Entities with a centralized management system and at least one female member of the management team
- Entities should be located near Infrastructure such as streets, warehouses, markets, irrigation, and so on
- They should be close to credit and savings institutions



Center of Competency

- Enterprises that have business license
- Enterprises that are consistent with their business throughout the year
- Enterprises business nature that focus on benefiting SHF



Capacity Booster

- Enterprises that have received and integrated Center of Competency training or equivalent training (basic business organization & management skill, Marketing management, Accounting and finance management)
- Enterprises with functional and business-type-specific departments staffed by qualified employees
- Enterprises that have provided their main product for at least 1 years
- Enterprises with taxable transactions greater than 500K must pay VAT
- Enterprises should pay turnover tax on the goods & services they provide



Accelerator

- Enterprises that have received and integrated Capacity Booster training or equivalent training (Advanced business organization & management, marketing strategies & value chain, & accounting & finance management)
- Enterprises that have audited financial statement (internally or externally)

Enterprises are expected to meet all criteria, starting from the Center of Competency

Challenges: AgriHub has faced several challenges across it's four tiers of support since the implementation has started



SMEs fit for AgriHub acceleration service may not be optimal

- Due to structural challenges (lack of foreign currency, illegal import distribution), AgriHub's business advisory services may not benefit SMEs as much as other enterprises that are primary producers



Implementation and reporting challenges with Regional BAs

- Regional BAs are tasked with implementing identified interventions with FSCs, but progress on these implementations is difficult to discern at this stage
- Several reporting lines between AgriHub HQ, project teams, and implementation support directors at the regional level make reporting cumbersome



Delays and reliance on training service provider for business training

- Delays on BDS providers agreement have delayed some business trainings
- EDC, Devoted, and Fortune are some of the BDS provider that AgriHub has partnered with



Need for better communication with other ATI project teams

- AgriHub could have better collaboration and communication with the Project Teams, Analytics, and other ATI groups.



- **Increasing need for business advisory and mentorship services.**





Innovations to help our country grow

A few questions

- What aspects of the previous segmentation frameworks presented resonate with your experience?
 - *Aspects: level of management capacities, legal form, position in value chain, revenue tier*
- What is your experience of Agri-SME segmentation to provide them with appropriate support? What is relevant or not?