



Ethiopian  **ATI**
Agricultural Transformation Institute
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LIA-CS-02

LEARNING INTO ACTION CASE STUDY SERIES

SCALING AGRI-BDS IN ETHIOPIA

The ATI AgriHub Experience



The AgriHub program, launched in 2021 by the Agricultural Transformation Institute (ATI), financed through an Euro 8m grant from AFD, was structured into 3 components:

- 1 Business development skills strengthening** for 1,340 agri-SMEs through Agrihub, a platform delivering BDS to SMEs adapted to their scale, maturity and needs;
- 2 Supporting access to finance** for 325 agri-SMEs through adapting financial services to agri-SMEs through incentive mechanisms including credit guarantees;
- 3 Development of a sustainable economic model for Agrihub** to ensure the sustainability through the documentation of efficient methodologies and tools.

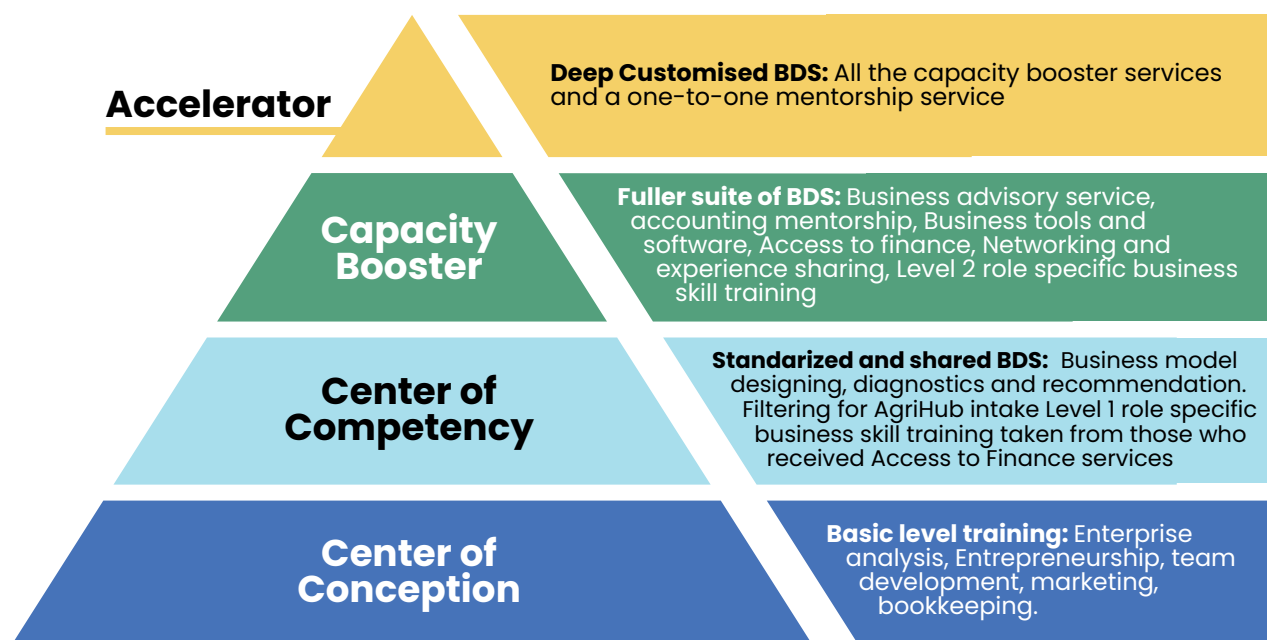
AgriHub was aligned with the Ethiopian Government's Agricultural Commercialization Cluster (ACC) flagship program. A key role of ATI in ACC is to coordinate local-level, multi-stakeholder value chain alliances, an approach which is very much in line with the Agribusiness Cluster approach which is one of the peer reviewed tools in the AMEA Toolbox. AgriHub aimed to contribute to ACC by achieving the following impacts:

1. Increasing the capacity to develop agricultural SMEs, enabling them to diversify their economic model and reduce their vulnerability;
2. Developing activities that create sustainable employment, particularly in rural areas;
3. Improving farmers' access to services and markets necessary for their development;
4. Strengthen SME bankability while building the capacity of financial institutions to serve them;
5. Developing partnerships between ATI on the one hand and the financial and business sector on the other.

KEY FINDINGS

- Segmentation improved BDS cost effectiveness by matching service intensity to SME stage of development and needs.
- Diagnostics enabled tailored coaching which drove behavioral change.
- Telegram groups also enabled peer-to-peer support/coaching
- Diagnostics were piloted as pre-loan tools in collaboration with banks.
- Partnering with a network of national and regional BDS Providers was intensive but is likely to have sustainably improved BDS quality
- Impact, in terms of enabling access to finance, was strongest in the top 2 tiers
- The bottom tier was subsidized and sustainable impact has yet to be proven

AgriHub recognized that traditional Business Development Services (BDS) approaches were often too generic or under-resourced and piloted a more structured, data-driven, integrated, tailored services approach. AgriHub tested its' approach across four regions and twelve value chains, reaching over 1,200 SMEs at different levels of development. At the heart of AgriHub's model was a four-tier segmentation framework:



The key results from the program and the sample of 48 SMEs taken from those who received Access to Finance services are presented below:

Indicator	Achieved	Target
SMEs reached with BDS	1,216	1,340
Individuals trained	2,082	2,000
SME satisfaction with training	> 94%	> 90%
Finance accessed by the 197 SMEs	ETB 3.16 bn (~\$63.8m USD)	Not specified
SMEs evaluated within Access to Finance Component	48	n/a
Median SME revenue (baseline)	\$179,350	Not specified
Median ROI (revenue / BDS investment)	18:1	n/a
Median ROI (capital / BDS investment)	84:1	n/a
Jobs created	3 FTEs per SME	n/a

Business Development Services (BDS) were a core component. Delivery was coordinated by the project team and three BDS providers. The project also provided training for 29 local BDS providers. A diagnostic tool, using free software (Kobo) was developed by ATI and used to assess all SMEs based on business structure, financial practices, market orientation, HR systems, and growth readiness. This determined the package of support based on the tier it was placed. The segmentation model reflected best practices outlined by the Agri-SME Learning Collective using “mandatory” and “threshold” criteria based on business formalization, value chain role, and internal management systems (refer Annex 1). While the program applied diagnostics at multiple points to allow for tier reassignment, quantitative data on graduation rates was not reported.

Training curricula for each tier were co-developed with BDS Providers, a process which BDS Providers found valuable in improving their service. A One Stop Service Centre Playbook was also developed to enable Input Retailers, many of which were start-ups, to continue learning. Group, in-person training of 3-4 days was provided for cohorts of up to 40 SMEs followed by one-on-one tailored coaching depending on needs identified by the diagnostic. Coaching was complemented by peer-to-peer support through Telegram digital groups.

INSIGHTS AND RECOMMENDATIONS

The following insights and recommendations are drawn from an analysis of data from 48 SMEs using a tool developed for the ISF Advisors study on BDS Cost Effectiveness. This quantitative analysis was complemented by feedback from SMEs, ATI, BDS providers, and financial institutions.

1 **ATI's investment in the segmentation process and tiered support is commendable and should be developed further.**



ATI started with 3 tiers and then based on experience added a 4th tier (Centre of Conception). ATI also invested time to develop the diagnostic tool which was used for all SMEs from across ATI's programs. The institutionalization of this approach and willingness to adapt/improve throughout the program is commendable. BDS Providers also complemented the quality of information provided by the diagnostic and the partnership approach to design tailored training for each tier and tailored coaching for each SME. This is clearly an approach that has significant potential and should be developed further.

2 **The partnership between ATI and BDS providers worked well and can now be fine-tuned to realize efficiencies which are necessary for a scalable model.**



ATI led the diagnostic process which was then used by BDS providers to tailor coaching. BDS Providers supported SMEs to develop bankable business plans but were not involved in supporting negotiations with banks. ATI supported these negotiations directly. This appears to have worked well with BDS Providers welcoming the input from the ATI team, however a scalable model is likely to require more capacity at local levels to assess SMEs and support access to finance.

3 Quality Assurance mechanisms to recognize and reward high performing BDS Providers are essential.



Each SME had a specific set of challenges. Group training was important but not sufficient to enable SMEs to address these challenges. SMEs that received consistent coaching showed marked improvements in business planning, record-keeping and access to finance. However, coaching depth varied by region and provider. ATI should prioritize the development of BDS coaching capacity and the development of a quality assurance mechanism which enables high performing BDS providers to be recognized. This QA approach could be developed alongside BDS Standards development led by the Ministry of Labour and Skills.

4 Digital tools had a mixed impact and simpler tools should be used for early-stage enterprise.



Telegram was used to enable SMEs to provide peer-to-peer support, especially among youth and rural SMEs. Excel-based toolkits helped reinforce learning and Sage 50 accounts software was provided, but only the most advanced SMEs fully adopted it. AgriHub aims to expand the use of digital delivery in its' next phase. It is recommended that this is done through a user centred approach.

5 BDS Cost Effectiveness (ROIs) was high (see end note) but dominated by a small proportion of high-performing SMEs.



ATI should consider the disaggregated results and ways in which strong ROIs can be achieved in each tier and across larger numbers of SMEs. This may require deeper understanding of the constraints for SME growth in each tier and how this can be unlocked to enable growth and graduation.

6 Post-finance support and monitoring needs to be strengthened.



SMEs that accessed capital did not consistently receive follow-up coaching. This gap limits ATI's ability to track repayment, business performance, or additional needs. Structured post-finance engagement—such as short follow-up sessions or peer support groups—could increase long-term impact.

7 Willingness to pay was observed but not measured.



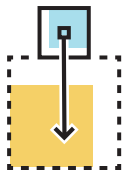
Anecdotal evidence suggests that many Accelerator-tier SMEs would pay for continued coaching. ATI and partners should review the previous effort to pilot cost-sharing models in higher tiers and consider alternative strategies to incentivize payments for services.

8 Gender and youth inclusion were priorities, but monitoring was inconsistent.



Very few SMEs were owned by women and only 27% of trainees were women. Improved tracking and targeted program adaptations (e.g., flexible formats, location-sensitive delivery) are needed to increase reach and retention of women- and youth-led SMEs. SMEs recommended improving inclusion by targeting women-led businesses with tailored onboarding and diagnostics, and using extension workers to deliver pre-recorded BDS content in rural, low-literacy areas.

9 The Agri-Hub approach is a significant public investment and has strong potential to be scaled if quality assurance is integrated into partnerships.



ATI, through donor support, has developed a sophisticated tiered BDS approach which uses significantly improved training/coaching content. In addition BDS capacity at both national and local levels has been improved. ATI controls the use of this approach and does not have plans to share with other agri-SME programs. We strongly recommend that ATI enables this system and the learning to be adopted throughout the agricultural system. Projects should not have to “reinvent the wheel”. Instead they should build scalable systems.

Scaling ATI’s diagnostic-led BDS model requires coordinated investment and alignment across government, private sector, and development partners. The **public sector**—particularly ATI and regional institutions—should lead diagnostic rollout, tier-based SME support, and the integration of BDS frameworks into national MSME and agricultural strategies.

Private BDS providers play a critical role in delivering coaching and adapting tools to local contexts, and should be supported through certification systems, quality assurance, and capacity development programs that upgrade key skills such as business coaching. **Financial institutions** can build on ATI’s diagnostic tools to improve SME pre-screening and credit alignment, while exploring opportunities for co-developed loan products.

Finally, **donors and development banks** have a catalytic role to play — by funding diagnostic systems, supporting blended finance pilots, and encouraging standardization of ROI and segmentation metrics across programs to enable cost-effectiveness benchmarking and replication.

How we calculate BDS Cost Effectiveness

AgriHub's BDS effectiveness was assessed using performance data from a sample of 48 SMEs evaluated. Two ROI measures were applied to estimate the financial and business growth benefits relative to program costs:

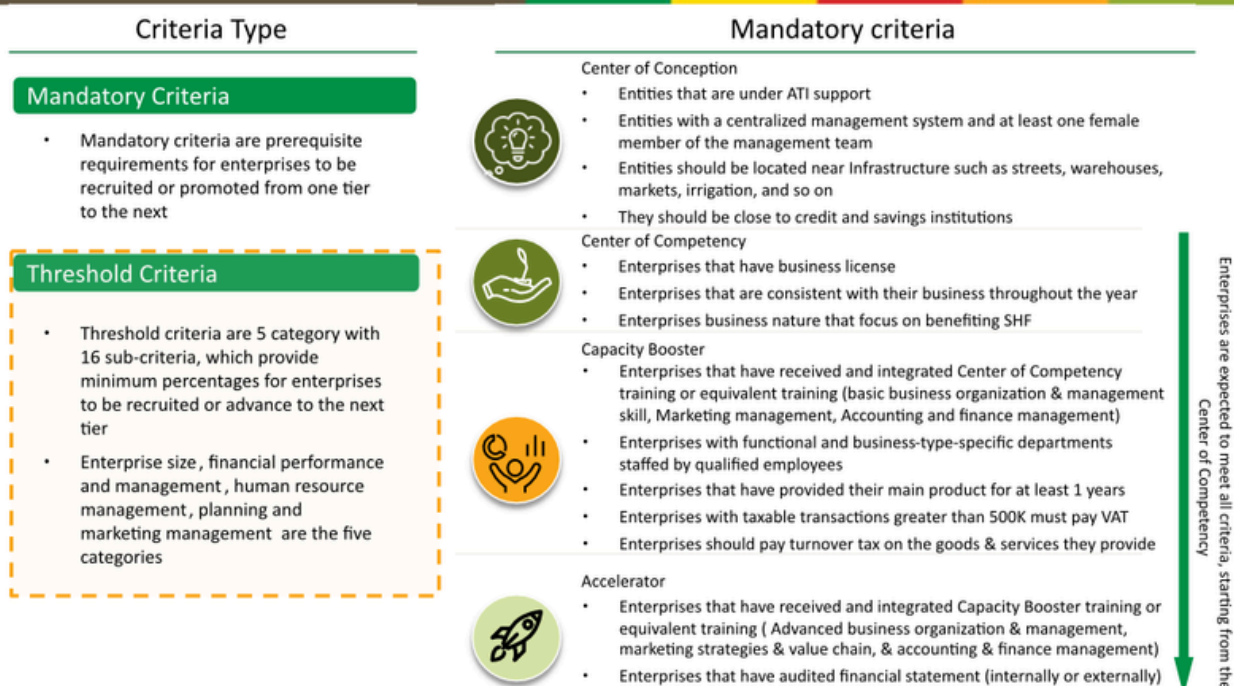
	Median Capital/ Revenue Raised per SME	Median BDS Cost per SME	Resulting ROI (Capital- Based)
1. Capital-Based ROI This method compares the amount of capital an SME raised (e.g., loans, investments) to the BDS cost they received. It highlights the program's financial leverage effect.	\$402,423	\$6,585	84:1
2. Turnover-Based ROI This method compares the increase in revenue (Year 3 minus Year 0) to the BDS cost per SME. It measures business performance gains enabled by the program.	\$65,107	\$6,585	18:1

Notes

1. ROI is based on capital mobilized and turnover.
2. Limitations include:
 - No formal control group
 - Environmental impact not tracked
 - Gender/youth data underreported
 - Willingness to pay for BDS not measured

Annex 1 – AgriHub’s Segmentation Approach

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



Source: Micro and Small Enterprise Development Policy and Strategy, MoUDH, 2016; Micro and Small Enterprise Development Strategy, final draft, MoLS, 2022; Agri-Hub Due Diligence; Regional and Federal Experts' Insights; Proclamation No. 308/2002; Proclamation No. 285/2002; Ethiopia Fiscal Guide, KPMG, 2019

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