

BUSINESS DEVELOPMENT

FARM AFRICA'S APPROACH



FARM AFRICA



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FARM AFRICA'S VISION FOR A PROSPEROUS RURAL AFRICA

Investing in smallholder farming is key to combating poverty in rural Africa. Prosperity depends on making agriculture work better, using natural resources well, creating strong markets for what farmers produce and facilitating access to finance to grow agri-businesses.

Almost half the world's extreme poor live in sub-Saharan Africa. The vast majority work in agriculture in rural areas. But agricultural yields and profits are a fraction of their potential.

The region is full of opportunities for growth, including much fertile land and water, and millions of smallholder farmers who are eager for change.

Farm Africa works with smallholders to develop practical solutions that work locally and can be replicated elsewhere. Our approach papers sets out what we aim to deliver, and how, in support of our vision of a prosperous rural Africa.



PREFACE

Farm Africa's approach papers set out what we aim to deliver across the themes of:

■ Agriculture



- technology
- climate-smart agriculture
- land, water and environment

■ Environment



- forests
- rangelands
- landscapes

■ Business



- business development
- trade
- finance



PREFACE

The business development approach paper considers the capacity needs of businesses that provide inputs to smallholders or buy their produce, or both.

By helping to establish a **diverse set of thriving businesses** that link smallholders to markets, Farm Africa not only provides avenues for improved smallholder income but also provides **livelihood and job opportunities** to the many producers who are stepping out of farming.

The paper derives from Farm Africa's experience in setting up and building the management capacity of cooperatives across the region and its more recent successes in providing business development services to small agribusinesses in Kenya, Uganda and northern Tanzania.

More details about our approach to market engagement can be found in the approach papers on *access to finance and trade facilitation*.

WHAT'S THE ISSUE?

- Smallholders need thriving businesses to provide them with inputs and services, and buy their produce. The absence of viable and profitable businesses working directly with producers has far-reaching implications on the viability of smallholder value chains.
- Medium-size businesses higher up the value chain, closer to consumers, often lack experience of working with large numbers of smallholders — both in terms of input and service provision and sourcing produce.



WHAT'S THE ISSUE?

- The growth of many small businesses is hampered by their lack of basic management and development skills, hindering smallholder's ability to engage with important markets and limiting agri-businesses' ability to provide livelihoods for people looking to step out of farming.
- Rural areas dominated by smallholders typically also lack the business development support services that are needed to unleash the potential of the local private sector.



THEORY OF CHANGE

MISSION

To strengthen business management and the development of small and medium enterprises and cooperatives that drive the value chains smallholders engage with.

GOALS

More agribusinesses operate across value chains

Agribusinesses achieve higher sales

Agribusinesses do business with a growing number of smallholders

STAKEHOLDERS

Agribusinesses



Financial institutions

OUTCOMES

Agribusinesses become successful commercial enterprises

Goods and services sold to and produce sourced from an increasing number of smallholders

OUTPUTS

Business planning

Financial and fiduciary risk management

HR, supply chain management and procurement.

Governance and legal compliance

Ability to engage with smallholders

APPROACH

We work closely with SME management to **build their business management capacity, prepare them for growth and connect them to institutions** that can finance their development



FARM AFRICA'S APPROACH

We prioritise businesses that meet criteria for success in the marketplace and address a market failure in the value chains we engage in

We provide tailor-made training and mentoring support

We facilitate links between SMEs and cooperatives and providers of working capital and equity investment

We create networks of mutually supporting SMEs and service providers focused on the business needs of small enterprises

We build an understanding of smallholder contexts and needs to create mutually beneficial business relationships

METHODOLOGY

1. Assessment

A. Identify businesses to engage with

B. Carry out a detailed capacity gap analysis of selected businesses

C. Use assessment results to design a business capacity development plan



METHODOLOGY

2. Implementation

A. Business planning training

B. Financial management training

C. Operations training

D. Governance and legal compliance training

E. Trading with smallholder training

F. Provide continuous mentoring over a significant period of time

G. Assist SMEs with sourcing working capital and equity finance



METHODOLOGY

3. Learning and adapting

A. Agree performance indicators and a performance monitoring plan with agribusiness or cooperative

B. Measure progress against an agreed set of indicators: level of profitability, market expansion and quality of service provided to smallholders

C. Adapt capacity building activities based on the results of the review

D. Document and share key learnings with other industry players



HOW TO USE FARM AFRICA'S APPROACH PAPERS

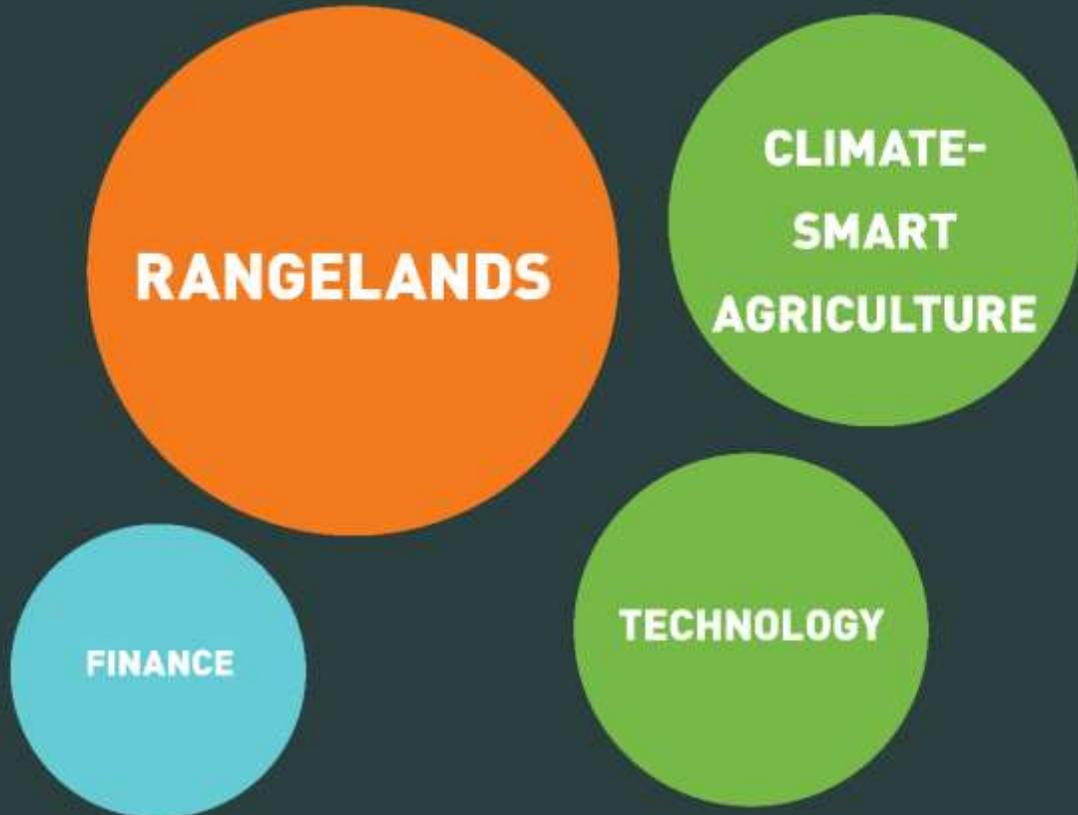


What the approach papers are for:

- Provide clarity to the communities we work with and those who support us about what we do, and how
- Build coherence across our operations
- Ensure each project is based on our experiences, lessons learnt and consolidated knowledge

HOW TO USE FARM AFRICA'S APPROACH PAPERS

A typical natural resource management project



How to use the approach papers in project design:

- The structure of our approach does not mirror the organisation of our individual interventions. The latter are constructed by combining elements from the approach papers — as illustrated in the diagram to the left.
- While the approach papers give detailed guidance about how to do things, this will not always be followed to the letter in all projects. Local context and needs will continue to guide Farm Africa's project design and implementation.

We continuously learn and adjust our approach. The approach papers are regularly updated to reflect the dynamic nature of our experience.