

AGRICULTURE ENTREPRENEURSHIP PROGRAM

Promoting Growth Entrepreneurs in Agro-Processing



 **infoDev**
Growing Innovation

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INTRODUCTION

Why does Tanzania export raw cashew nuts and import processed cashew nuts? Why do Senegal's retailers stock only a handful of locally manufactured food products, despite Senegal's extensive horticulture industry and rich culinary tradition? Why have consumers only recently discovered rooibos, quinoa, piri piri, and baobab—foods that have been around for centuries?

These examples illustrate the absence of a competitive agro-processing sector in many developing countries that have a comparative advantage in agriculture. An underdeveloped agro-processing industry is a significant missed opportunity to create sustainable jobs and incomes:

- Each additional job in agro-processing creates 2.8 more jobs in the wider economy.
- Each agro-processor purchases from numerous smallholder farmers.

- Smallholder farmers often lose 50 percent of their harvest from seasonal gluts.

Domestic demand for ready-to-consume food products is increasing in most low-income countries because of urbanization and a growing middle class. International supermarkets are rapidly expanding into these markets. Moreover, high-income consumers increasingly prefer organic, natural ingredients in everything from food to cosmetics—and this trend shows no signs of reversing anytime soon.



The Agribusiness Entrepreneurship Program team meets with agro-processing entrepreneurs in Tanzania in 2016.

THE MARKET FOR VALUE-ADDED AGROBUSINESS PRODUCTS IS ON THE RISE. BUT HOW CAN LOW-INCOME COUNTRIES SEIZE THIS OPPORTUNITY FOR THE BENEFIT OF THEIR ECONOMIES?

The World Bank Group's Agribusiness Entrepreneurship Program accelerates the growth of pioneering agribusinesses in developing economies. The program seeks to:

- Develop and test new approaches for connecting entrepreneurs with the knowledge, markets, networks, and capital they need to grow their businesses.
- Build local capacity and establish public-private partnerships to carry out these programs.
- Deliver proven methodologies to the development community for planning, supporting, monitoring, and evaluating programs that advance the growth of innovative agribusiness enterprises.

Since its establishment in 2014, the program has launched Agribusiness Entrepreneurship Centers—business incubators and accelerators for agro-processing entrepreneurs—in Tanzania and Nepal. Two pilots evaluated the client selection process, service offerings, and management of the centers. The program has also developed training materials and case studies to educate policy makers, incubator managers, and development professionals on proven methods for advancing the growth of small and medium agro-processing enterprises.

This publication introduces the rationale, strategy, and expected outcomes and impacts of the Agribusiness Entrepreneurship Program. The World Bank and infoDev invite public and private sector partners to join us in scaling this exciting initiative.



01

Why Agro-Processing?

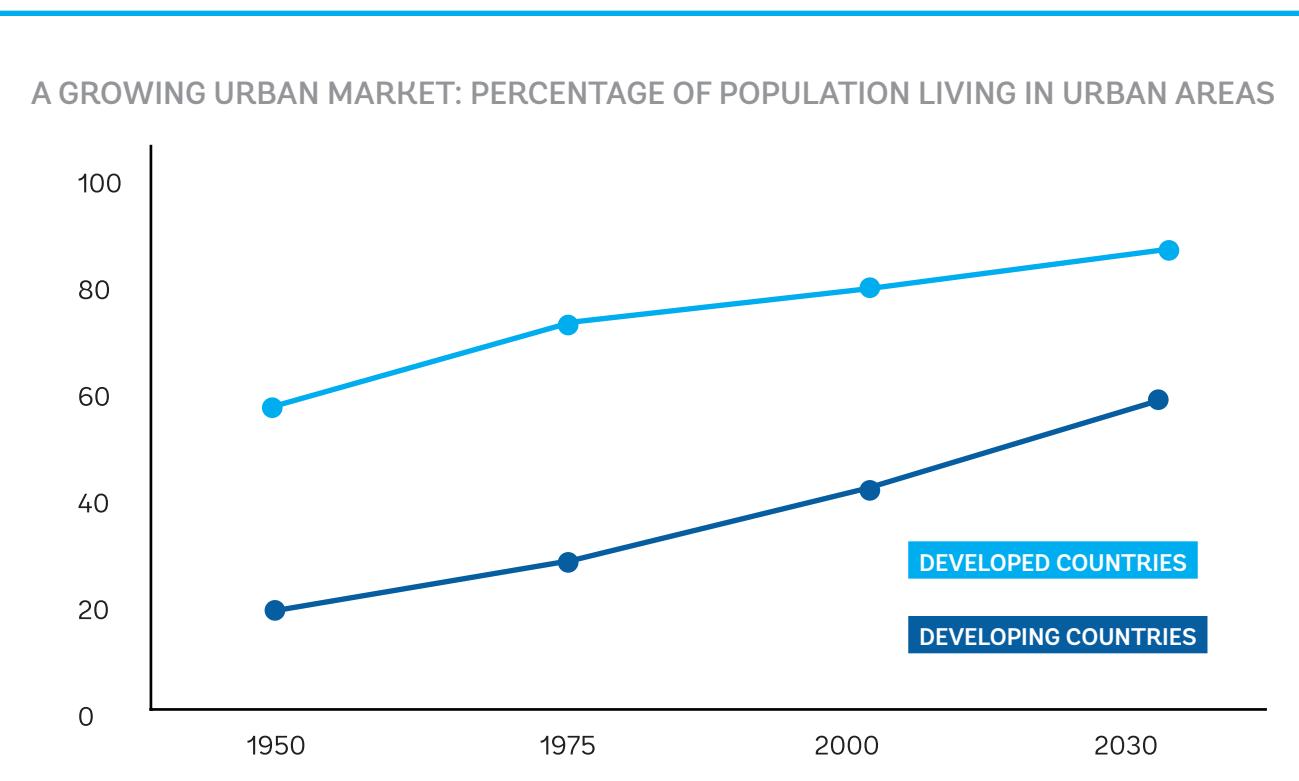
Agro-processing refers to the addition of value to raw agricultural material through product transformation; postharvest grading, sorting, washing, and packaging; and storage and distribution. The middle segment of value chains—including processing, logistics, and wholesale functions—makes up 30 to 40 percent of the total value added. Therefore, growth in the agro-processing industry creates opportunities to reduce poverty and transform the economy.

AGRO-PROCESSING OFFERS NEW MARKET OPPORTUNITIES

The global food, beverage, and grocery industry was estimated to be worth \$7.8 trillion in 2015, or about 10 percent of the world's gross domestic product, according to Plunkett Research. Today, developing countries consume about 58 percent of processed foods.

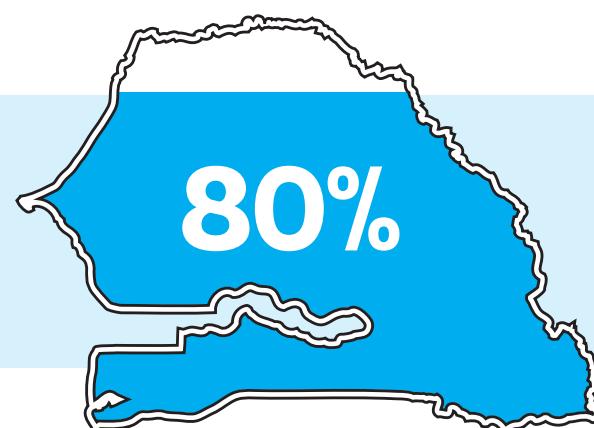
By 2050, this figure is expected to climb to 72 percent, driven primarily by the growing influence of Western culture, increase in consumer purchasing power, and rapid urbanization.

The urban population in developing countries is expected to double to nearly 4 billion by 2020. Much of the processed food currently consumed in developing countries is imported. Local producers are well positioned to reach these local markets, as well as regional markets, which offer limited barriers to entry and similar consumer preferences.



CAPTURING NICHE EXPORT MARKETS

Agricultural exports from developing countries are generally commodities, rather than value-added products. The export of differentiated products offers a complementary opportunity; for example, bamboo flooring from Ethiopia, essential oils from South Africa, and spices and sauces unique to specific regions all appeal to consumers outside their borders.



IN SENEGAL

of workers engaged in agro-processing activities are **women**.

Culinary products from Italy, France, Thailand, and Mexico are consumed throughout the world. Cuisines from other countries with rich culinary traditions—such as Ethiopia, Senegal, and Mozambique—have limited recognition to date, but they possess tremendous market potential.

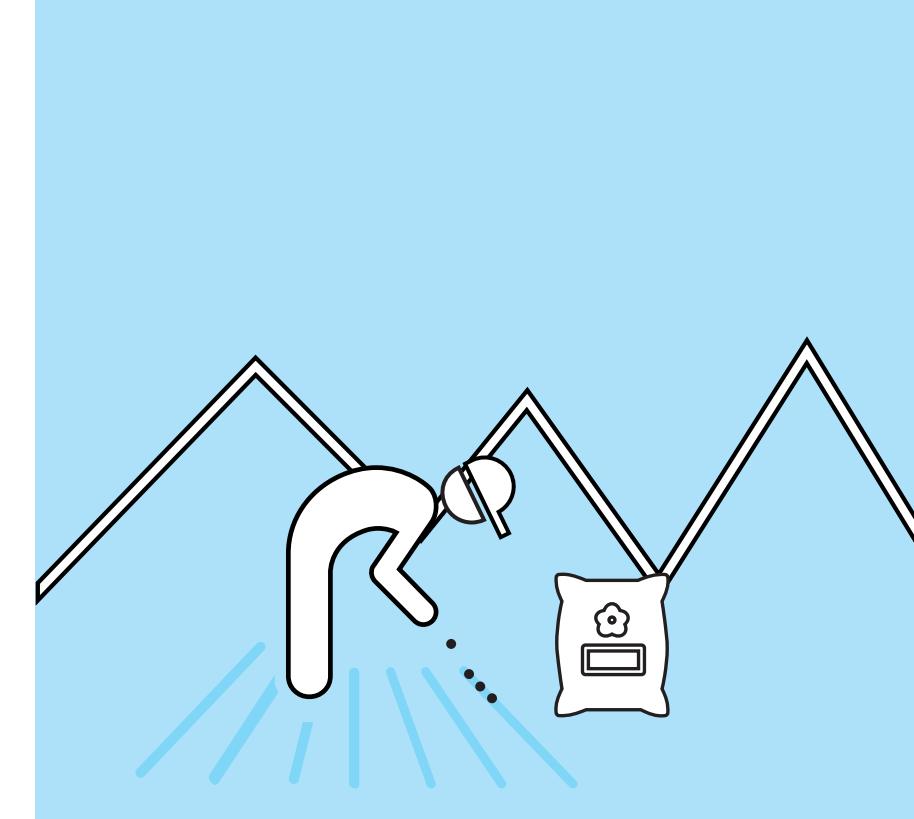
AGRO-PROCESSING PROMOTES JOB CREATION AND INCLUSIVE GROWTH

Investment in agro-processing generates demand for packaging, transportation, and agricultural products, which in turn generates demand for agricultural inputs, such as fertilizer, seeds, pesticides, and farm equipment. Therefore, agro-processing has a multiplier effect along the supply chain.

Investment in agro-processing can also improve women's economic empowerment, as women make up the majority of the workforce in the agro-processing sector. Women produce between 60 to 80 percent of food in most developing countries and are responsible for half of the world's total food production.

AGRO-PROCESSING REDUCES POSTHARVEST LOSSES

A growing agro-processing industry can greatly reduce postharvest losses by transforming perishable produce into more shelf-stable differentiated products. Farmers often lose between 20 to 80 percent of their yields postharvest. Demand from agro-processors would offer a ready market—and thus income—for these yields that would otherwise go to waste.



for every job created
in agro-processing, an additional

+2.8 

jobs are created
in the wider industry.



02

The Needs Of Small And Medium Agro-Processing Enterprises

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Why do so few small and medium agro-processing enterprises grow to become profitable, competitive businesses?

Entrepreneurs in developing countries face a number of challenges, including limited access to finance, appropriate technology, business services, and professional networks. Small and medium enterprises require a diverse array of financial and non-financial services to improve productivity and accelerate growth.

THE CHALLENGES OF SMALL AND MEDIUM AGRO-PROCESSING ENTERPRISES



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A LACK OF MARKET KNOWLEDGE.

Small and medium agro-processing enterprises often do not realize their growth potential due to a limited understanding of how to best position themselves in formal markets characterized by higher levels of competition and sophistication. Many small and medium agro-processing enterprises lack skills in—or attention to—the process of market validation, which requires a thorough understanding of customer needs, consumer trends, and competitive positioning. This in turn often translates into underestimating the power of product differentiation, proper packaging and labeling, and consistency in quality and quantity of supply. Similarly, knowledge of how

to negotiate the terms of sales, and the intricacies of executing an effective sales process, promotional tactics, and distribution models, are common weaknesses.

A LACK OF APPROPRIATE FINANCING PRODUCTS.

Lenders often perceive small and medium agro-processing enterprises as high-risk investments. This leads to short payment terms, high interest rates, and high collateral requirements, which are challenging for these enterprises to meet. As a result, small and medium enterprises must rely on self-financing or microcredit, and they are unable to scale.

A LACK OF APPROPRIATE TECHNOLOGY AND TESTING FACILITIES.

Competitive agribusinesses produce high-quality goods consistently, cost-effectively, and sustainably. They require appropriate technology and facilities to test products for nutritional and bacterial contents, and to properly package products to retain quality. Small and medium enterprises often find it difficult to access this technology, which impedes product and process innovation, as well as government certification.

A LACK OF APPROPRIATE BUSINESS SERVICES.

Small and medium enterprises often have limited exposure to the skills required for operational and financial reporting, market analysis and business plan preparation, navigating regulatory requirements, and generating meaningful data for decision making.

A LACK OF ACCESS TO NETWORKS.

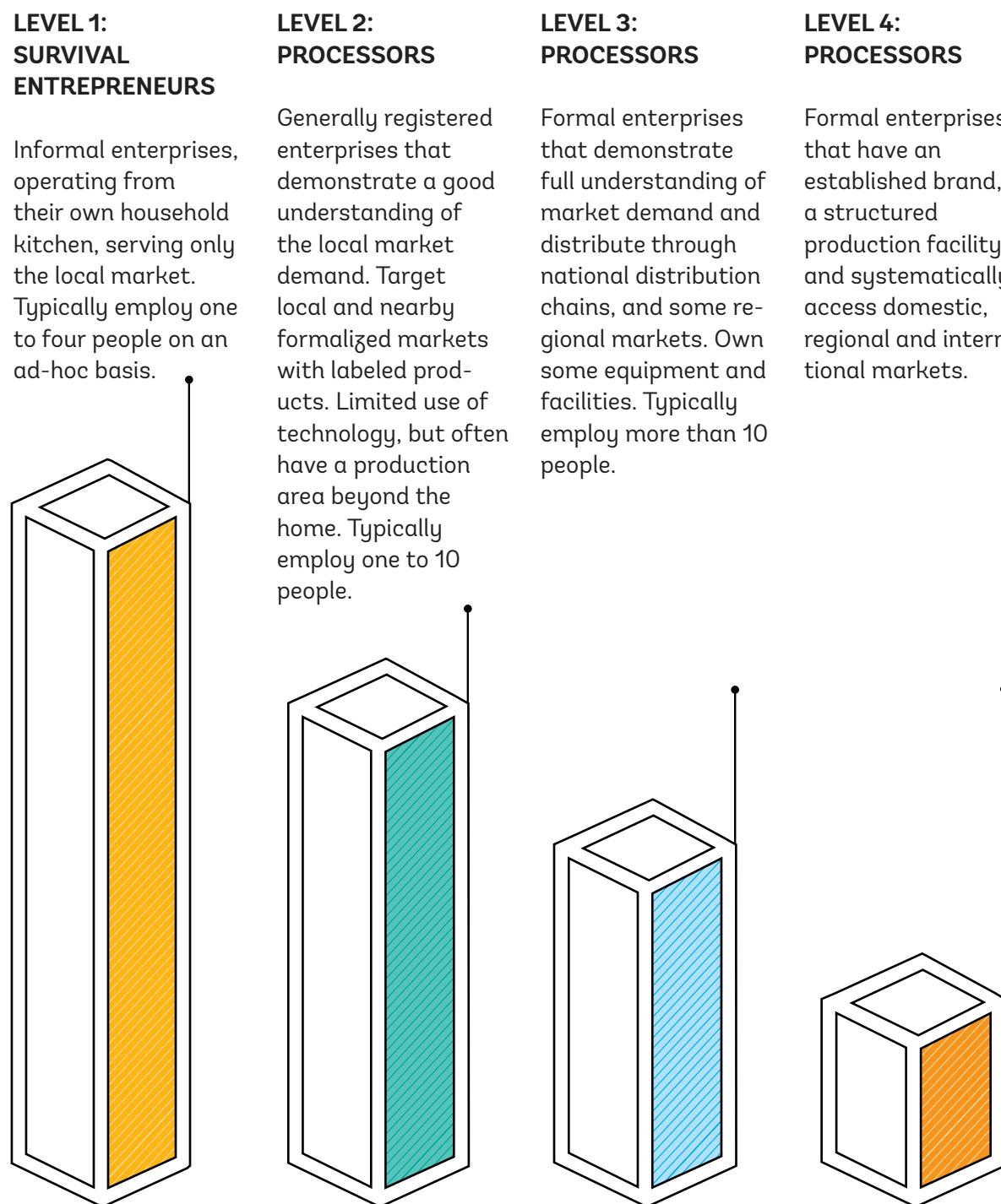
Competitive agribusinesses have connections throughout the value chain of agricultural producers, government regulators, and regional and global buyers, such as grocery stores. Many small and medium enterprises have difficulty fostering these connections.

A LACK OF REGULATORY DIRECTION.

Small and medium agro-processing enterprises are often unaware of regulations and laws that apply to their business, and may inadvertently fail to comply.

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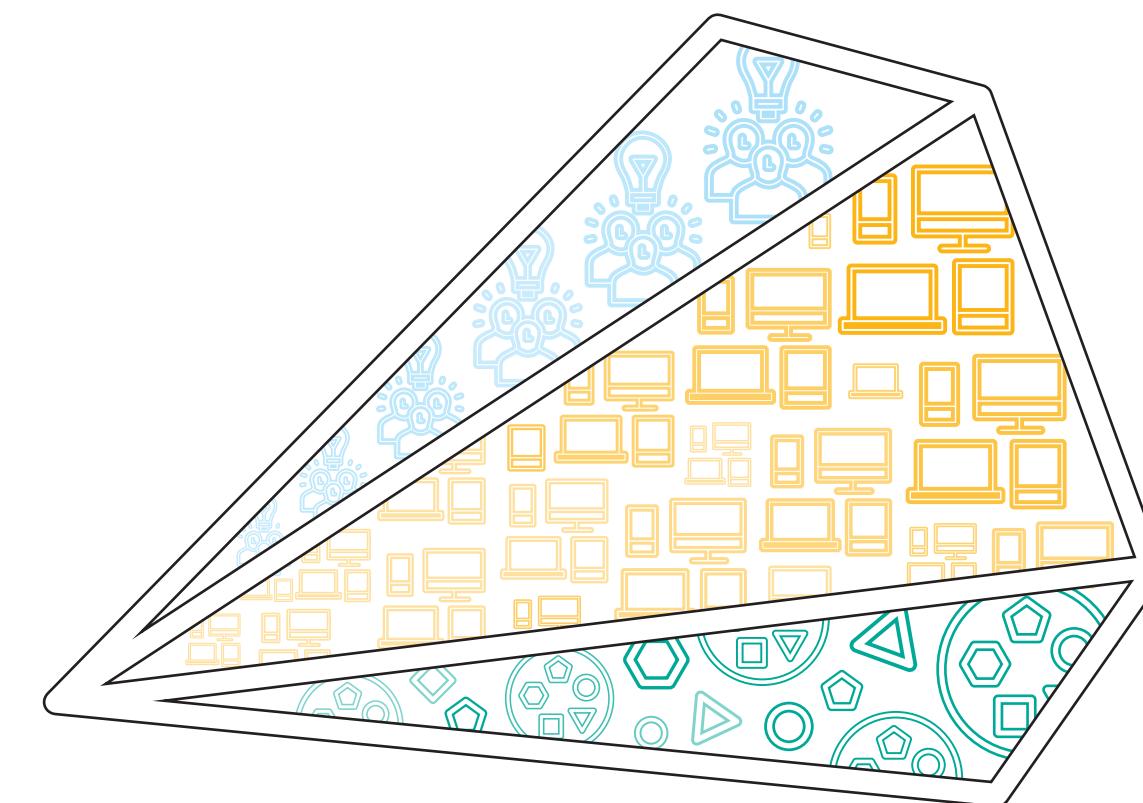
DIAGRAM 3.1: CHARACTERISTICS AND DISTRIBUTION OF SMALL AND MEDIUM AGRO-PROCESSING ENTERPRISES



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DIAGRAM 3.2

As entrepreneurs move through the stages of enterprise development (**from left to right in Diagram 3.2**), the importance of human capital and managerial expertise, quality- and efficiency-enhancing technologies, product characteristics, and non-price factors increase. Unless these factors are addressed, the enterprise cannot successfully compete.



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03

Agribusiness Entrepreneurship Program

infoDev is a multidonor program in the World Bank Group's Innovation and Entrepreneurship Unit. The program's mission is to create jobs, increase competitiveness, and promote sustainable and inclusive growth through the acceleration of innovative enterprises.

AGRIBUSINESS IS A PRIORITY SECTOR FOR THE WORLD BANK GROUP GIVEN ITS POTENTIAL FOR BROAD DEVELOPMENT IMPACT AND ESPECIALLY STRONG ROLE IN POVERTY REDUCTION.

The World Bank Group works in the area of trade and competitiveness to expand market opportunities in agriculture and to enable a country's private sector to develop these opportunities along the value chain for inclusive economic growth.

The Innovation and Entrepreneurship Unit of the World Bank Group supports governments that seek to foster entrepreneurial activity by conducting diagnostics of the entrepreneurial ecosystem, identifying opportunities for growth, advising on policy reform, and building the capacity of pioneering growth-oriented entrepreneurs in agribusiness, clean technologies, and mobile technologies.

Building upon more than a decade of experience in supporting innovation and entrepreneurship in developing economies through the infoDev program—including the launch of Climate Innovation Centers and Mobile Application Labs (mLabs) in the Caribbean, Ethiopia, Ghana, Kenya, Morocco, South Africa, and Vietnam—the World Bank Group is well-positioned to leverage its worldwide expertise and networks in rolling out the Agribusiness Entrepreneurship Program. infoDev has supported entrepreneurs in more than 70 countries and engaged with more than 90 industry and private sector partners, including Nokia, Google, Samsung, and Microsoft.

| IT CONNECTS | IT DEVELOPS | IT DEMONSTRATES | IT SCALES |
|---|--|---|--|
| promising agro-processing enterprises with the knowledge, capital, and markets they need to grow. | business models to connect entrepreneurs with stakeholders along the supply chain, including farmers, industry, suppliers, and financiers. | the significance of the agro-processing industry and inspires entrepreneurs and agribusiness stakeholders to take action. | this work through the World Bank Group and its development partners. |



04

Agribusiness Entrepreneurship Centers

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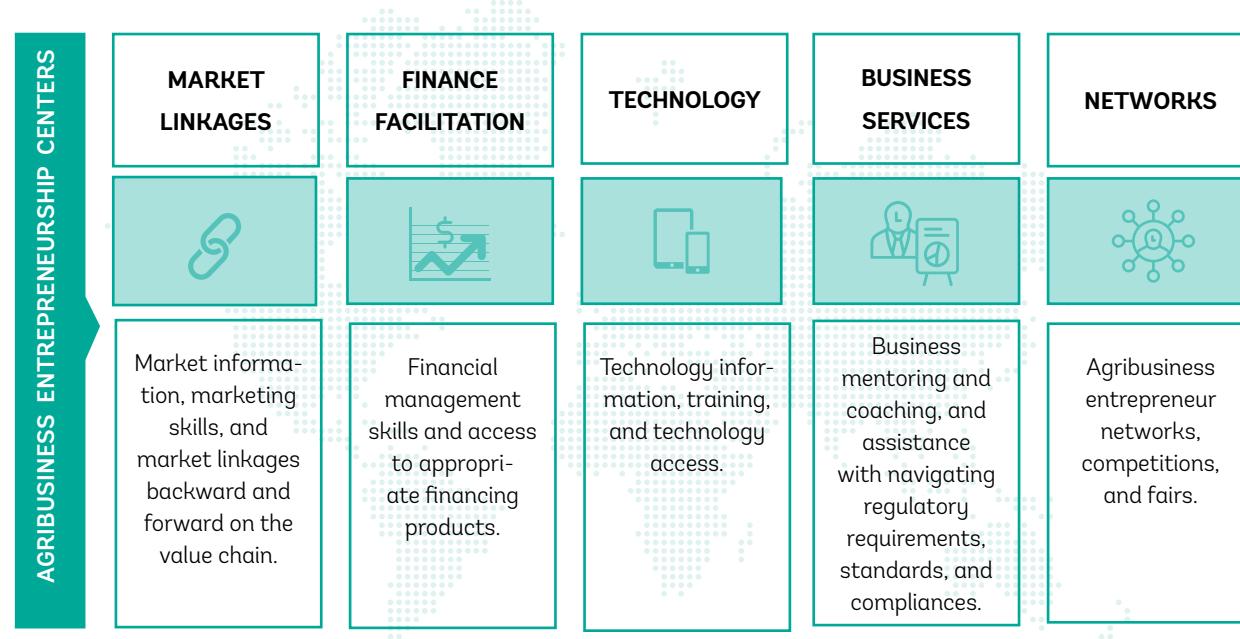
Agribusiness Entrepreneurship Centers increase the competitiveness and growth of agro-processing enterprises by advancing innovation in products, processes, and business models. The centers provide market research and linkages, early-stage financing, business and technical training, and facilities. They generate revenue through a combination of success-sharing income models and fees—a business model that encourages both clients and managers to succeed.

PUBLIC-PRIVATE DIALOGUE AND VALUE CHAIN PARTICIPATION ARE FUNDAMENTAL TO THE DESIGN OF AGRIBUSINESS ENTREPRENEURSHIP CENTERS.

Each center will be implemented by a private entity while engaging stakeholders from governments, farmers associations, companies, investors, and academia to create a supportive ecosystem for entrepreneurs. infoDev's role is to support the start-up phase of the Agribusiness Entrepreneurship Centers.

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AGRIBUSINESS ENTREPRENEURSHIP CENTER SERVICES



In 2014-15, infoDev launched pilot programs to inform the service offerings and staffing requirements of centers in Tanzania and Nepal. In 2016, a subsidiary company (known locally as the Tanzania Agribusiness Innovation Center) was established in Tanzania, and infoDev has guided the center's business model, staffing plan, and management.

Overall, the demand for infoDev's work in agribusiness entrepreneurship is growing. The program's action learning approach and educational materials help client countries make informed choices about the value of investing in the agro-processing sector. The next Agribusiness Entrepreneurship Center is scheduled to be launched in Zambia, and infoDev is responding to inquiries from Belize and Georgia.

MARKET LINKAGES

Market information, marketing skills, and market linkages throughout the value chain

Agribusiness Entrepreneurship Centers work with pioneering agro-processing entrepreneurs to forge partnerships with farmers, service providers, and potential buyers:

Industry and Retailers

The centers develop partnerships with potential buyers and help pioneering agro-processing entrepreneurs meet their requirements. (A practical example of this service is outlined in "Linking Entrepreneurs to the Industry Supply Chain" on page 27.)

Farmers and Service Providers

The centers leverage linkages with producers to achieve economies of scale with regard to procurement of raw materials, packaging, and transportation services, as well as linkages with buyers of processed products.

In summary, Agribusiness Entrepreneurship Centers enable market linkages by reducing information asymmetries, building trust, and creating shared value between value chain actors.

FINANCE

Financial management skills and access to appropriate financing products

Agribusiness Entrepreneurship Centers provide two types of financial service offerings to their clients:

Linkages with partnering financial institutions. The centers understand the needs of financial institutions and can offer these institutions lower-risk clients. In return, the financial institution may lower its collateral requirements or interest rates. The range of financing needed in this category is most often from \$200,000 to \$500,000.

"Patient" seed capital to enable pioneers to prove their business model, build a financial track record, and achieve a scale that makes the enterprise less risky and more attractive to commercial financiers. The range of financing needed in this category is most often from \$10,000 to \$200,000. The funds are often used for market research, capital equipment, sourcing of raw materials, cash flow bridging, packaging, and product testing. The typical fund size needed for an Agribusiness Entrepreneurship Center ranges from \$2 million to \$4 million.

Financing will typically be offered in the form of debt, but matching grant financing will be considered for early-stage, highly innovative ventures. The basis for loans will be as close to market conditions as possible—thereby encouraging strong commitment from the entrepreneurs—but with reduced collateral requirements as defined by most commercial financiers today.

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BUSINESS SERVICES

Business center, mentoring and coaching, and assistance with navigating regulatory requirements, standards, and compliance

The centers offer holistic business development services to target clients. Through this approach, the centers are able to identify potential problems—or opportunities—before the entrepreneur recognizes them. Then the center can assist the entrepreneur with developing risk mitigation strategies and action plans for the business.

The centers offer training in marketing, finance, and business management, along with access to shared accounting and legal services. In most markets, such services will be outsourced to existing organizations in the market. Other business services offered include assistance with navigating regulatory requirements, standards, and compliance, which often requires a tremendous amount of time in the Agribusiness Entrepreneurship Program's target markets.

Entrepreneurs have access to secure office facilities with reliable electricity and Internet connection to allow sales, procurement, and management to operate in a professional environment, uninterrupted by irregular energy and Internet supply.

Finally, Agribusiness Entrepreneurship Centers offer services that encourage entrepreneurs to grow in an environmentally sustainable manner.

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NETWORKS

Agribusiness entrepreneur networks, competitions, and fairs

Agribusiness Entrepreneurship Centers promote networks among entrepreneurs and the broader family of stakeholders that influence the success of aspiring agro-processing entrepreneurs.

It is critical to build a community of entrepreneurs to advance peer-to-peer learning and shared networks among the centers' clients. This community can extend the Agribusiness Entrepreneurship Program's benefits to enterprises that are not direct clients. Examples of community activities include the following:

- Monthly networking events where entrepreneurs can share their experiences overcoming challenges, industry representatives can discuss market trends, and financiers can introduce financing options relevant to small and medium agro-processing enterprises
- Competitions to catalyze innovation
- Fairs to promote the products of participating enterprises
- Media campaigns to promote the success of agribusiness entrepreneurs

TECHNOLOGY

Technology information, training, and technology access

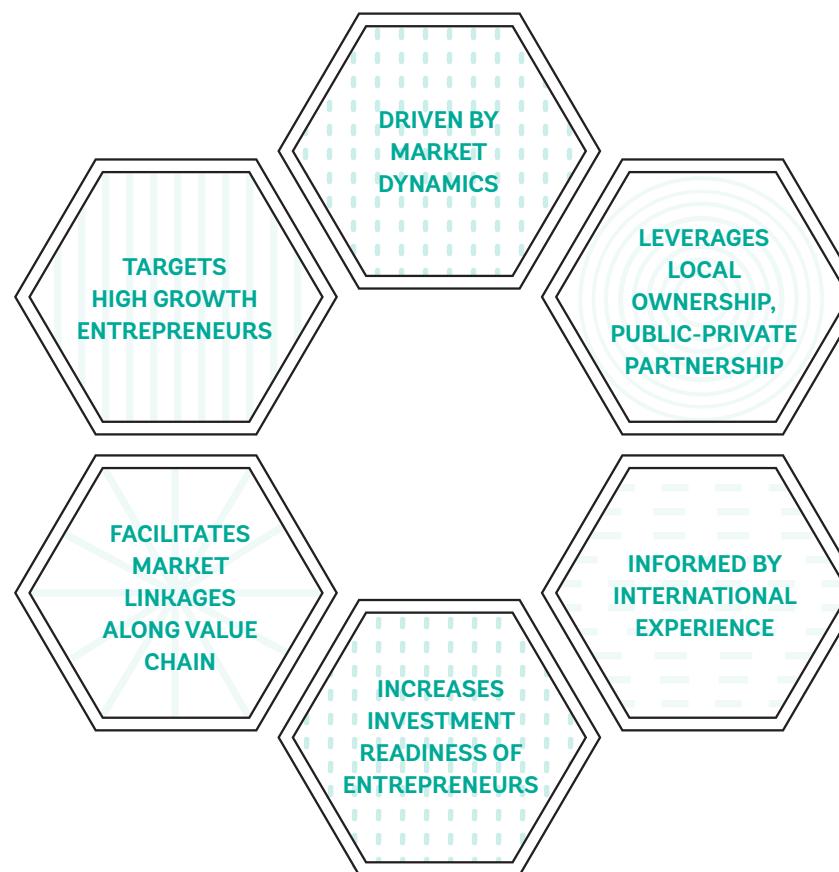
Agribusiness Entrepreneurship Centers assist entrepreneurs with identifying and acquiring appropriate technologies. As each center serves multiple enterprises, it also assesses opportunities to leverage economies of scale through shared use of technologies, such as lab facilities.

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The Agribusiness Entrepreneurship Center approach is not a one-size-fits all solution. However, the design and implementation of every center follows a common set of principles.

Agribusiness Entrepreneurship Centers are driven by market dynamics; target value-adding, high-growth potential entrepreneurs in agribusiness; facilitate market linkages forward and backward in the value chain; increase the investment readiness of entrepreneurs; and are co-created for the local context, leveraging local ownership, public private partnership, and international experience throughout the design and implementation process.

THE AGRIBUSINESS ENTREPRENEURSHIP CENTER STRATEGY



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LINKING ENTREPRENEURS TO THE INDUSTRY SUPPLY CHAIN

In Tanzania, sunflower oil is processed by small milling plants—which are numerous and scattered across sunflower-producing areas—or by a few large millers with identifiable brands. Together, they create 40,000 direct and indirect jobs.

The annual demand for edible oil in Tanzania is estimated to reach 273 million liters; of that total, about 218 million liters are imported, while 109 million liters are produced locally. (A small amount of sunflower oil is exported.) Most of these local producers process raw sunflower oil at small-scale factories, and less than 5 percent of them are producing oil certified by the Tanzania Bureau of Standards.

Local processors operate at a lower capacity. They face a number of barriers:

- Access to finance for purchasing seed
- Agreements with farmers for supply of raw materials
- Linkages between crude oil producers and refiners
- Technical capacity to double-refine or fortify oil
- Quality certification
- Business and technical skills
- Access to reliable markets

The Tanzania Agribusiness Innovation Center will address these challenges to build competitiveness throughout the sunflower oil value chain. The program will translate into expanded markets, raised incomes and profits for both local farmers and processors, as well as reduced transaction costs and better quality assurance.

PILOT PROGRAMS IN TANZANIA AND NEPAL



In 2014, the Agribusiness Entrepreneurship Program launched a learning pilot to inform the service offerings and staffing requirements of the Tanzania Agribusiness Innovation Center. During the pilot, nine agro-processing entrepreneurs, selected from a pool of 50, received six months of personalized services. The enterprises—whose annual sales at the start of the pilot ranged from \$5,000 to \$300,000—experienced improvements in sales, production, and access to finance.

For example, one company doubled its sales from \$85,000 to \$170,000 in six months. Two companies began selling to large supermarkets, a more reliable source of income than informal sales channels. Through assistance with packaging and production flow charts, two companies reduced their operating costs by 20 percent. Another company secured a \$75,000 working capital loan to purchase raw materials for a full year of production.

The learning pilot demonstrated the entrepreneurs' acceptance of a royalty-based business model, in which entrepreneurs pay a percentage of their increased sales as a service fee. The pilot also identified several barriers to overcome, including electricity disruptions, limited capacity of regulatory agencies, limited capacity in marketing and financial management, and the lack of reliable temperature-controlled supply chains. With these insights, the Tanzania Agribusiness Innovation Center began full operations in late 2016.

Based on these findings from Tanzania, a similar initiative was launched in Nepal in 2015 in collaboration with the Ministry of Agriculture Development.

CONVENING PUBLIC AND PRIVATE ACTORS (PPP)

Agribusiness Entrepreneurship Centers depend upon public-private partnerships and active engagement with industry, government, farmers, and the financial industry. Each center serves as an example of how engagement with ecosystem actors on a foundation of shared value can increase the competitiveness of the agro-processing sector.

TANZANIA



In February 2015, infoDev signed an agreement with Tanzania's Private Agricultural Sector Support Trust (PASS) to support the

implementation of a Tanzania Agribusiness Innovation Center. PASS is a private trust registered under Tanzanian law that is funded primarily by Denmark's Ministry of Foreign Affairs (DANIDA). The Tanzania center is categorized as a department within PASS, and is governed by the PASS Board.

The Tanzania center has a steering committee that provides strategic guidance on the implementation of the program, which helps the board to make informed decisions. The steering committee is made up of private sector organizations, including the Small Industries Development Organization, Tanzania Horticultural Association, Sokoine University, CRDB Bank, Dabaga Company Ltd., Nakumatt (a leading retailer in East Africa), and the Morogoro Sunflower Association.

In brief, the Tanzania Agribusiness Innovation Center is a partnership-based model, and many of the center's service offerings are delivered in collaboration with existing public and private organizations.



05

Agribusiness Entrepreneurship Center Business Models

AN AGRIBUSINESS ENTREPRENEURSHIP CENTER CAN BECOME SUSTAINABLE UNDER THE FOLLOWING CONDITIONS:

- A government or donor provides seed funding in the form of a grant.
- The center gradually generates enough revenue to cover its ongoing operating expenses.

infoDev has identified three revenue-generating options for Agribusiness Entrepreneurship Centers. Using one or a combination of these revenue models, the centers are estimated to reach 50 to 100 percent sustainability within a six-year operating period.

The time needed to achieve sustainability is determined by four factors:

- The initial revenue
- The growth in revenue achieved
- The success sharing fee structure
- The number of enterprises served

If a center must purchase laboratory equipment or facilities to serve its clients, the time required to reach sustainability will increase.

Additional revenue generating options—which are not independently sufficient for sustaining an Agribusiness Entrepreneurship Center—include finance brokerage fees, training fees, fees per use, and consulting fees.

THE PATH TO SUSTAINABILITY

ROYALTIES:

Clients pay a percentage of their turnover growth to the Agribusiness Entrepreneurship Center.

PROS

Aligns the incentives of the center's management and clients. Attractive to entrepreneurs because payment is delayed until cash flow increases.

CONS

Deferred payment poses a risk to the center that a client may not pay.

MEMBERSHIP FEE:

Clients pay a fixed periodical fee to the Agribusiness Entrepreneurship Center.

PROS

Ensures steady cash flow for the center. Entrepreneurs must have the necessary cash flow to outlay an annual or monthly payment.

CONS

Provides less incentive than royalties and equity for the center's management to ensure the maximum growth of the client.

EQUITY:

The Agribusiness Entrepreneurship Center acquires an equity stake in the client.

PROS

Aligns the incentives of the center's management and clients. Attractive to entrepreneurs because there is no upfront payment for support.

CONS

Exit for the center can be problematic and dividend income in the interim may not sustain a center.



06

Agribusiness Entrepreneurship Center Implementation Approach

THE AMBITIOUS AGRIBUSINESS ENTREPRENEURSHIP CENTER MISSION AND SERVICE PORTFOLIO CAN ONLY BE ACHIEVED THROUGH MUTUALLY BENEFICIAL RELATIONSHIPS WITH A DENSE NETWORK OF PARTNERS.

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Potential partnerships could include:

Farm-level organizations and initiatives

working to improve the quality and productivity of agriculture. Farmers benefit from a ready market for their products while entrepreneurs benefit from high-quality, reliable supply.

Industry, wholesalers, or retailers. Industry benefits from expanded supply chains that provide high-quality, reliable supply while entrepreneurs benefit from a ready market for their products.

Academia. Researchers benefit from greater understanding of real industry needs while entrepreneurs benefit from academic insights that address their business needs.

Financial sector. Financiers benefit from access to less risky investment prospects while entrepreneurs benefit from easier access to finance.

Government. Government benefits from direct access to information on policy and regulatory bottlenecks while entrepreneurs benefit from a channel to convey such bottlenecks.

In the early stages of establishing an Agribusiness Entrepreneurship Center, infoDev determines the strengths of potential partners and the capacities that do not exist in the local market. infoDev then focuses on developing center services to address areas of limited capacity, and building structured partnerships with other service providers in areas where expertise and capacity already exist.

In each market, infoDev evaluates whether it is preferable to build a new institution or establish the center as an extension of an existing local organization.

Additionally, the following factors are essential to the implementation of an Agribusiness Entrepreneurship Center:

Local “skin in the game.” A center will not be successful without local ownership. infoDev invites local partners to express their interest in implementing an Agribusiness Entrepreneurship Center through a call for expressions of interest (EOI). When responding to the EOI, the local organization—or consortium—is required to indicate its capacity and track record, as well as the level of co-financing (in cash or in kind) it could provide.

Technical assistance. infoDev will leverage its experience in establishing business incubators and agribusiness incubation training programs to guide the board and the center’s manager through significant milestones, including developing a governance framework, the client selection process, design and execution of services, marketing, and monitoring and evaluation.

Moreover, infoDev will use its neutral power to convene stakeholders for discussions on market opportunities and problem-solving. To ensure sustainability and adequate local capacity, it typically scales down its support gradually as the capacity of the local team and partners increases.

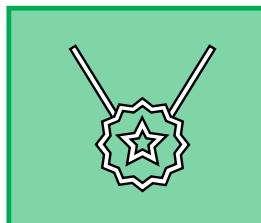
International networks. An important aspect of infoDev’s approach is incorporating peer-to-peer learning opportunities, made possible through infoDev’s global network of innovation and entrepreneurship professionals in more than 100 countries. The Agribusiness Entrepreneurship Center management team will be connected with members of this network to exchange knowledge and explore opportunities for partnership.

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TARGET CLIENTS

The target client of an Agribusiness Entrepreneurship Center is an innovative, growth-oriented small or medium enterprise that has the potential to become an industry leader.



Not every business owner desires to grow his or her business. Most small business owners serve their local geographic area, and are satisfied if they can make a decent living. **Growth-oriented entrepreneurs have a different mind-set.** They recognize a market opportunity, possess a strong desire for growth, and seek markets beyond their immediate region.



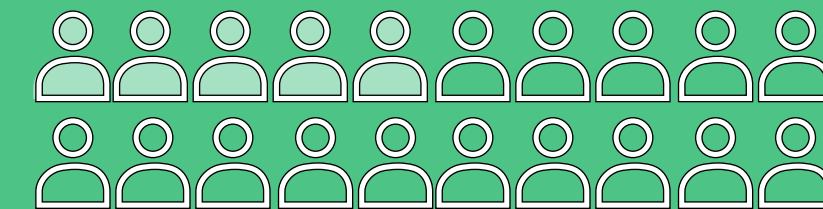
A subset of growth-oriented entrepreneurs are high-growth companies that expand rapidly in terms of revenue and job growth. These are outliers in the business landscape, typically representing less than 5 percent of all businesses. However, in the United States, **they create two-thirds of all business growth and job creation.** By focusing on growth-oriented entrepreneurs, Agribusiness Entrepreneurship Centers hope to identify and accelerate a few high-growth companies that will have transformative impact.

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WORKING WITH GROWTH-ORIENTED SMALL AND MEDIUM ENTERPRISES

EMPLOYS

5-20 PEOPLE



and generates

ANNUAL SALES REVENUE OF

\$30,000 - \$500,000 USD



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Veki General Supplies Positioned for Growth with Commercial Loan

Tanzania

Veki General Supplies, a sunflower oil and animal feed company, was founded by Tanzanian entrepreneurs Henry John Kinyunu and Vedasto Joseph Nganilevanu in 2005. Despite its strong customer base, Veki General Supplies was missing out on opportunities for growth.

The company lacked certification from the Tanzania Bureau of Standards, a necessary qualification for access to the lucrative food retail industry. The company also purchased raw materials at expensive low-season prices, due to difficulties in procuring loans that would allow the business to buy during the high season.

"Without financial support for bulk buying, it is very difficult for me to operate a year-round business," Nganilevanu said. With only one growing season a year, the company's ability to purchase seeds at the right time meant the difference between a net profit of 40 percent and nearly no profit at all.

"Without financial support for bulk buying, it is very difficult for me to operate a year-round business," Nganilevanu said.

The Tanzania Agribusiness Innovation Center provided Veki General Supplies with comprehensive training in financial management, processing, storage, and sales, and partnered with Tanzania's Small Industries Development Organization to guide the company through the process of certification.

In collaboration with Tanzania's Private Agricultural Sector Support Trust (PASS), the Agribusiness Innovation Center also facilitated a commercial loan from CRDB Bank in Morogoro to fund two additional months of production at reduced high-season prices.

"The Agribusiness Innovation Center transformed our vision of the business," Kinyunu said.

In coming years, the company hopes to increase its market presence with certified products, and reach as many as 10,000 small-scale farmers through contract farming initiatives.

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Spice Business Aims for National Distribution

Tanzania

Business was slow for Rocky's Products, a small spice blend company founded by Tanzanian entrepreneur Zahrock Ahmed in 1999. Like many entrepreneurs in Tanzania, Ahmed had no formal training in business management: Her company had neither a dedicated sales team nor an accounting system, and its production process often resulted in significant losses.

Before Rocky's Products could take on a loan to boost growth, Ahmed needed to improve her management skills. Rocky's Products was a volume business, which meant that Ahmed's ability to buy raw materials at competitive prices and to sell large volumes of product could transform her modest business into a highly profitable venture.

After interviews with Ahmed, the Agribusiness Innovation Center was ready to help Rocky's Products reach its potential.

The Agribusiness Innovation Center conducted a financial review of Rocky's Products, identified strategies to streamline its production process, and provided one-on-one coaching and group sales training. As a result, Rocky's Products increased its customer base by 25

"The AIC has strengthened my business acumen so I understand my company more clearly than before," Ahmed said.

percent and purchased efficient new production equipment. With support from the center, Rocky's Products was also able to recoup all delinquent invoices from her large buyers.

Finally, Ahmed is applying for a loan that will allow her to buy black pepper during the high season—a decision that the Agribusiness Innovation Center estimates could result in a return on investment of over 40 percent.

"The AIC has strengthened my business acumen so I understand my company more clearly than before," Amhed said. Rocky's Products now sells 14 spice blends in markets around Dar es Salaam, and Ahmed is working with the Agribusiness Innovation Center to reach a national network of distributors.

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FEASIBILITY

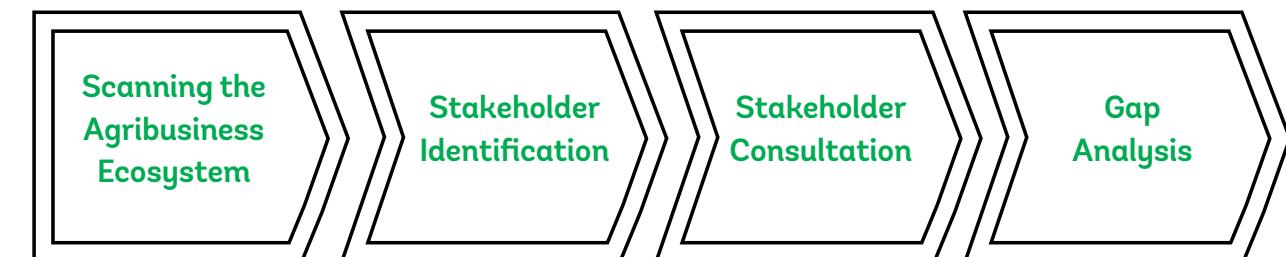
infoDev developed a feasibility and needs assessment methodology to ensure thorough preparation before the establishment of an Agribusiness Entrepreneurship Center.

The following table outlines the indicators used to determine feasibility:

| | | |
|--|--|---|
| Scalable, Accessible, and Viable Markets | | Does the region feature scalable, accessible, and viable markets? Are markets likely to emerge in the future? |
| Critical Mass of Growth Entrepreneurs | | Do high-growth entrepreneurs already exist in the region? What do entrepreneurs need in order to develop opportunities in the value-added processing sector? Could an Agribusiness Entrepreneurship Center help entrepreneurs access these opportunities? |
| Access to Finance | | Do entrepreneurs have access to sufficient funding for their enterprises? How could funding be attained for research and development, commercialization, and expansion? |
| Scalable Production | | Does the region feature agricultural subsectors and value chains with high-quality raw materials? Can the supply of materials be increased to enable value-added processing? |
| Stakeholders | | Are stakeholders active in supporting the value chain? Could an Agribusiness Entrepreneurship Center engage with these stakeholders to improve the success of the program? |
| Infrastructure and Regulatory Constraints | | Is there sufficient infrastructure available? Does the regulatory environment provide incentives for entrepreneurs to take advantage of the value-adding opportunity? |

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AGRIBUSINESS ENTREPRENEURSHIP CENTER PREPARATION PROCESS



- Review the agribusiness sector and value chains that offer comparative advantage for growth enterprises.
- Identify stakeholders who influence the success of agribusiness enterprises.
- Conduct workshops and interviews to identify barriers to the start-up and growth of small and medium enterprises.
- Survey growth entrepreneurs to validate findings. Conduct interviews to map existing service offerings and planned initiatives.

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- Gather data to create a business model and evaluate locations, principal partners and hosts, and other relevant factors.
- Gather feedback from local stakeholders from the entrepreneurship ecosystem. Receive input from international expert groups.
- Gain firsthand experience working with potential Agribusiness Entrepreneurship Center clients and learn the entrepreneurship ecosystem where the center would operate.

CONSULTATION AND TRAINING

PRIVATE SECTOR

75%

GOVERNMENT

12%

EXPERTS AND RESEARCH INSTITUTIONS

10%

INTERNATIONAL ORGANIZATIONS

3%**PROFILE OF THE INDIVIDUALS
CONSULTED**

About 150 to 200 stakeholders are engaged in the Agribusiness Entrepreneurship Center development process, representing farmers, entrepreneurs, industry, government, academia, financial institutions, and international agencies operating in the agribusiness sector. The chart above illustrates the typical profile of the individuals consulted.

Through consultation with these actors, infoDev seeks to combine local know-how with international expertise to better understand market opportunities and the agribusiness environment. The consultation process also builds local capacity in agribusiness development while increasing dialogue among agribusiness stakeholders, with infoDev acting as a neutral convener.

infoDev also developed an Agribusiness Training Program for stakeholders who are interested in designing a new incubator or strengthening an existing one. The course outlines the challenges associated with the development of small and medium agribusiness enterprises, introduces several models and their expected outcomes, and invites participants to discuss critical success factors for the establishment and operation of an Agribusiness Entrepreneurship Center.

**AN ASSESSMENT OF THE
AGRIBUSINESS INCUBATION
TRAINING MODULE**

infoDev studied the impact of an agribusiness incubation training module that was delivered to 149 people from 25 countries in Africa, Asia, Eastern Europe, and Latin America between June 2011 and November 2013. Forty training module participants (representing 27 percent of attendees) took part in the study.

**+80%**

of participants increased their knowledge of agribusiness incubation.

45**75%**

of participants transferred their knowledge to colleagues.



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06

Evaluation and Knowledge Creation:

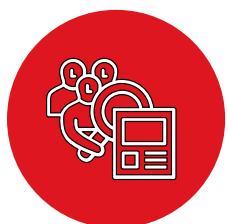
**Multiplying the Impact of the Agribusiness
Entrepreneurship Program**

The Agribusiness Entrepreneurship Program continuously refines its monitoring and evaluation framework to assess the impact and cost-effectiveness of Agribusiness Entrepreneurship Center models.

WHEN EVALUATING AN INITIATIVE LIKE THE AGRIBUSINESS ENTREPRENEURSHIP PROGRAM, CHALLENGING QUESTIONS OFTEN ARISE:

- Can we derive benchmarks for success that take into account these external factors?
- How can we measure the impact of an Agribusiness Entrepreneurship Center on both the client enterprises and the enabling environment?
- How can we ensure cost-effective data collection, given the importance of measuring impact at both the client and beneficiary levels?
- At what point can we judge the model a success or failure?
- To what extent can the model be proven effective, given the variety of unique local circumstances? For example, how do the country's size, local culture, and macro-political economy influence the program's success?

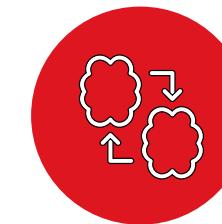
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Applied Research

The Agribusiness Entrepreneurship Program produces original research and captures lessons learned from successful and unsuccessful approaches. Potential research areas include the following:

- Evaluating activities that aim to enable access to finance for growth-oriented, small-scale agribusinesses
- Evaluating programs that aim to facilitate technology access for agro-processors in developing countries
- Researching the effectiveness of initiatives that aim to increase market linkages backward and forward in the value chain



Knowledge Creation

Analytics play an important role in strengthening the performance of Agribusiness Entrepreneurship Centers by providing insight from similar initiatives in developing countries.

Through collaboration on monitoring and evaluation frameworks and indicators, infoDev will learn from innovative approaches implemented by other organizations, and create a shared knowledge base accessible to the development community at large.

A new study, "Growing Agribusiness SMEs through Lead Firms," will identify models and lessons from public and private sector programs that aimed to enable the growth of small and medium agro-processing enterprises through linkages with larger firms. Based on these findings, infoDev will develop notes and guidelines for policy makers in the agro-processing sector, as well as for actors who wish to implement similar programs.

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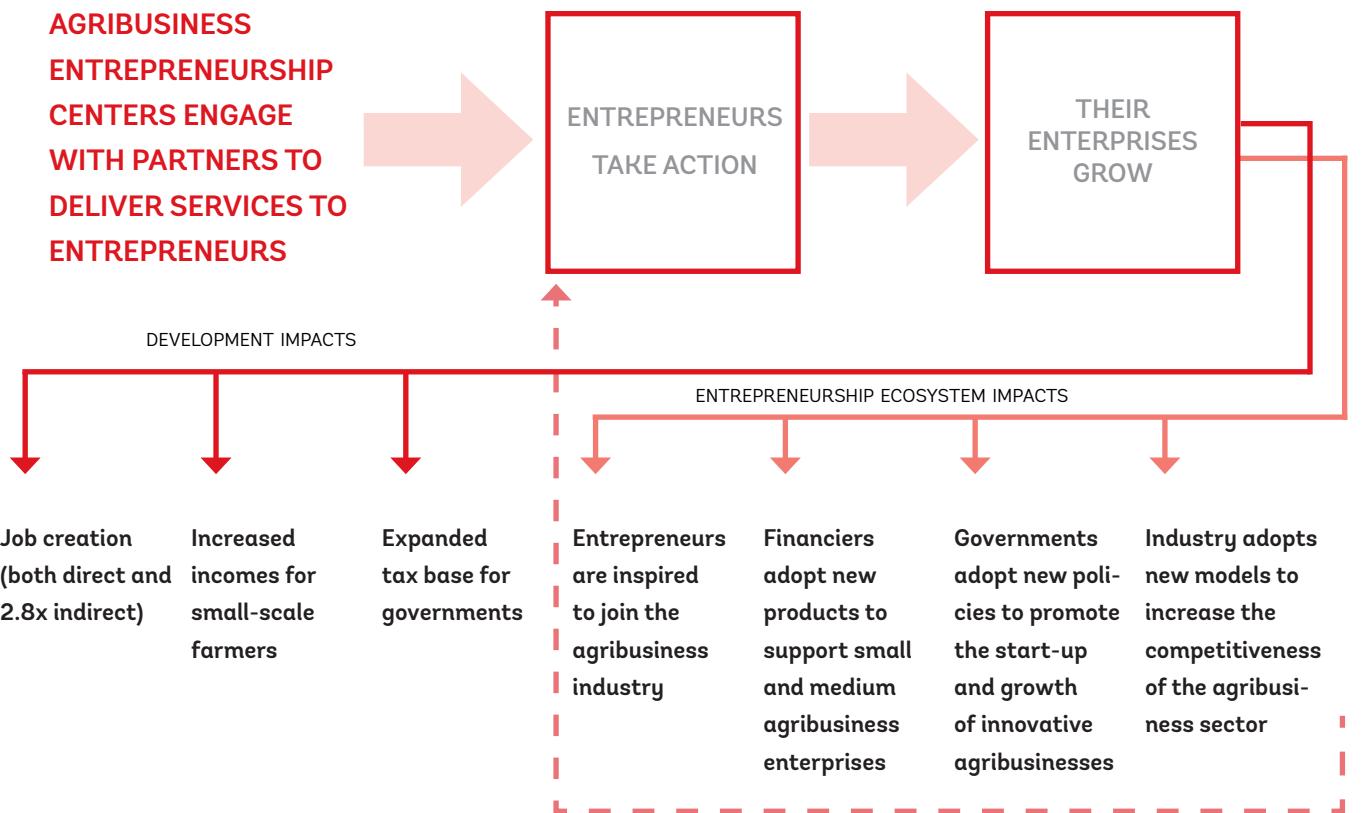
EXPECTED OUTCOMES AND IMPACT

The Agribusiness Entrepreneurship Program is expected to produce the following development impacts:

- Directly and indirectly promote the start-up and green growth of innovative, value-adding agribusinesses in low-income countries that have a comparative advantage in agriculture.
- Increase job creation along the value chain, including in rural and urban areas, with expanded economic opportunities for women in particular.
- Accelerate the green growth of a competitive agro-processing sector and enable low-income economies to realize greater development gains from their agricultural production.

EXPECTED IMPACT OF THE AGRIBUSINESS ENTREPRENEURSHIP PROGRAM

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08

Partnership Opportunities

The World Bank Group seeks a broad range of partners to implement Agribusiness Entrepreneurship Centers, derive lessons and knowledge, and mainstream and scale the Agribusiness Entrepreneurship Program.





DONORS & FOUNDATIONS

Donors and foundations will benefit from participation in the program by positioning themselves as founding funders of an initiative that advances the agribusiness sector, which has significant poverty reduction and job creation potential.

Because the Agribusiness Entrepreneurship Program offers a lower cost-per-job-created than many other programs, it is a natural investment for donor programs whose mandate is job creation. The program is also a good fit for donors interested in green growth. The agro-processing sector is only beginning to grow, and instilling green practices at the outset will help mitigate climate impacts in the future.

Donor-funded agribusiness programs that focus on primary production, input improvements, and rural livelihoods will also benefit directly from the program's development of the processing sector. Coordinating with the Agribusiness Entrepreneurship Program to ensure a seamless, quality supply chain will provide these programs with a new, direct market for fresh and semi-processed agricultural goods.

FINANCIERS

Financiers who target agribusiness enterprises have the opportunity to work with the program to test new products for innovative small and medium enterprises that do not yet meet the high collateral requirements and short payment terms offered by their local banks.

The program also offers financiers a less risky client pool that has already been vetted for growth potential, and that receives continuous technical assistance to enhance and manage growth.

CORPORATIONS

Corporations have a unique opportunity to position themselves at the forefront of economic development and participate in the development of an entire sector. Agribusiness Entrepreneurship Centers will actively seek supply chain development opportunities that could provide corporations with reliable, high-quality, local products, which then in turn provide local enterprises with a reliable market.

Partnering with an Agribusiness Entrepreneurship Center can also soften the landing into new markets, given the network of stakeholders who understand the local landscape, as well as potential business partners who share the same sense of corporate social responsibility.

ACADEMIC & RESEARCH INSTITUTIONS

Academic and research institutions can partner with infoDev to create and execute critical monitoring and evaluation and impact assessment frameworks, and to conduct research on critical issues related to advancing of innovation and entrepreneurship in agro-processing.

