



## UNITED STATES' EXPERIENCE

### TITLE: Supporting Inclusive Businesses for Value Chain Competitiveness



**Country:** Worldwide

**Institution:** Action for Enterprise

**Webpage:** [www.actionforenterprise.org](http://www.actionforenterprise.org)

#### Context

Action for Enterprise (AFE) is a leader in the field of private sector/ enterprise development. Since 1991, AFE has developed state-of-the-art training programs, implemented cutting edge field programs, authored numerous publications, and provided technical support to programs worldwide.

AFE's programs are based on cutting edge market facilitation techniques. Its core activities include the design and implementation of value chain / market development programs where it acts as a "facilitator" to promote sustainable market-based solutions to value chain constraints. This includes supporting the initiatives of "Inclusive Businesses " (IBs) to invest in their value chains and provide support to low income producers they buy from or sell to.

One example where AFE has successfully utilized this approach is through its activities in Zambia. By the end of the program AFE had entered into collaborative agreements with 32 IBs in the agribusiness, crafts and tourism value chains in Zambia which resulted in positive benefits for over 27,000 MSMEs. Through a combination of technical and financial support, AFE supported the IBs to successfully design and implement their initiatives to support producers and entrepreneurs that they transact with.

AFE also supports other organizations to transition from traditional development approaches towards market-oriented methodologies. To facilitate this transition, AFE provides them with staff training, program design advisory services and mentorship programs.

#### Objectives

The approach is based on collaborating with value chain IBs (that do not depend on donor subsidy for their operations) to help ensure the sustainability of program impact. IBs have economic incentives to support the producers in their supply chain or distribution channel with products, services, and support and to maintain a positive relationship with them. Because of this the chances that they will continue to

sustain those relationships after participating in a development program are greatly increased. Also, by working with many IBs in the same value chain AFE programs are able to greatly increase their impact on micro, small, and medium-scale enterprises (MSMEs).

For example in Zambia, one IB which AFE supported was interested in introducing soya beans as a rotation crop to cotton growers it sourced from. The advantages for the IB in undertaking this initiative included: a) access to a reliable source of soya beans which they could purchase and market; and b) greater cotton yields (over time) from the farmers they contract with (due to improved soil fertility that results from rotating cotton and soy production). The advantages for the outgrowers (contract farmers) included: a) access to good quality soya seed; b) increased and diversified income from soya bean production; and c) greater cotton yields and income (over time) due to improved soil fertility that results from rotating cotton and soy production.

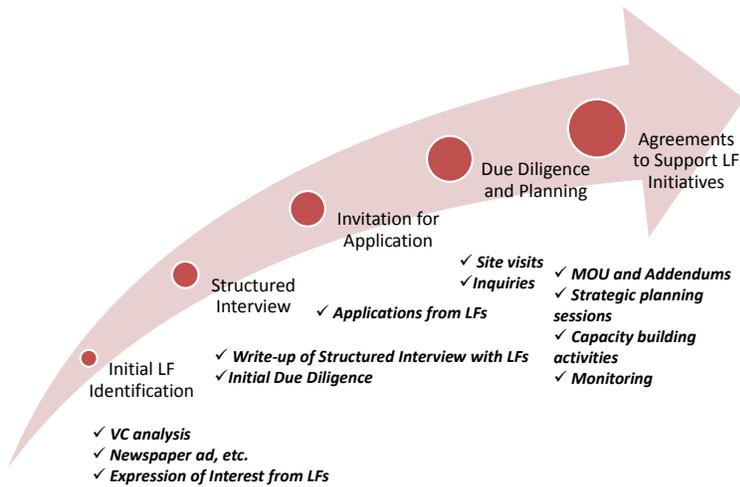
The following activities were conducted by the IB to accomplish this objective with technical and cost share support from AFE Zambia: 1) development of a TOT curriculum; 2) conducting a TOT for 17 staff members and two lead-farmers; 3) conducting 266 trainings for over 13,000 farmers in soya production; 4) organization of 150 field days for over 7,500 farmers focusing on soya post-harvest handling; and 5) training of 7,142 producers in how to utilize soya beans for household consumption. Based on the success of this pilot initiative the IB trained another 16,000 producers in on soya production beyond those mentioned above.

#### **Relevance**

This approach addresses most of the competitiveness principles mentioned, and has been successful in improving the competitiveness of markets in which AFE has worked. For instance, in Zambia, AFE's support for inclusive businesses led to an increase of over \$1.2 million in incremental sales for nearly 27,000 farmers, as well as over \$1.1 million in additional private sector investment in the agribusiness, craft, and tourism markets.

## Implementation

### Facilitation Steps and Tools for Working with Lead Firms



## Distribution of tasks

**Identifying IB Interventions that AFE Programs Can Support** - Application formats, referred to as “Invitation for Applications” (IFAs), assist IBs to identify and propose interventions that could be supported by AFE programs, and that could help the IBs to overcome the challenges they face in providing targeted market-based solutions to MSMEs. Different IFAs are developed for different kinds of value chain market actors including agribusiness companies that source local crops, agricultural input supply companies, tour operators/lodges, and craft production/export companies. The IFA process is not a competitive ‘winner takes all’ exercise. All IBs that meet the criteria were eligible for support.

Through the IFA, IBs are invited to propose *their* initiatives to build competitiveness and upgrade MSMEs in their supply chain or distribution channels (*rather than have the program come up with the initiatives*). IFAs provide the IBs with criteria and parameters of program collaboration and stipulate that the program is willing to provide technical and financial support for research, product development, capacity building, exploration of new markets, etc., but not for fixed assets or recurrent operational costs such as personnel. Negotiations and discussions are done by carefully going through applications together with the IBs to discuss and negotiate strategy, timing, technical and financial support. It is important to note that the IBs are responsible for organizing and managing any proposed initiative.

## Achievements and results

AFE has entered into collaborative agreements with over 100 Inclusive Businesses in the agribusiness, crafts and tourism value chains worldwide which has resulted in positive benefits for over 1,000,000 MSMEs. Through a combination of technical and financial support, AFE supported the IBs to successfully design and implement their initiatives to support producers and entrepreneurs that they transact with.

In Bangladesh for instance, AFE supported two seed companies to develop and market “mini-packs” of quality seed for sale to small, marginal, and homestead farmers, particularly those living in remote rural areas. The incentive for the companies was to develop “untapped” markets and promote their brands of vegetable seed, and the incentive for farmers was to gain access to packaged quality seed in affordable

quantities appropriate for their needs.

Support provided by AFE included technical and financial assistance to: 1) develop strategic plans; 2) design (and redesign) mini-packets; 3) provide training to staff, dealers, and retailers; 4) formally launch and promote mini-packets to their distribution channels; 5) develop and distribute promotional materials; and 6) promote mini-packets directly to small, marginal and homestead farmers through community meetings and demonstration plots.

Based on rigorous research it was determined within 18 months of the launch of the new products, over 450,000 households purchased mini-packets of high quality vegetable seed, and approximately 42% of these households learned about mini-packets from an MSV. Of these 450,000 households, around 90% fell below the upper poverty line and nearly 30% fell below the lower poverty line, and approximately 325,000 households benefitted financially from cultivating mini-packet seed. On average these households generated \$17 in additional benefit per season due to increased production of vegetables, or over \$50 over 18 months – from an initial investment of \$0.25 per season.

### Unexpected achievements

In addition to collaborating and supporting the initiatives of individual companies, AFE programs also support a variety of “cross-company” activities. These activities bring IBs together (that are conducting similar activities) for capacity building and lateral learning events. Illustrative examples of these activities from AFE’s USAID-funded program in Zambia are presented below.

**Low cost video training** - AFE sponsored a three-day intensive training for IBs to introduce skills and techniques for producing low-cost videos that can be used for farmer training and extension. This was followed by meetings to discuss how each company could operationalize the lessons and produce their own videos.

**Rural Agent Network Workshop** - AFE held a half-day workshop with input supply companies to discuss the findings of a strategic learning initiative on the use of rural agent networks to promote sales in rural areas. Discussion points included variations of the rural agent network model used by different input supply companies and lessons learned.

**Identification of Best Practices in Producer Training Programs** - AFE conducted a lateral learning exercise among agribusiness IBs it was collaborating with to assess their experiences in organizing and conducting producer (farmer) trainings. This resulted in the identification of best practices that they could then incorporate into future training activities. The activity contributed to the IBs’ capacity to train and support the producers they transact with – which in turn contributes to greater income and benefits for the producers and their households.

Following this workshop, and at the request of the IB participants, the AFE program organized additional sessions on specific producer training topics that were of particular interest to the IBs. These included tools for carrying out thorough planning of producer training activities (such as detailed session plans), how to identify and develop learning objectives, presentation methods, and the organization of small group discussion and presentations.

**Other Cross-Company Learning Events** –AFE also holds cross-company meetings with collaborating IBs to: 1) share the initiatives of other IBs; 2) discuss internal control systems for tracking activities and transactions with producers; 3) review strategies for improved budgeting and reporting to AFE; 4) discuss the importance of business/strategic planning and how to start working on a plan, and; 5) learn

from external auditors about the importance, role and benefits of external auditing.

**Capacity to replicate and potential for exchange of this experience**

AFE has extensive training materials and programs that can help train others in this methodology. AFE conducts workshops that help practitioners gain skills to: 1) rethink the strategies of their economic strengthening programs; 2) create more sustainable activities without distortion of markets and; 3) strengthen the linkages in the value chains they work with leaving behind improved and sustainable relationships between producers and other market actors.

AFE has successfully applied this methodology to more than 100 value chains in over 30 countries in a wide range of political environments around the world including post-conflict states such as Lebanon, East Timor, Bosnia, and Serbia, and even areas with ongoing conflicts such as Northeast India, Sudan, Afghanistan, and Yemen, as well as more politically stable states such as Vietnam and Bhutan. AFE has also successfully applied this methodology in a range of economic environments including a) closed economies such as Myanmar; b) disaster-prone areas in Bangladesh and Haiti; c) local market systems such as pork value chains in Vietnam, and d) competitive global value chains such as craft-export value chains in Bangladesh, Zambia, Indonesia, Ghana, Haiti, and the Philippines among others.

AFE’s technical experience in value chain development is summarized in the following table that reflects the countries and the value chains for which AFE has conducted analyses, designed programs and/or implemented programs.

COUNTRY	VALUE CHAIN(S)
<b>ASIA</b>	
Afghanistan	Poultry, Nuts, Wheat, Wool
Bangladesh	Crafts-for-Export; Potato; Seed (jute, potato, vegetable, & rice); Agriculture Exports; Private Health Care; Garments; Plastics; Knit Wear; Honey; Wood Furniture
Bhutan	Mandarins; Tourism; Fresh Vegetables & Herbs, Crafts
Cambodia	Cashews
China	Eco-Cultural Tourism; Pottery; Cultivated Herbs; Yak
East Timor	Coconut; Construction
Mongolia	Pork
Nepal	Tourism; Vegetables; Crafts; Non-Timber Forest Products
India	Organic Agriculture Products; Poultry; Textiles; Spices
Indonesia	Cocoa Beans; Maize; Legumes; Crafts for Export
Myanmar	Beans and Pulses; Pigs and Piglets; Fresh Fruits and Vegetables
Philippines	Crafts-for-Export; Seaweed/Carrageenan; Hogs
Tibet (China)	Construction; Dairy (milk/cheese)
Vietnam	Tourism; Medicinal Herbs; Vegetables; Crafts; Pork
Kyrgyzstan	Medicinal Herbs
<b>AFRICA</b>	
Botswana	Tourism; Construction
Cape Verde	Tourism, Horticulture, Fish
Egypt	Furniture

Ethiopia	Vegetables
Ghana	Baskets (for export)
Kenya	Vegetables (for export); Milk
Mali	Shea Nuts and Butter; Crafts; Local Grains/Cereal Crops
Rwanda	Green Beans; Pineapples
Senegal	Tourism; Beef; Vegetables
Sierra Leone	Vegetable Seed; Fertilizer
Sudan	Grains; Vegetables
Zambia	Poultry; Organic Chilies/Herbs; Milk; Indigenous Vegetables; Soya Bean; Sunflower Oil; Groundnuts; Dried Fruit/Vegetables; Honey; Fish; Cultural Tourism; Crafts For Export; Ceramics
<b>EUROPE/GLOBAL</b>	
Bosnia	Non-Timber Forest Products; Medicinal & Aromatic Plants; Raspberries
Kosovo	Wood Furniture
Serbia	Medicinal & Aromatic Plants; Vegetables
Haiti	Craft Export Sector
Lebanon	Apples; Grapes; Pickled Vegetables; Agricultural Inputs
Yemen	Agricultural Inputs, Watermelons, Tomato, Onion, Livestock, Shipping / Tourism

#### Human, operational and institutional capacities

Over the past 10 years, AFE has organized more than 70 training programs for over 1,500 participants worldwide. These programs present tools and methodologies for value chain and market development. Trainings have been conducted in Bangladesh, Senegal, Ghana, Ethiopia, Egypt, Vietnam, Kenya, Thailand, Malaysia, Rwanda, the Philippines, Afghanistan, Laos, Serbia, Mongolia, Canada, United States, United Kingdom, and Germany. Participants have come include representatives of consulting firms, NGOs, donors, and development projects. AFE has a cadre of experienced staff and consultants with extensive program design and implementation experience to facilitate these training programs and lead these program design exercises. More information about AFE's training and capacity building programs can be found on its website at <http://www.actionforenterprise.org/train.php>.

#### Modalities to facilitate the exchange

In addition to our training and capacity building programs, AFE leads value chain program design exercises involving staff of interested organizations. Interested parties can also view a short 30 minute video (<http://www.youtube.com/watch?v=js723YVg9W4>) in which IBs in Zambia discuss their experience in collaborating with AFE. Presentations to expose participants to key principles and tools for working with IBs can also be organized.

#### Good practices and concrete lessons

- 1. Assistance in Developing IB Initiatives:** AFE staff carry out in-depth reviews of the initiatives proposed by the IBs (IFA applications) and then holds extensive discussions with the IBs to help them to think through their proposed activities in a systematic and thorough fashion. This helps the IBs to improve their strategies and come up with well-thought out and cost effective strategies.
- 2. Use of Question Guides for Strategic and Business Planning** - Question guides are developed and used by AFE staff to present the critical questions and decisions that the IB needed to make before engaging in a particular investment or intervention. They are used to guide the IBs through the

thinking that needed to take place for each intervention, the decisions that needed to be made, and the tasks that needed to be carried out to help ensure the successful preparation and implementation of their initiatives. Question guides have been used successfully in AFE programs to:

- assist IBs in developing strategies and operational policies for **outgrowing operations** (see examples of these question guides in “Facilitating the Development of Outgrowing Operations, A Manual” at [www.actionforenterprise.org](http://www.actionforenterprise.org))
  - assist IBs in developing **business plans** for different kinds of investments to improve their competitiveness and improve the products, services and support they provide to MSMEs they buy from or sell to (*see Appendix 1 for an example*)
  - assist IBs in developing **marketing plans** to address the challenges they face with the promotion and sale of their products and to develop new products/services for targeted MSMEs
  - assist the IBs in planning the necessary steps and tasks to organize **field days, demonstration plots, and training activities**.
3. **Capacity Building to Conduct Producer Trainings** – AFE staff works with IBs (that had proposed to train producers) to build their capacity to design and implement effective training programs for MSMEs. This included the use of adult learning methodologies and practical demonstrations.
  4. **Organization of Exposure Visits** – AFE supports IBs in arranging exposure visits to learn best practices, identify potential buyers and suppliers, and gain important knowledge about their industry. In some of these cases, the AFE team provides technical support in identifying appropriate companies and individuals to visit and in arranging travel logistics. Exposure visits have been conducted both by individual IBs and also by small groups of IBs.
  5. **Monitoring IB activities and Providing Feedback** – AFE program staff personally attend all of the IBs’ field activities and use a variety of tools to support and monitor the implementation of agreed upon IB interventions and to provide feedback. These tools included checklists for different kinds of IB interventions. Specific checklists are developed to support and monitor IB training activities, field days, demonstration and trial plots, and exposure visits. AFE staff also hold regular feedback sessions with IBs after initial interventions to discuss how similar future interventions could be improved.

#### Experiences and subjects to learn from other RIAC members

Others’ experiences in the promotion of inclusive businesses in the region

#### Key persons involved in the design, implementation, and evaluation

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