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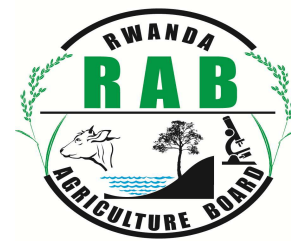
## UNLEASHING RURAL ENTREPRENEURSHIP IN RWANDA

Approaches, experiences and lessons of learning networks  
(APF Agri-hub and local agribusiness clusters)



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## **ABSTRACT : Unleashing rural entrepreneurship in Rwanda. Approaches, experiences and lessons of learning networks (APF Agri-hub Rwanda and local agribusiness clusters)**

This paper presents experiences and lessons learned in the past 2-3 years within the 'Rwanda Agri-hub', a coalition of international development agencies and their local partners. They team up to catalyze rural entrepreneurship in Rwanda. Having situated its RISE framework (Rural innovation systems and entrepreneurship) and its operational ABCD approach (Agribusiness cluster development), the paper discusses six operational questions that were raised when accompanying 15 local agribusiness clusters in the past 2 to 3 years. Experiences clearly suggest that innovative modalities for promoting rural entrepreneurship are possible. These do not only strengthen the entrepreneurial outlook of local entrepreneurs, but also trigger business initiatives and improve economic results. The promotion of rural entrepreneurship requires a different starting point than traditional development projects. Experiences with the agribusiness cluster development (ABCD) approach suggest 4 essential steps.

- A. Formulate clear economic objectives ('the compass')
- B. Work on concrete questions and improvements ('burning issues') and collaborating with others address them successfully ('dancing')
- C. Strengthen capacities to navigate business and competitive intelligence of local entrepreneurs ('driving the car')
- D. Propose adaptations in the policy environment and business climate, induced and supported by local experiences ('voicing up the pyramid')

The innovative ABCD approach, needs accompanying measures. A market systemic framework (RISE) may support common understanding among Agri-hub members that have specific roles in agribusiness promotion. Practical training trajectories allow for changing the mindset of local facilitators strengthen agribusiness coaching capacities. Innovative funding mechanisms such as basket funding may support more focused and client-oriented service provision to local entrepreneurs that set the agenda.

## **RÉSUMÉ : Faire épanouir l'entrepreneuriat paysan au Rwanda : approches, expériences et leçons des réseaux d'apprenants (AFP Agri-hub Rwanda et pôles locaux d'entreprises agricoles )**

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# 1. Introduction

## 1.1. *Making agricultural development cooperation leaner and smarter*

'Aid doesn't give you self-respect'. Quoting President Kagame, Luijten (2009) portrays an African leader stressing the need to find homegrown solutions for national challenges. Triggered by her book 'Dead Aid', President Kagame reportedly invited Dambisa Moyo (2009) to exchange views on aid effectiveness and options to reduce dependency on foreign partners. At this moment, foreign aid is still very important for Rwanda: a large part of public expenditures depend on it. This is also the case for the agricultural sector, where donor support and dependency are high and even likely to increase.

After years of relative neglect, available budgets for agricultural development show a rising trend, both internationally and in Rwanda. International agricultural development cooperation is therefore to stay for yet some time. It can make important contributions as the challenges are numerous : sustainable production, food and nutrition security, market access, product development, adaptation to climate change, farmers' professionalization to name a few.

In the context of the international Agriculture-4-Development agenda, more attention for farmers' organizations and the private sector, and quests for improved donor coordination and synergy, international agricultural development cooperation is changing fast.



The emergence of a Dutch network organization focusing on farmer entrepreneurship and rural innovation reflects the changes that are taking place. This network, Agri-Profocus (APF), has been instrumental in the establishment of an informal Agrihub in Rwanda, which acts as a platform for innovation and learning. Through contributions of its members, this coalition launched an Initiative for the Promotion of Rural Entrepreneurship (IPER). IPER has been concentrating on agribusiness cluster development. Agri-Profocus, the Agri-hub and the IPER initiative have in common that they are network organizations, operate from a market economic perspective and focus on rural entrepreneurship. For more background information, please refer to Annex 1.

## 1.2. *Purpose, information base and building blocks of this paper*

### **Purpose of the paper**

It is in the context outlined above that this paper discusses how support to agricultural development could be innovated and how agricultural development cooperation could become leaner, smarter, less market-distortive and more responsive to local economic dynamics. We do so by reflecting upon practical experiences around 15 real-life agribusiness cases, which the Rwandan Agrihub Initiative for promoting rural entrepreneurship accompanied. The aim is to learn and innovate and to arrive at rural innovation systems that work.

## **Information base**

The review of experiences is based on results of stakeholder discussions, agribusiness coach training sessions, field visits and local coaching and annual meetings of the IPER coalition that forms the Rwandan Agri-hub. A specific source of information is the feedback from promoters and facilitators of the 15 real-life agribusiness clusters.

## **Structure of the paper**

The article has the following building blocks :

Chapter 2 shortly presents the RISE conceptual framework which orients analyses and inspires and orients rural innovation and agribusiness development activities. The framework suggests important actor groups and has an explicit theory of change that contains major strategic orientations .

The third chapter introduces the agribusiness cluster development (ABCD) approach which is an operational translation of the RISE framework. Also for ABCD some information is given on actors involved and theory of change.

We note here that both the RISE framework and the ABCD approach have been developed on the basis of practical experiences in Africa. Also the Agri-hub IPER cases were most informative and we acknowledge the contributions of all actors involved. The process leading up to the RISE framework and ABCD approach shows the importance of interfaces between researchers and practitioners, between micro-level dynamics and macro-level policies (etc).

The next 6 chapters present and discuss experiences and lessons learned in Rwanda. These chapters subsequently discuss the following six 'HOW' questions: .

1. Chapter 4 : How to identify and harness local economic initiatives and formulate clear economic objectives ?
2. Chapter 5 : How to relate farmers and firms, as key operators on value chains ?
3. Chapter 6 :How to promote agribusiness cluster formation and dynamics?;
4. Chapter 7: How to develop capacities of local entrepreneurs to navigate their agribusiness ?
5. Chapter 8: How to professionalize local facilitators and turn them into agribusiness development coaches ?
6. Chapter 9 : How to adapt funding modalities to make them more appropriate for the strengthening of entrepreneurial capacities and agribusiness development ?

Chapter 10 translates the experiences lessons learned in Rwanda into principles for innovating agricultural development cooperation that promotes rural entrepreneurship capacities and sustainable agribusiness development.

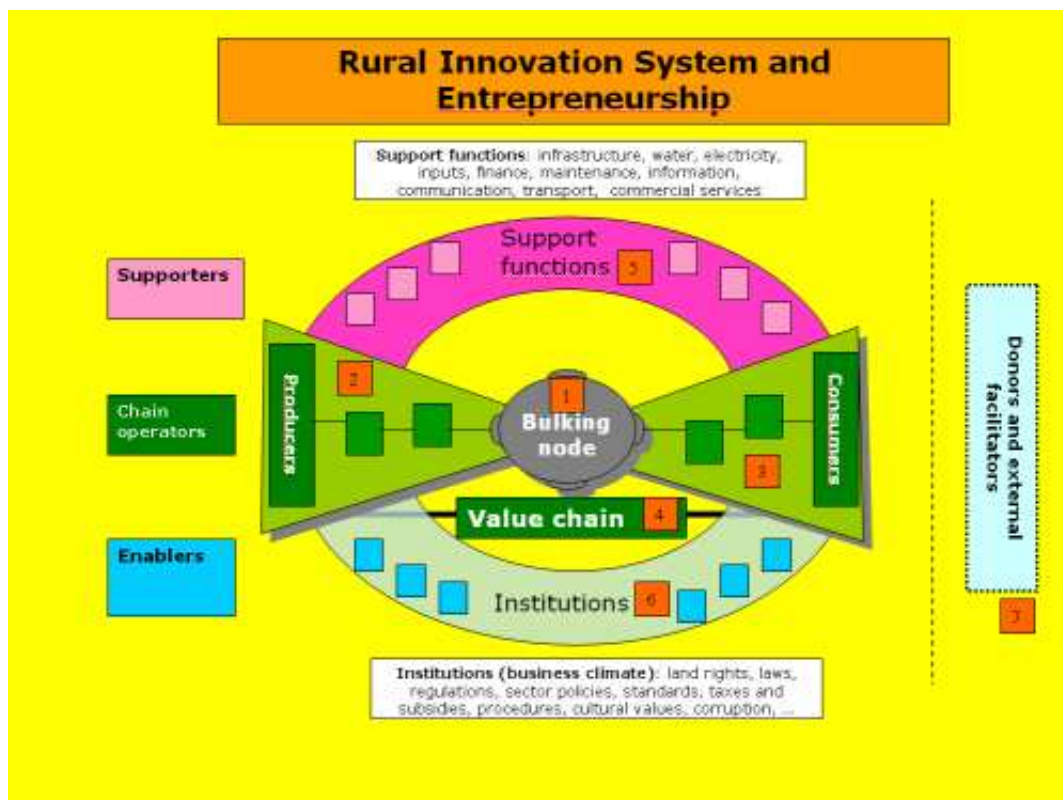
## 2. RISE: Rural Innovation Systems & Entrepreneurship

### 2.1. Origin of the framework

RISE is the conceptual framework that guides work on promoting farmer and rural entrepreneurship. It is inspired by - and integrates - different approaches and concepts related to value chain development, institutional economics, market system development transaction economics and rural innovation systems, among others :

- Making markets work for the poor (M4P; Springfield Centre, [www.springfieldcentre.com/currentprogrammes.php](http://www.springfieldcentre.com/currentprogrammes.php))
- Sustainable Livelihoods Approach (SLA; cf. DfID sustainable livelihoods guidance sheets)
- Value Links (GTZ, [www.value-links.de/manual/distributor.html](http://www.value-links.de/manual/distributor.html))
- First Mile (IFAD, [www.ifad.org/rural/firstmile/index.htm](http://www.ifad.org/rural/firstmile/index.htm))
- Client Oriented Research Management Approach, [www.kit.nl](http://www.kit.nl)
- .....

The framework is visualized in the following figure:



### 2.2. Three major actor groups and a fourth one

In RISE three major actor groups are distinguished : Chain operators, Chain supporters and Chain enablers. The key message of the framework is that these different players need to interact in order to (i) have well-functioning agrifood market systems, (ii) reduce transaction risks and costs and (iii) arrive at competitive, sustainable and inclusive value chain development. Agricultural development and agribusiness promotion need public-private partnerships in practice.



Chain operators are entrepreneurs/ enterprises performing functions on a value chain. They create value and own the product at some stage. We may think of producers, processors, traders, wholesalers, exporter, retailers, supermarkets and consumers.

*Producer cooperatives are business organizations initiated and governed by organized farmers. Individual farmers or organized farmers can specialize on the production function but may also engage in processing and/or marketing and sales. When farmers take up these functions they generally enter into competition with other chain operators. This may be healthy, but comparative advantages of farmers and management capacities must be considered.*

As the name suggests, chain supporters provide support services to chain operators. Chain supporters have a stake in value chains, but do not own the product. The group of chain supporter include among others: agro-input dealers, transporters, banks and micro-finance institutions, private sector consultants and advisors, financial advisors, auditors, ... Chain supporters provide services that are paid for by their clients (business to business services).

*Also in the realm of business services, farmers' organizations may take up functions. Think for instance of farmer groups specializing on seed multiplication, cooperatives specializing on agro-input supply, machinery renting, artificial insemination or transport services. Also in the financial sector there are many institutions established by farmers (SACCO's CLECAM, Rabobank in the Netherlands). Farmer extensionists are another example of farmers supporting chain development.*

Chain enablers influence value chain development: they create and define conditions for private sector players to do business (or may discourage agribusiness; in that case they are disablers ....). Chain enablers set the policy environment and business climate. They are mainly composed of governmental bodies at different levels and of public services, The group of chain enablers includes a variety of actors: Ministries, government agencies (such as bureau of standards, agricultural board, revenue authority, cooperative agency, ....), public research and extension, courts, police, border officials, .....

*For farmers dialogue with Government and public agencies is important for participatory policy development and for subsequent policy implementation. Farmers can collaborate with Research and training institutes, RAB, RCA and other institutions for making policies a reality on the ground.*

The RISE model explicitly shows a fourth group actors : donor agencies and external facilitators. The key message is that they are part of reality in agribusiness development in Africa, but are not (or should not be) part of the local market system.

### **2.3. Lenses for looking at agribusiness development dynamics**

"Nothing is as practical as a good theory". The RISE framework provides lenses for looking at agribusiness development dynamics. We highlight seven perspectives (cf. respective numbers in the RISE figure above) :

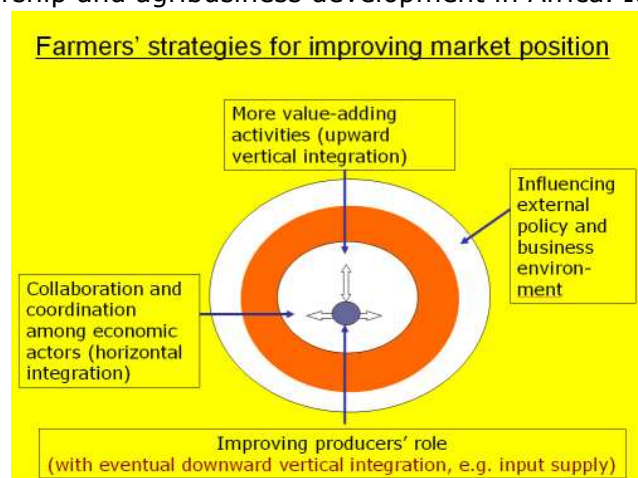
1. Dynamics around bulking nodes (local markets, trade hubs, processing units, collection centers) : volumes, quality of products, employment creation, processing and storage, exchange of market information between value chain operators, market and product development, use of by-products, ....

2. Pre-harvest processes : farmers' production practices, productivity and quality, farmers' organization rate, modalities of selling of primary produce to traders and processors, ....
3. Downstream relations among stakeholders: sellers and buyers of (processed) products at/through bulking node (millers, traders, wholesale) and relations further down the line, to retailers and end consumers.
4. Commercial relations and price transmissions along the value chain. What are the transactions and prices at different stages along the value chain ? What value and benefits accrue to different chain operators ? What part accrues to primary producers and agricultural labourers ?
5. What are the relations of chain operators with chain supporters (agro-input dealers, banks and MFI's, transporters, BDSs, ...). Are there problematic relations ? Are there missing relations and/or lack of collaboration? What are opportunities to improve access to services like input supply, credit, insurance, transport, business development support, legal advice, ...)
6. What are the relations (of chain operators and supporters) with chain enablers (predominantly public sector). What institutions define/influence the business environment? What is the ease of doing business ? Is there a lot of 'red tape' ? What role for institutions like bureaus of standards, revenue authorities, specific agencies, border control, ....? Are new relations with districts, ministries and public services emerging ? What about opportunities or threats in the external environment ?
7. Relations with donors and external facilitators. Do donors and NGO's, by bringing in external funds and facilitation subsidies, distort national factor, output and labour markets ? Do external interventionists take up functions that should normally be the responsibility of national organizations (seed and input distribution, credit lines, subsidizing and/or managing processing and marketing activities ? Are they aware of do's and don't's ? Do they adapt their support as the market system evolves?

## 2.4. **RISE theory of change**

The RISE framework 'gives rise' to important strategic orientations for interventions that seek to contribute to farmer entrepreneurship and agribusiness development in Africa. It identifies 4 major strategies for farmer empowerment:

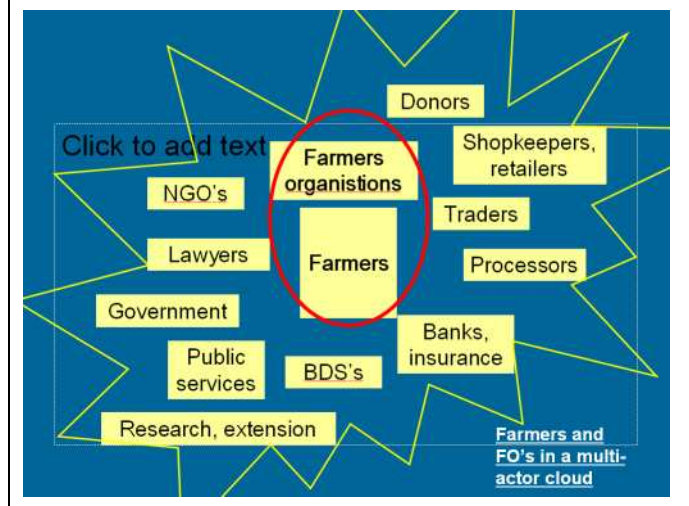
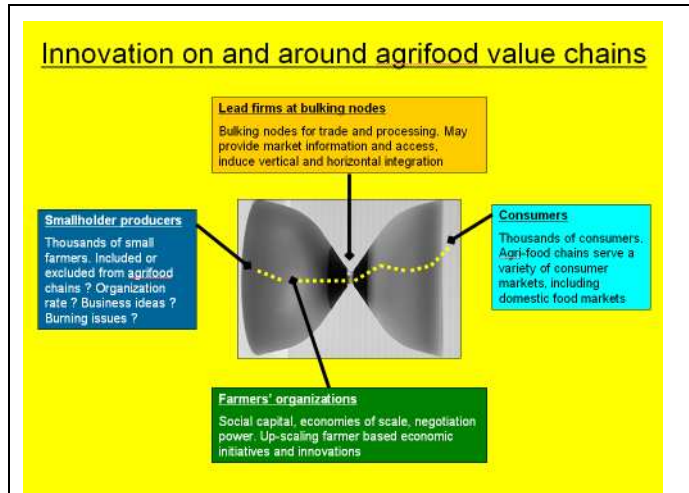
1. Improve role as producers
2. Improve collaboration with chain operators and chain supporters (horizontal collaboration)
3. Take up more chain activities on the chain (vertical integration)
4. Influence enabling environment





In more operational terms, RISE considers that :

1. Farmer-firm relations are essential for resilient and sustainable agribusiness models.
2. Innovations are likely to occur around bulking nodes, which are provide the link between farmer-suppliers and consumer demand and market requirements.
3. Agribusiness development requires innovative forms of collaboration among different groups of actors. Specific interfaces can be developed to address 'burning issues' in the market system.
4. Donors and external facilitators should focus on agribusiness development coaching and not take up functions in the local market system (such as providing credits), buying participation or donate or subsidize heavily.
5. Development programs should start off with entrepreneurial initiatives of local entrepreneurs (farmers and their organizations, cooperative and private enterprises, active in processing and trade of agricultural products).

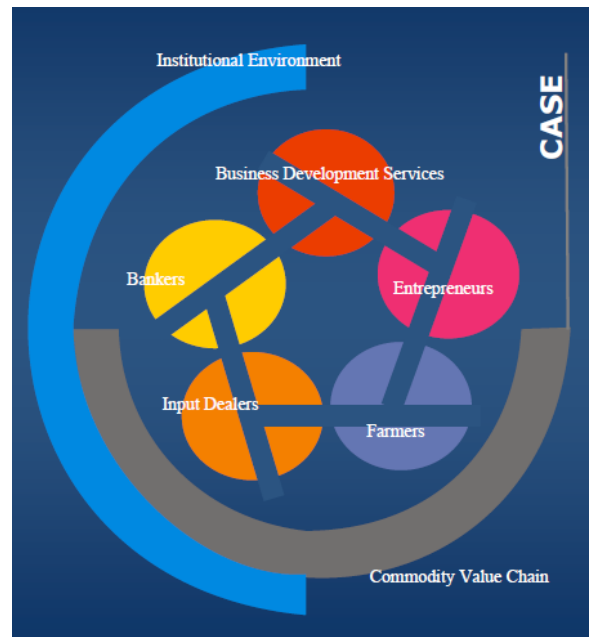


### 3. ABCD: an operational approach for promoting farmer entrepreneurship

#### 3.1. Origin of the ABCD approach

##### CASE

The AgriBusiness Cluster Development (ABCD) approach is based on CASE: Competitive agricultural systems and enterprises. CASE is a grassroots approach, that has been developed by IFDC in West-Africa. It advises to work on specific value chains, to focus on clear product-market combinations and to work actors in specific geographical areas. Value chain and agribusiness development are set in the context of national and local institutional environments. Multi-stakeholder collaboration is prominent. CASE thus combines a Value Chain approach and a territorial approach, and has a strong market and product development perspective. It's about value chain development for local economic development. For more information: ([www.ifdc.org/Expertise/Agribusiness/CASE](http://www.ifdc.org/Expertise/Agribusiness/CASE)).



##### Integrated soil fertility management

Agricultural intensification through Integrated Soil Fertility Management (ISFM) - and concomitant productivity improvement and cost price reduction - get specific attention. The basic premise is that small farmers need to have profitable market outlets in order to have the means and to be motivated to invest in their farms and soils. Value chain development is thus situated in the context of farming systems and livelihood perspectives.



##### Experiences and evaluation of CASE-based 1000+ project in West-Africa

'From thousands to millions project; 1000s+) is a program in West-Africa that is based on the CASE approach. By the end of 2009, this programme had promoted the establishment of over 200 agribusiness clusters that reach 7000 farmer groups and close to half a million farmers.

The evaluation of the (IFDC 1000s+ project<sup>1</sup>, conducted in 7 countries and across hundreds of stakeholders, found that the CASE approach is highly appreciated as an

<sup>1</sup> Alidou, Lem, Schrader & de Zeeuw, 2010. Local entrepreneurship, agribusiness cluster formation and the development of competitive value chains. Evaluation of the Strategic Alliance for Agricultural Development in Africa (SAADA program; 2006-2009).

innovative and relevant approach. Respondents strongly appreciate the attention for improving the effectiveness of farmer organizations in the value chain and the establishment of professional relations with other stakeholders.

In the survey at national level, capturing the opinions of 148 respondents, the approach stands out as the best appreciated aspect of the 1000s+ project. The statements in this chapter were scored 23% above average. This appreciation has been further confirmed during interviews with national steering committees, during many interviews and during the sub national and national workshops. The evaluation team found that the CASE approach and the 1000s+ project have definitely contributed to attitude change among those involved in the 218 clusters. Cluster actors increasingly recognize business opportunities and take collective action, slowly drifting away from passivity and donor dependency.

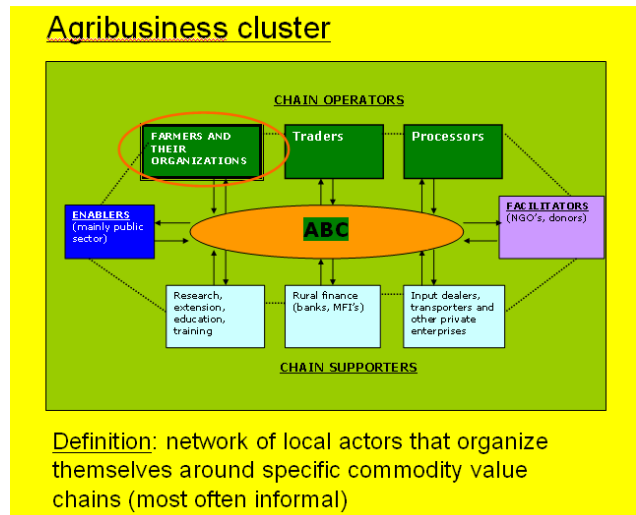
The approach has created an important sense of ownership within farmers' organizations at different levels. Agribusiness cluster formation and development is a learning by doing process. Local entrepreneurs involved in AB clusters regularly affirmed that it is "their program". The following quote from a Malian farmer (Koutiala, July 19<sup>th</sup> 2010), using a Bambara proverb, typifies the facilitating role of business service providers in agribusiness cluster development:

*Bologòni tè dòlòmin, nka, a bèse ka dòlò sòrò yòrò djina*  
 (A finger does not drink beer, but it can indicate where to find it)

### 3.2. Developing AgriBusiness Clusters focus

The formation of AgriBusiness Clusters (ABC) is a prominent feature in CASE. An agribusiness cluster is a (mostly informal) network of local actors that organize themselves around specific commodity value chains.

It is at local level that farmers and other entrepreneurs need to be able to access inputs and credit and need to do business (output markets). It is also at this level (f.i. districts) that farmers and their organizations see laws, policies and regulations 'at work'.



ABC development is about concrete work:

- Clear farmer-commodity-market combinations (specific value chains);
- Real stakeholders engaged in direct economic transactions;
- Direct link to creation of local income and employment ;
- Involvement of local government.

The ABCD approach focuses on local entrepreneurs that operate on specific value chains.

In value chain development, different chain operators pursue of course their own specific interests. Competition is a normal phenomenon. It is therefore important to distinguish farmer-led and firm-led agribusiness clusters:

- Farmer-led ABCs are based on farmer agency and take farmers' economic objectives as the starting point. Farmers engage with other actors and stakeholders to realize their ambitions.
- Firm-led ABCs are based on firm agency and firm's economic objectives. Firms engage with other actors and stakeholders, including – or especially - farmers to achieve their goals.

Whatever the starting point: farmers or firms, key questions and challenges are how to make entire value chains more competitive and how to arrive at farmer-inclusive chain development strategies and business models.

### 3.3. AgriBusiness Cluster Development : key steps

Based on experiences in an increasing number of African countries, the key steps for developing agribusiness clusters are found to be the following:

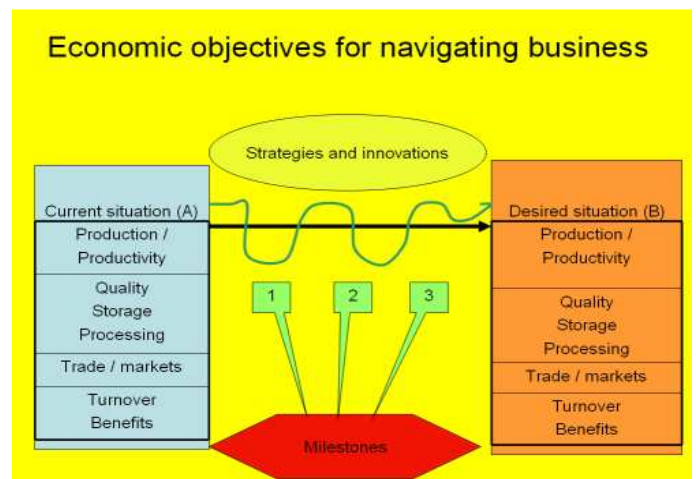
- A. Formulate clear economic objectives ('the compass')
- B. Work on concrete questions and improvements ('burning issues') and collaborating with others address them successfully ('dancing')
- C. Strengthen capacities to navigate business and competitive intelligence of local entrepreneurs ('driving the car')
- D. Propose adaptations in the policy environment and business climate, induced and supported by local experiences ('voicing pyramid')

The next page elaborates a bit more on the four steps. These steps apply for both farmer or firm-led agribusiness clusters. Facilitation and tools may however need to be adapted.

#### Pursuing clear economic objectives

Economic objectives :

- Motivate. Local entrepreneurs strive to realize concrete economic objectives
- Guide. SMARTly formulated economic objectives<sup>2</sup> are the compass for navigating the roadmap towards the desired situation. They also orient the collection and analysis of technical and commercial information.
- Push innovation. Economic objectives push technical and commercial innovations, as well as organizational and institutional innovations.



<sup>2</sup> SMART : specific, measurable, achievable, realistic, time-bound

### **Working on burning issues**

In actual field practice, the following subjects are often found to be burning issues: access to quality seed; access to fertilizer, price transparency and market information, farm management and cost-benefit analysis, storage losses, warehousing, access to credit, commercial relations and contract farming, ... All these subjects need stakeholder collaboration for finding appropriate solutions. The cluster context facilitates the establishment of these stakeholder relations and commitments. And the cluster context helps farmers to understand the interests and functions of other stakeholders (traders, processors, banks and micro-finance institutions, research and extension, local governments and NGO's / Business development services, ...).

### **Strengthening navigating business capacities and competitive intelligence**

Farmers, and rural agro-enterprises in general, need to constantly gather information to innovate and remain competitive, in order to sustain profits. They need to proactively navigate their business. "Navigating business" refers to steering an enterprise in dynamic environments. An entrepreneur needs "competitive intelligence", which is composed of market, operational, tactical and strategic intelligence<sup>3</sup>. In ABCD trajectories, capacity building can focus on the development of these 'intelligences', because entrepreneurs continuously need to collect and handle information in order to substantiate decisions for strengthening their competitive edge.

### **Adapting the policy environment and business climate**

The ABCD approach is about talking business at local level and around specific value chains. In actual real life situations, farmers, processors and traders are facing an institutional context that may be confining their activities or could be improved. Institutional change could also be very important for addressing certain burning issues. It is therefore important that field and business level experiences feed policy development and implementation. Best theory is grounded theory; best policy is grounded policy.

Farmers are organized from local to international level. Different tiers of farmers' organizations operate at different levels, which have complementary roles. The subsidiarity principle is important in this respect: higher tiers should not do what lower level can do. In the African farmers' movement, important challenges are upward representation and downward accountability. The 'connect' of different levels strongly determines (political and economic) negotiation power.

## **3.4. ABCD theory of change**

The vision behind ABCD is that agricultural development is the cumulated effect of multiple local agribusiness clusters. Sustainable agro-economic development requires a resilient farmers' movement and a thriving agribusiness private sector. This can be gradually built up when working on hundreds if not thousands of local clusters.

ABCD encourages a reversal in the traditional in thinking about agricultural development. Instead of giving prominence to government or donor program formulation, ABCD is based on the agency of local entrepreneurs. Economic objectives of farmers and firms are the starting point. It advises to concentrate on specific value chains and product-market combinations in order to keep focus. And it advises to work on concrete

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<sup>3</sup> Article 5.3. treats 'navigating business' and 'competitive intelligence' in detail.

challenges and opportunities ('burning issues') that are underscored by members of the AB cluster.

Concerning the specific issue of capacity development of farmers' organizations, the theory of change is that organization development will most importantly result from farmers' engagement in agribusiness development ventures (even though a minimum level of organizational development is needed for engaging in economic service provision and collaborating with other stakeholders). Instead of 'institutional support' to farmers organizations or training/accompanying on internal organizational issues ('constitution', 'leadership', 'financial management', the assumption is that organization development takes place as a result of economic processes and adaptations: if you want to deliver tons of your produce you should not be organized but you have to be organized.



## 4. Harnessing local business ideas and formulating economic objectives

This chapter reviews experiences with the first step of the ABCD approach: formulating clear economic ideas.

### 4.1. Experiences and lessons

To launch the Agri-Profocus initiated Agri-hub, a value chain training and kick-off meeting were organized at the end of 2008. Participants mainly come from Rwandese development organizations and farmers' organizations. Partners were invited to shortly describe their agribusiness ideas. A simple format was developed to trigger 'structured brainstorms' on agribusiness possibilities. This aim of the format was to support chain operators (farmers' organizations and processing firms) to describe their current activities and to sketch the economic objectives they want to achieve in a time span of 3-4 years. The format invited the operators make an inventory of players along and around their value chain, to present available socio-economic baseline data, to analyze market channels and opportunities, to formulate concrete economic objectives, to suggest practical activities and to highlight opportunities and constraints for putting them into practice.

The IPER coalition screened the proposals. At intake, the bottom-line was a minimum level of local ownership of the business ideas. This proved to be quite diverse. In some cases agribusiness promoters were hardly aware of the business idea, as it was written and submitted by NGO staff. Other proposals went well beyond the business idea format and presented logical frameworks and budgets. This indicated the project modalities most partners are accustomed to. In other cases, elaboration of business ideas brought different stakeholder together. By discussing challenges related to production, productivity, processing, storage and marketing they came to clear business ideas.

Out of 20 'business ideas' 15 went to second round of discussion during which more emphasis was put on the formulation of clear and realistic economic objectives. A simple one page format was suggested, allowing for a concise and SMART presentation of the agribusiness development idea (cf. figures below for the format of the one pager and an example of the economic objectives of a local maize agribusiness cluster).



## **4.2. Lessons learned and challenges**

### **Formats**

The used formats were helpful for moving away from a (donor and government) dependency mode, towards a focus on own economic ventures, responsibilities and risks. Emphasizing the need for clear economic objectives and own entrepreneurial ideas and actions (slowly) contributed to a change of attitudes. With the paramount influence of the project mode of operation, this takes however time.

With these lessons learnt in mind, it is possible to refine the formats for developing agribusiness ideas. A simple, yet sufficiently challenging format should induce: (i) basic analysis of value chains, with input sourcing and product marketing channels ; (ii) assessment of existing collaboration and coordination among chain operators, chain supporters and enablers; (iii) indication of membership base of farmer groups or cooperatives (land and cattle ownership, gender, age, ...); (iv) basic socio-economic data on production, productivity, quality storage, processing, marketing, turnover and revenues and (v) identification of market opportunities, constraints and competitors.

### **Starting point**

The IPER initiative started with partner organizations of – mainly - Dutch development organizations, most often NGO's and farmers' organizations. These are used to external financial support. There are two lessons learned with this approach: (i) It is useful when the objective is to gradually move away from traditional partner relations, in the direction of more entrepreneurial approaches; (ii) It is not useful for getting the best entrepreneurial ideas.

A more open and competitive approach would be interesting. This means that more farmers' organizations and other economic operators could be invited. Broader scoping of (incipient) economic initiatives at local level can be a good preparation. Higher tier farmers' organizations and private enterprises can be involved in these scoping exercises. They can invite local farmer groups to share their economic ideas and initiatives and play a role in identifying priorities for facilitation services.

### **Going through different phases**

Better information and scoping is important before actually moving to translation of (rough) business ideas in economic objectives. The economic objectives must be owned by the business promoters and SMARTly formulated. Only then it is possible to move to focused business activities. Only at a later stage, one may think of bankable projects for banks or grant schemes. In business plan contests and competitive grant schemes, it is often observed that many, if not most incoming proposals are too meager to be funded. It is therefore important to steadily go through different phases. For promoting sustainable (pro-poor) agribusiness development, it seems thus important to distinguish, and to go through different phases:

- (i) Clear information about the entrepreneurial approach (setting the stage)
- (ii) Identifying entrepreneurial initiatives and attitudes and identifying own initiatives (scoping) ;
- (iii) Translating business ideas in economic objectives;
- (iv) Supporting the piloting and management of business ventures ('navigating business')
- (v) Elaborating business plans to be submitted to banks or eventually competitive grant schemes.

### **Separating capacity building from fund mobilization**

The distinction of these different phases allows for separating entrepreneurial capacity strengthening from fund mobilization. Considering that many actors formulate business ideas in the format of project proposals, this is very important. In many of not most development projects, capacity development and funding are now often combined. This is hampering entrepreneurial initiatives. The challenge is to strengthen the capacities of farmers' organizations (with public funding), in order to enable them to harness funds in the real world for their entrepreneurial activities (private funding: business partners, banks). When agribusiness development activities, pursuing clear economic objectives, are established, supporting capacities for business planning is therefore an important priority.

### **Process facilitation**

Process facilitation is needed during the business idea generation phase. It would have helped if notions behind agribusiness cluster development were better explained at the start of the process and if more stakeholders, particularly private enterprises, would have been on board right from the start.

At hindsight, the following advice can be given to facilitators of the first step of the ABCD approach: (i) Know farmers and local entrepreneurs, their resource endowment and possibilities for market engagement; (ii) Critically assess farmers' organizations and local enterprises about the ownership of the business idea and motivation to pursue own objectives with own means; (iii) Pro-active identify farmers' initiatives for value chain development; (iv) Look out for signs of independently initiated activities and signs of collaboration with chain operators and chain supporters and enablers; (v) Focus on practical cases with clear farmers-product-market combinations, generally focused on specific sub-sectors/value chains and limited geographical areas and (vi) Recognize the importance of firms (private enterprises operating at bulking nodes of the value chain), these are crucially important for reliable markets, sourcing relations and hence sustainable agribusiness results.

### **Project orientation and moving beyond dependency syndrome**

The promoters of the business ideas, both farmers' organizations and processors, proved to have difficulties in identifying initiatives and activities they could undertake themselves, for moving from the current to the desired situation. There was – and is – a strong tendency to look at government and donor support for finding solutions. Formulated business ideas were generally closer to project proposals than to business development ideas. Farmers' organizations and local companies also have difficulties to imagine how collaboration with other stakeholders may help to address priority issues. The lesson is that multi-actor collaboration issues should be left for a next step: getting good ideas is the first priority.

Promoting sustainable agribusiness development is most likely to be successful when starting off with existing initiatives and real economic activities on the ground. The focus should be entrepreneurial learning processes to which chain operators voluntarily and whole-heartedly participate, not to get per diems or other advantages, but to achieve their own economic goals.

## **5. Farmer- and firm led initiatives**

*This chapter specifically stresses the importance of farmer-firm relations.*

### **5.1. Experiences and lessons**

In all AgriBusiness Clusters (ABC), value chain actors - farmers or firms - take the lead. In most cases (11/15), the ABC is being led by farmers' organizations. In four other cases, private firms take the lead. There are thus farmer-led and firm-led ABC development initiatives.

Not surprisingly, the interests of farmers and firms proved to be quite different. The farmer-led cases emphasize optimizing production, improving productivity, accessing production factors (seeds, fertilizer), accessing credit and options for post-harvest value addition (storage, processing, marketing). In the firm-led cases, the emphasis is on reliable sourcing of agricultural produce, improving the quality of sourced products and reducing handling costs.

IPER was at first preoccupied with the identification business ideas and initiatives, for which farmers' organizations or firms took the lead. Later on, the focus shifted to stakeholder collaboration. It then became increasingly clear that, whatever the starting point of the agribusiness promotion process, the economic interests of farmers and firms need to match at some point.

#### **Sourcing local maize**

In two agribusiness clusters a maize miller took the lead. Its major motivation is to raise sourcing of local maize from 20 to 80% in 3 years. Initially, the maize miller tried to convince maize cooperatives to sell all their produce the mill. Only when farmers' marketing options and channels were jointly analyzed, it became clear that roughly one third of the production could be dried and sold to maize millers. Mukamira is now piloting the establishment of contract farming relations. Early 2010, the farmers and the firm proposed to explore together how the availability of maize seeds could be improved and how investments in maize drying shelters could be realized. Even the idea of exploring warehouse receipts was raised. Research and training institutes, a commercial bank and local authorities showed interest to support the entrepreneurial activities. Unfortunately, the sourcing of maize with local cooperatives did not materialize for several reasons (cf. article 7.3 more details). Although, the firm and the farmers depend on the same markets and end consumers, the case shows that farmer-firm relations are not easy to establish.

### **5.2. Challenges ahead**

Cases of private firms (traders, processors) that seek to source with small farmers and to invest in chain embedded services, are potentially very promising, also for farmers. Private enterprises generally have capital or at least more easy access to it. And they have more entrepreneurial skills and may mobilize farmer groups with them. Furthermore, farmers and their organizations that effectively link up with private firms are likely to have a stronger position vis-à-vis banks and governmental organizations.

In firm-led business cases, better matching of firms with farmer groups is a priority. This offers possibilities to explore chain embedded technical and financial services, joint lobby

for farmers' access to inputs and credit, developing (in)formal contract farming arrangements and identifying options for farmers' collection points.

In farm-led business cases, more attention should be given to matching farmers' initiatives to lead firms (for instance maize and rice millers or potato and cassava traders). Farmers are generally eager to take up additional functions along the value chain (storage, processing, marketing), which means that they need to compete with the private sector. In many cases, especially when farmers' organizations are young and inexperienced and have limited market intelligence and managerial capacities, it is often better to establish collaborative arrangements with other chain operators.

The notion of 'lead firms at bulking nodes' need further attention. Developing distinctive approaches for farmer-led and firm-led approaches, and understanding where and how best they 'do meet' are challenges for moving beyond traditional development interventions in the agricultural sector, that now mainly targeting public sector organizations and NGO's. Working with private enterprises requires other intervention techniques.

Private enterprises do generally not have much time and interest to participate in meetings and workshops, which are preferred 'approaches' of development organizations. For sustainable agribusiness development, it is however most probably an advantage that private firms have not been too much involved in 'development projects'.

#### *Sourcing with farmers*

In the international agribusiness environment things are changing fast. Decent labour, environmental management and fair prices to producers are increasingly important. Large enterprises – triggered by consumer demand, government policies and pressure groups – are regoverning international value chains. In the cacao sector, the industry asked for instance two major questions :

- How do we accelerate the formation of effective producer groups ?
  - What are the characteristics of effective cocoa producer groups ? What can be done to accelerate the formation of effective cocoa producer groups ?
- How do we rapidly build local capacity to get producer groups qualified for certification ?
  - What local capacity is needed to help cocoa producer groups qualify for certification ? What can be done to rapidly build this local capacity ?

Local sourcing modalities, (again: firm-farmer relations!) are a key issue. These developments fit well with the RISE framework, ABCD approach and can be facilitated through the APF network.

## **6. Promoting agribusiness cluster formation and dynamics : working on burning issues**

*This chapter reviews experiences with the second step of the ABCD approach: developing competitive intelligence and working on burning issues.*

### **6.1. Experiences and lessons**

At the start of the ABCD process, promoters and facilitators regularly asserted that their ABC did not yet exist. They thought that agribusiness clusters should be formalized networks like a honey council or a maize innovation platform. The lesson is that more attention should have been given to practical examples of existing forms of stakeholder collaboration, which show that AB clusters exist, function, evolve and change when economic transactions take place. It is simple: if you find agricultural products on markets all over the country, there have been agribusiness relations and economic transactions up front !

In a context of traditional development cooperation, it appeared to be very difficult to facilitate the translation of business ideas into concrete actions. Farmers and even small and medium enterprises are used to be seen as 'beneficiaries' or 'target groups'. This has created the habit to highlight problems and then look at government, donors and NGO's to solve them. And it has created the reflex to elaborate project proposals for external funding, with concomitant traditional planning and budgeting techniques (such as LogFrame) and traditional activities (such as training sessions and workshops). In fact there was a mismatch of 'markets'. People involved in the agribusiness clusters had the reflex to operate on the 'donor market' and had difficulties to understand and to accept that IPER, as an initiative, and the Agri-hub, as a network, were not a project. The Agri-hub and IPER sought to provide capacities for AB operators to succeed on agricultural markets, whereas the latter sought to continue trying to get funds out of the donor market.

During agribusiness coaching, practical cases and examples proved to be the best way to get messages across and to explain concepts such as value chain development (VCD) and agribusiness cluster development (ABCD). Practical examples and innovative tools ('football', 'red and green cards', 'where is the money?', rich pictures and others) were also powerful to illustrate that there are often 'missing actors', that stakeholder collaboration is insufficient or that transaction risks and costs are high. The analysis of practical cases and examples made it also easier for ABC promoters to identify practical topics they address. We called these topics 'burning issues'. It generally took only a short while to get the issues on the table (in 20% of the time you have 80% of the content).

Inducing entrepreneurial attitudes requires quick wins. Chain operators and chain supporters are often ready to collaborate around a subject of specific interest ('burning issue'). This is exemplified by success stories in Rwanda that do exist: production of millions of cassava cuttings to fight mosaic virus, rice intensification program, washed potatoes successfully packaged and marketed in Kigali. In the coaching of agribusiness clusters, efforts were therefore focused on these burning issues. This led to the creation of functional relations between different actors and created further entrepreneurial dynamics. The box below provides some practical examples. The agribusiness clusters are identified by the product/value chain and the geographical area.



### **Burning issues addressed in agribusiness clusters**

Cassava-Mayaga : Quality of cassava chips and flour and respect of food safety and hygiene standards. This led to getting mark certificate from RBS and the identification of new packaging materials from Uganda suitable for export.

Cassava- Ruhango: Difficulties to get loans for agriculture. The ABC is in the process of getting support from Terrafina Mf on refunding the credit to be issued by CLECAM Ejoheza.

Cassava- Rusizi: Quality of flour. The farmers made a field trip to Kamonyi to learn how to ensure quality in flour processing. A large farmer cooperative from Rusizi (COOPAPEF) is now in the process of setting up a cassava processing unit in the area.

Honey Virunga and Gishwati (2 ABCs): quality and quantity of honey. They visited more performing bee keepers from Uganda and learnt how to increase the produce and have better quality. RBS issued quality certificate to Virunga and Gishwati is in the process of getting it. Moreover, Gishwati faced marketing problems, it is now finalized its marketing plan. Both clusters are in the process of setting up a management information system to be able to access bank loans.

Rice Kamonyi: Market access and high transport costs to get the paddy rice processed. Through partnerships the problem of packaging was solved. Partnership with other stakeholders led to the proposal for local rice processing, sourcing rice from Mukunguri and other neighboring areas. The shareholders of the new company are the members of the ABC Rice (farmers, input suppliers, traders) and the facilitator. Farmers will own the majority of the shares.

Irish potato- Northern Province. Producers were cheated by traders with fake balances. In collaboration with RBS, they have now trained farmer cooperatives involved in the chain on how to use calibrated balances. The district has played an important role in getting this done as well.

## **6.2. Moving beyond dependency**

Years of government and donor dependency have created a culture of external assistance and supply-driven services. People wait for solutions and ideas to come from the outside. The reflex to follow the classical project approach pulls attention away from the core economic activities, motifs and objectives of rural entrepreneurs. Changing this reflex is not easy. We frequently got the following feedback from agribusiness promoters and facilitators: "Why should farmers take a loan when they can get free or subsidized contributions ?" "Why should we as facilitators have contracts with local clients, when we can implement (donor-funded) projects ?" Moving away from this reality will take time.

The Rwandan context is however favorable for more business-like approaches. The Government of Rwanda explicitly seeks to diminish donor dependency. Traditional development projects are increasingly under fire. The Government perspective, which also stresses finding Rwandan solutions to Rwandan challenges, is increasingly echoed and supported at decentralized levels. There are therefore opportunities to change the culture of donor dependency.

Further development of focused and business-oriented planning at cluster level is a promising pathway. This requires facilitation techniques that move beyond traditional steering and implementation modalities such as project funding, workshops and training sessions, which maintain the donor and government dependency syndrome and hamper market system development. The challenge is to talk business: take some few issues and focus on joint action.

Agribusiness cluster planning does not necessarily require long meetings and can quickly result in action-oriented commitments of cluster actors, when the following guidelines are followed:

- (i) Use economic objectives as a compass (OK, you want to go from 2 to 4 tons per hectare; or : you want to have a well dried product of high quality; what is the road to that objective ? what must be done ?) ;
- (ii) Concentrate on 'burning issues'. This can be the issue of seed potatoes, the management of small cassava processing units, or maize storage. Instead of reviewing what should be done and coming up with wish lists, ABC members discuss and decide what can be done.
- (iii) Focus on specific interfaces that are particularly important for addressing the issue. This could be the relation of farmers and banks, the uptake certain question by research, the relation between processors and the Bureau of Standards). Bringing together the actors that matter gives a better chance of follow-up

Once burning issues are being addressed, other come to the fore. Working on burning issues is therefore a stepping stone for further business development.

## 7. Capacity building for navigating agribusiness

*This chapter reviews experiences with the third step of the ABCD approach: developing competitive intelligence and capacity to navigate business<sup>4</sup>.*

### **7.1. Supporting the entrepreneurial outlook of agribusiness cluster promoters**

During 2009 and 2010, cluster promoters (farmers organizations and firms) participated in different training sessions. Especially in 2009, the challenge was the transfer to the entrepreneurial way of working (clusters, market relations, economic objectives, ...). Local facilitators, with whom agribusiness cluster promoters generally already had a working relation, provided hands-on support. Instead of facilitating agribusiness actors, they often took over tasks (like formulating the economic objectives of the entrepreneurs). As from the end of 2009, the so-called IPER innovation team (IFCD, ICCO, SNV, KIT and WUR-CDI) conducted coaching missions to the AB clusters. Gradually the clusters evolved. It was in 2010 that the approach to focus on clear economic objectives and 'burning issues' landed. By the end of 2010, during the annual APF-IPER meeting, business cluster leaders claimed that training and coaching had supported them to become more entrepreneurial.

In 2011, a particularly interesting experience was a training on the central question: 'how to become an entrepreneur on a value chain'. Different members of the Agri-hub network (IFDC, SPARK, SNV and IPER coordination) ensured this training<sup>5</sup>. It proved to be a very participatory event. Some 30 ABC promoters attended and contributed a lot. Learning from each other was important: 'What do you do in your ABC? The sharing of experiences was down to earth and therefore very important. Promoters went home with practical plans for the development of their value chains.

The training was thus a success. Lessons learnt:

- Concepts on navigating business and value chain development need to be translated into practical actions plans to solve burning issues facing the businesses. Working on these action plans – or other practical subjects - is an important element of training sessions.
- New market segments and new products were developed by the promoters themselves. Being together and challenged encourages thinking out of the box.
- If you want to promote farmer entrepreneurship, practical capacity building is key and contribute to the gradual change of attitudes and behavior towards entrepreneurship.

In addition to building up the capacity of local service providers, it is also a challenge to promote capacity building within and among agribusiness clusters. At cluster level, farmers can learn from bankers and vice versa. Processors and traders can inform about market demand and requirements. Local researchers and extensionists can involve farmers in field trials and demonstration plots (etc.). Learning at the level of local ABC's

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<sup>4</sup> Article 5.3 concentrates on this subject; it explains backgrounds, explains concepts and provides examples.

<sup>5</sup> NB: the agri-hub is a platform and an initiative to collaborate, it not a traditional project. The network thrives by the contributions of its members

should of course be adapted to different learning styles, group/cluster dynamics and the availability of participants. And modalities for involving actors who are generally not inclined to participate in workshops – think of input dealers, traders, bank managers and mayors – should be developed. Focusing on practical issues is important for that purpose.

As of recent, different exchange visits between agribusiness clusters have taken place. This also falls in the category : 'agribusiness promoters learn from each other'. A practical example is the visit of maize and cassava agribusiness clusters to the Mukunguli-rice cluster in the Southern Province that already has practical experience with an innovative warehouse receipt system (cf. Bayer 2009 and article 6.3).

## **7.2. Agribusiness management and project management**

At different occasions, ideas for moving away from project PBME to entrepreneurial PBME were shared within the Agri-hub. This concerns both agribusiness promoters and the external facilitators. Efforts were made to mark the difference between project management and agribusiness management. It was discussed that :

- The primary motif of a project planning, budgeting, monitoring and evaluation system (PBME) is to be accountable to the external fund provider (Government, donors). It must show how external funds were used and how project activities contributed to the project output, outcome and impact as stated in the project document. Projects typically use LogFrames, have upward accountability relations and related multiple reporting obligations.
- The primary motif of business management is to handle information so that that own funds (or bank loans) fructify best : higher production and productivity, lower costs, better quality, new markets and ultimately: higher turnover and more profit. Entrepreneurs investing in business planning, budgeting, monitoring and evaluation ('entrepreneurial PBME') account for themselves the costs and benefits obtained and monitor whether they are on the right track in achieving business goals.

To mark the difference, entrepreneurial management was baptized in 2010 as 'navigating business' ('*pilotage entrepreneurial*' in French). This landed quite well. Over time, the members of the Agri-hub network are increasingly realizing themselves that agribusiness management and project management are indeed very different.

One of the key elements of 'navigating business' is monitoring and evaluating if and how business objectives are achieved. For this purpose, a simple format for structuring and comparing basic indicators was used (cf. figure on maize cluster objectives in chapter 4). Most of these indicators were already mentioned in the agri-business development ideas, while others were added during the process.

Based on action research on how farmers and cooperatives collect and use information (cf. for instance article 5.2), it is foreseen to further develop the concept of entrepreneurial PBME. A key challenge is accompanying smart collection and use of economic data and indicators, and use it as input for enhancing entrepreneurial attitudes, skills, internal procedures and external relations. Tools like production cost assessment, cost-benefit analysis, return on investment, which may be combined in toolboxes for farm enterprises or for cooperative enterprises, are crucial. In West Africa, the toolbox '*conseil de gestion pour exploitation agricole familiale*' (management advice for family farms) is for instance well developed and used, and may be adapted to the Rwandan context.

## **8. Professionalizing local facilitators to become agribusiness coaches**

*This chapter shares experiences and lessons in relation to the training and coaching of local development professionals. It highlights the importance of having professional agribusiness coaches that are able to facilitate agribusiness cluster development processes.*

### **8.1. Experiences and lessons**

Because of the large number of organizations partnering in the Agri-hub, the group of ABCD facilitators is a representative sample of local service providers in Rwanda. The Rwanda Cooperative Agency (RCA), when assessing local organizations that could professionally support cooperative management and entrepreneurship, reportedly shortlisted 10 organizations, of which six are participating in the IPER initiative.

The IPER initiative is contributing to the exchange of experiences among local service providers (staff of national and international NGO's, farmers' organizations and private companies). Agri-hub innovation team members invested in the elaboration of practical modules, conducted coaching missions, shared documentation and introduced participatory tools for facilitating multi-stakeholder processes. Some non-conventional methods (games, metaphors, ...) were introduced and highly appreciated. These inputs are relevant for facilitators and their organizations.

In 2010, a agribusiness coach training trajectory was started. Because of collaboration with IFDC-Catalyst, which operates in Rwanda, Burundi and the DRC, facilitators of 55 agribusiness clusters were eligible. The training trajectory has four major innovations: (i) voluntary participation; (ii) co-sharing of training costs; (iii) assignments before and after training sessions ('sandwich') and (iv) practical application and field level coaching. The experiences are so far very interesting

- Out of the eligible candidates, only half were allowed to participate in the first session. Those who did not show interest or did not make the assignment on time were excluded. For the second session, the number went further down to 12. This proved to be group of most motivated facilitators.
- This 'stabilized' group intensively communicates among themselves, also before and after the training meetings. Some of the members of this core group are now training other facilitators.
- Some non-governmental development organizations show keen interest to make the change from a donor-oriented NGO to an agribusiness oriented service provider and are ready to cost share. There are signs that this 'investment' is paying: some organizations informed that they are getting new and more assignments.

In 2011, among the group of agribusiness facilitators, 15 have described and analyzed their experiences. The write-up of these experiences was facilitated through a 'writeshop', which resulted in draft articles. These will be brought together in a booklet.

## **8.2. Perspectives and challenges**

Rwandan policies are agribusiness oriented. The Strategic Plan for Agricultural Transformation (SPAT) explicitly has pillars for agribusiness development and farmer professionalization. The Government of Rwanda and the Private Sector Federation promote business service centers, also at District level. RCA is organizing professional support to cooperatives. This is likely to lead to an increased demand for professional (agri)business service providers.

The establishment of an experienced and acknowledged network of agribusiness development services is a major challenge. Different contributions can 'feed' this network. A first identified need is bringing together and developing a set of practical modules that relate to 'burning issues' that are identified at the level of agribusiness clusters. These issues include among others : matching farmers to financial institutions in order to improve access to credit, warehouse receipt systems, seed multiplication, economic services farmers' organizations can provide to members, farmer-firm relations and contract farming arrangements, quality, traceability and food safety, social inclusion and gender in value chains, etc. A second identified need is the further development of a toolbox for facilitating multi-stakeholder processes and the sharing competencies and experiences among facilitators. Examples are capacities in the areas of business planning, cooperative training and collective marketing.



## 9. Altering funding modalities and accountability relations

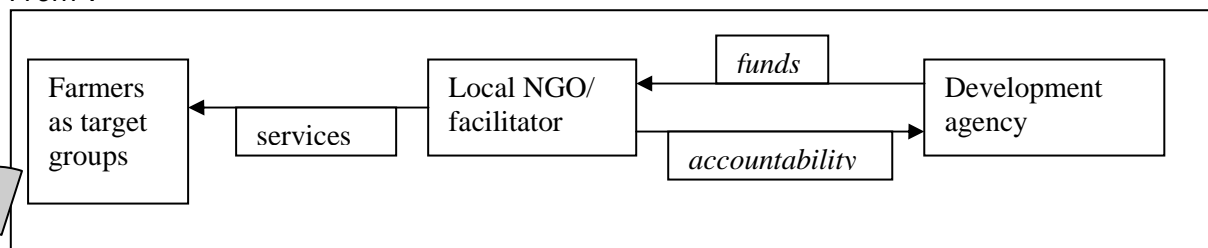
This chapter discusses the need to change funding mechanisms in order to induce client-oriented service delivery systems. It informs about the experiences and lessons learned with a small basket funding modality.

### 9.1. Experiences and lessons

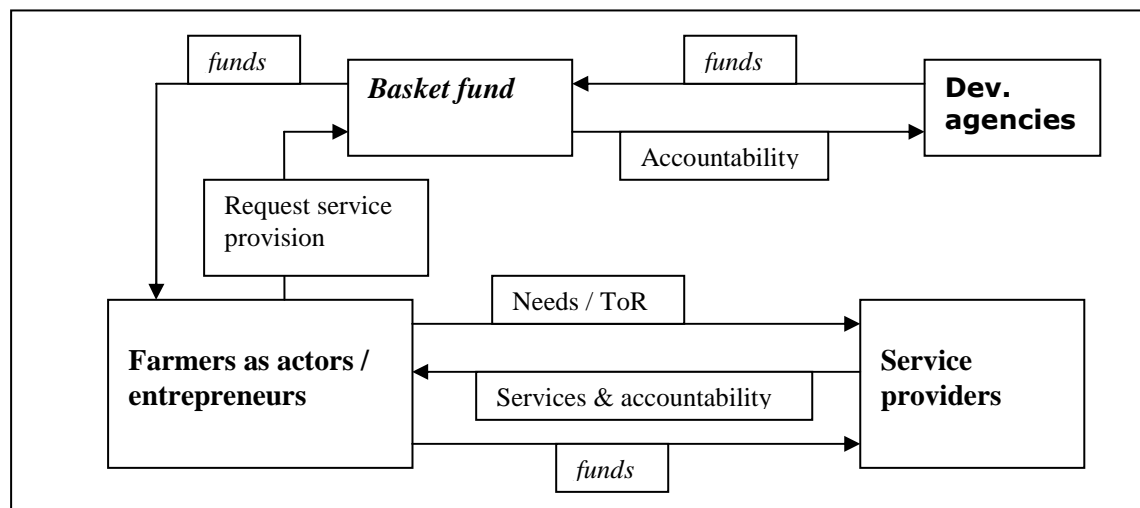
Advisory services are generally free of charge. They are provided by Government or projects. The role of service receivers is passive. They are perceived as beneficiaries and target group. Because they do not pay for the services, their leverage on the content and quality of service is very limited. And because funds come from donors, service providers have a strong upward accountability perspective to their fund providers. Because of all these reasons, the level of client-orientation is weak. To make it even worse, it must be added that the provision of services is very scattered, service providers have their own donors, niche and target groups.

Within the Agri-hub, the issues of funding modalities, client-orientation and lack of coordination and synergy were put on the table and raised a lot of debate. Ultimately, it led to some agreement to try to reverse the upward accountability to donors into downward accountability to clients. It was established that this requires the establishment of funding modalities that induce client-responsive service provision. In practical terms, APF members agreed to pilot a basket funding modality, with the aim to establish more client-responsive mechanisms. The figure below shows the envisaged change. It was decided to be prudent with direct transfer of funds to ABC promoters.

From :



To :



The introduction of the basket fund mechanism went through the following steps: (i) information of value chain operators, e.g. farmers' organizations and firm, about the facility and the conditions under which they could draw upon it; (ii) formulation of facilitation needs submitted to the basket fund management ; (iii) examination of service provision requests; (iv) further elaboration of Terms of Reference and identification of service providers; (v) service delivery to clients; (v) clients indicate satisfaction (or not) and indirectly pay service providers through the basket fund.

The basket fund mechanism has been tested in 2010 and 2011. The box below provides more information on the experiences and lessons learnt. These lessons are valuable for other basket funding initiatives or local capacity building facilities.

### **Experiences and lessons learned with the basket fund**

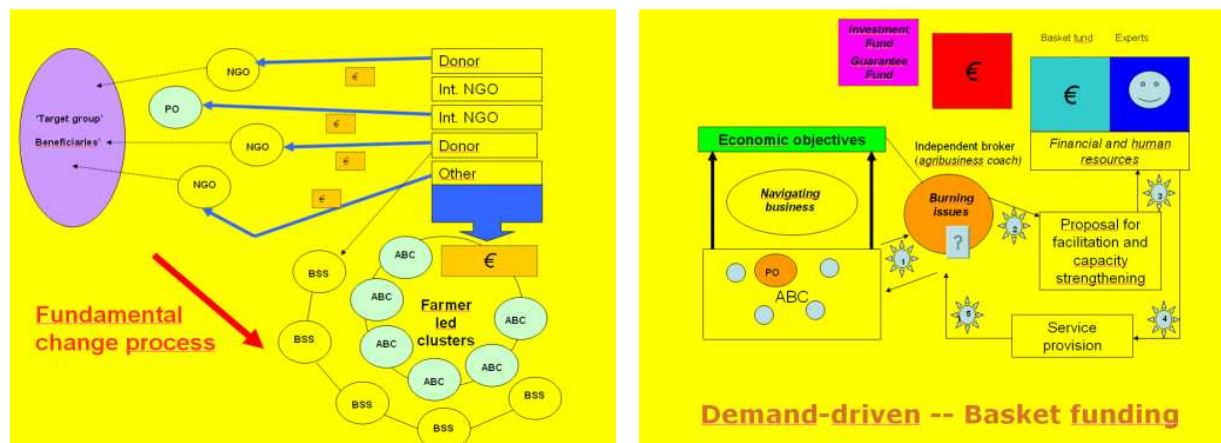
There are five major lessons :

- Focus on burning issues and ownership. At first, agri business promoters were not fully involved. NGOs were dominating and there was a weak link to burning issues. Later, there was an improvement in defining economic objectives and a better focus on burning issues with more innovative solutions.
- Understanding the mechanism. At first, people asked themselves why? Agribusiness cluster promoters specifically asked: 'Why not share the funds of the basket to the AB clusters? And local facilitators asked: 'Why not bring the money directly to the NGO's or farmers' organizations that are already supporting the cluster? The lesson learnt is that you need a good explanation to get a better understanding and more involvement of cluster promoters and facilitators.
- Own contribution and financial management. Agribusiness clusters were requested to contribute 10% of the costs of the services provided. At the beginning, they were reluctant to pay. As some good results were obtained - which pay off - the level of acceptance is increasing. Transparency of costs should however still be improved. This is also the responsibility of the basket fund management. At cluster level, it is observable that the level of cost specification as well as the indication of the costs that are taken care of by the cluster, are improving. Financial realism, management and transparency vary however a lot from one cluster to another.
- Participation in activities facilitated by the basket fund. AB promoters (the leads) are generally well presented. Other members of the cluster, for instance IMFs and traders, are also however also involved, depending of course on the subject ('burning issue') at hand.
- Basket fund management committee. Initially, members of this committee were from outside. Later facilitators, closer to the cluster dynamics, were included. They proved to be more efficient. With procedures better established and to reduce transaction costs, the number decreased from 5 to 3 members.

## **9.2. Perspectives and challenges**

There is receptivity, both in the political environment and among cluster actors and NGO's, that - ultimately - clients should pay for quality services. Cooperatives and firms involved in the ABC's stress that this must be a gradual process. Further development of basket funding mechanisms is necessary. First lessons are sufficiently conclusive to suggest outscaling. This would lead to the following situation:

- Pooling of resources in basket fund, instead of multiple funding channels with high overhead costs and subsequent dispersion of advisory services
- Target groups and beneficiaries 'become' actors in agribusiness clusters. Instead of a primary focus on service providers, the focus shifts to the economic objectives of value chain operators and agribusiness clusters.
- The actors of the AB cluster, focusing on clear economic objectives and identifying burning issues, indicate the need for specific advisory support to address these burning issues and communicate this to the basket fund management.
- After screening, selected service providers work on the assignment of the AB cluster and, upon satisfactory deliverables, they are paid by the basket fund.



The provision of advisory services in a client-oriented manner would be an improvement. It is realized that this is however not enough. Agribusiness promoters also need investment funds. Facilitation services should therefore support economic operators in accessing bank loans, government facilities, competitive grant funds and other sources of funding. Agribusiness development services should therefore strongly support business planning capacities.

External financial support ('cold money') generally is a pre-emptive strike on rural entrepreneurship. It has a distorting effect on markets. Moving beyond traditional project approaches therefore require further exploration of innovative ways of organizing public support for agricultural development in Africa. In addition, to basket funds and supporting bank loan applications, options may – among others - be the following : Warehouse receipt systems; Innovative collaterals; Leasing; Temporary testing of machinery and tools; Guarantee funds; Rural Investment facilities; Shares and joint ventures; Smart subsidies, ....

## **10. Principles for innovating agricultural development cooperation : experiences and lessons from Rwanda**

International support for agricultural development in Africa is likely to increase in the coming years. It is also likely that it will decrease afterwards (bank crisis, questioning of effectiveness of development aid). It is therefore likely that we are entering a crucial transition phase, during which the still available donor funds should be used as best as possible to create sustainable agribusiness models. It is in this context that the APF, Agrihub and IPER initiative are situated and exploring pathways for innovating agricultural development cooperation in Africa

Referring to experiences in Rwanda, this article addressed issues related to the question whether and how external interventions can support economic initiatives of local entrepreneurs and contribute to resilient agribusiness clusters. The experiences, lessons learned and identified perspectives and challenges suggest the following principles :

1. Collaboration and synergy among development organizations requires agreement on basic assumptions, common frameworks and operational approaches. The RISE framework and the operational ABCD approach, presented in chapters 2 and 3, may have such an integrative capacity. Once there is sufficient agreement on the common vision, goals and working modalities, development agencies can pool resources and sharpen their professional profile, which is important for improving the synergy of interventions.
2. External interventions should be temporary, focus on building entrepreneurial capacities of agribusiness actors, without buying participation, distorting markets or taking up functions in the market system. Both development agencies and local actors should be willing to question current intervention modalities and look for alternatives.
3. Agribusiness development processes should start off with local economic initiatives that need to be pro-actively identified. More emphasis should be given to scoping and harnessing local business ideas and initiatives. Expecting that local inexperienced entrepreneurs can immediately come up with fundable business plans is not realistic.
4. Based on the recognition that the agricultural sector is a predominantly private sector, farmer- or firm-led initiatives are most promising, especially if it leads to improved farmer-firm relations and more economic transactions. It is around bulking nodes on value chains (collection points, processing units, wholesalers, ...) that agribusiness cluster dynamics are most likely to be created.
5. Inducing entrepreneurial attitudes requires quick wins. Within agribusiness clusters, chain operators and supporters are most likely to cooperate around burning issues. Iterative, focused and business-oriented planning, budgeting, monitoring and evaluation is a promising pathway (which is fundamentally different from 'traditional' project PBME).

6. Innovative funding mechanisms that alter accountability relations are necessary to induce client-oriented cluster facilitation and business development services that accompany the clients / actors involved in agribusiness cluster and value chain development. Although it is easier to have many isolated projects and different disbursement channels, a coalition of development organizations can gradually build solid and more coherent programs that support local agribusiness initiatives. These programs could include funding mechanisms that contribute to gradual build-up of better functioning market systems (agricultural guarantee funds, smart subsidies on inputs, competitive agricultural research funds, agricultural insurance systems, ...).

We think that - beyond the boundaries of Rwanda - these principles for unleashing rural entrepreneurship and promoting agribusiness cluster development are relevant for implementing the agriculture-4-development agenda and for reconfiguring the international 'aid architecture'. The collaborative agribusiness approach of the IPER-APF coalition indicates that external interventions can be leaner, smarter, less distortive and more sustainable. When the motivation of governments, donors and facilitators is to accompany local entrepreneurs to be more successful in their business, the experiences in Rwanda also suggest that development support may improve the self-respect of all parties involved.

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## **Annex 1 : Sketching the context of the Initiative for promoting rural entrepreneurship in Rwanda**

### **International agricultural development policies**

Our experiences in Rwanda are situated in an international agricultural development policy context that we summarize in three points:

1. *Agriculture-4-Development agenda*. Having been rather neglected for more than two decades, international support to African agricultural development is on the rise and will significantly increase in the coming years. Major policy priorities include : value chain development, market access for the poor, agricultural research and innovation, agricultural intensification and productivity improvement, land and water management, adaptation to climate change, multi-stakeholder collaboration and institutional development supporting sustainable market systems. Since 2003, African institutions, particularly the African Union (UA) and its New Partnership for Africa's Development (NEPAD) have taken up the challenges through the development and implementation of the Comprehensive Africa Agriculture Development Programme (CAADP).<sup>6</sup>
2. *Farmer Agency*. It is increasingly recognized that small farmers, who make up the majority of African farmers, and their organizations are development actors and business partners. Compared to previous international policy orientations, which generally depicted farmers as target groups or beneficiaries or at its best as 'implementers', is an important new development.
3. *Donor Coordination and Synergy*. The Paris declaration on aid effectiveness (March 2005) and the Accra Agenda for Action (September 2005) stress the need for more effective partnerships for development, country ownership over development processes, improved coordination and synergy among development organizations and result-oriented management.

The level of international consensus on the importance of "agriculture-4-development" and the need for improved aid effectiveness and synergy of external interventions is remarkably high. Another important point of international consensus is the broad recognition that there are no silver bullets for promoting pro-poor agricultural development. The international development community clearly struggles to practically address agricultural development challenges. The consensual view that there are 'no silver bullets' is however an important recognition that agricultural development support must be tailored to regional, national and local realities. It also recognizes that the complex agricultural sector requires interventions at different levels and in different subject areas.

African agricultural development definitely finds itself at the crossroads. Although the destination is more or less defined (pro-poor agricultural growth), and the roadmap is roughly sketched (market-driven development, farmer agency, enabling role for the public sector), there is still much need for exploring new itineraries to practically address agricultural development challenges.

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<sup>6</sup> See <http://www.nepad-caadp.net> [accessed 7 January 2010].

## Rwanda's agricultural development context

Rwanda is a densely populated land-locked country in Central Africa that is member of the East African Community. The Government of Rwanda (GoR) pursues the goal of lifting Rwanda up to the level of a middle-income country. The 'Vision 2020' and Economic Poverty Reduction Strategy Paper (E-PRSP) guide all sector policies. Rwanda's agricultural policies largely reflect the international agriculture-4-development agenda. Rwanda was the first country to commit itself to CAADP.<sup>7</sup> Rwanda's agricultural development policy orientations and implementation modalities are summarized in box 1.

### Sketch of agricultural development context in Rwanda

Since 2005, Strategic Plans for Agricultural transformation (SPAT I and II) guide government interventions in the agricultural sector., which are implemented through central agencies and local authorities (districts and sectors). The main pillars of SPAT are sustainable production and natural resource management, farmer professionalization, agribusiness promotion and institutional development. Agricultural policies strongly encourage specialization and value chain development. The land consolidation policy induces small farmers to pool land resources and subsequently specialize on a priority crop on the larger plots that are thus created. Farmer groups are encouraged to establish commodity-oriented cooperatives. In the past few years, the Rwandan government has kick-started the cooperative movement. Organized farmers are more likely to get government support, for instance in the context of the crop intensification program, which facilitates access to subsidized fertilizer, seeds and technical advice.

In recent years, Rwanda has taken many measures to improve the business and investment climate, as witnessed by the relatively high rank on the Ease of Doing Business Index. The Ministry of Finance and Economic Planning and the National Bank of Rwanda have restructured the financial sector. MFI's and SACCO's must comply with increasingly higher professional standards. The Rwanda Bureau of Standards is instrumental in raising quality management in the agrifood sector. The pro-active government role and the pervasive performance contract system are leading to rapid institutional change and high policy implementation rates. There are however risks that government officials are most concerned with the targets they must achieve, at the expense of the quality of work. The mushrooming of new cooperatives is a case in point.

High population density, small farm plots, subsistence-orientation of rural households, mountainous and vulnerable environments characterize Rwanda's agricultural sector. Ambitious targets, strong central coordination and performance-orientation distinguish Rwanda's policy environment from other African countries. External interventions should of course be adapted to national processes and particularities.

### Agri-ProFocus network

Agri-ProFocus (APF) is a partnership of Dutch organizations that are active in the agricultural development sector. Agri-ProFocus is a network organization : it essentially promotes effective collaboration between Dutch member organizations and their partners. APF members include donor agencies, organizations involved in rural finance, companies active in the agrifood sector and training and knowledge institutions (for more information: [www.agri-profocus.nl](http://www.agri-profocus.nl) ). APF members share the vision that strong AGRICultural producer organizations in developing countries are key to economic development and poverty reduction. Coordinated action of APF members aims at providing coherent and demand-driven support to producer organizations and their business partners. The goal of the partnership is PROMoting farmer entrepreneurship

<sup>7</sup> See <http://www.nepad-caadp.net/national-rountables.php> [accessed 7 January 2010].

through cooperation, exchange and learning. The FOCUS is on farmers' challenges: sustainable agricultural production, improved productivity, food and nutrition security, access to inputs, credit and agricultural services, collective processing and marketing, product and market development. Social inclusion and gender, farmers' collaboration with private enterprises (both upstream and downstream production) and farmers' involvement in policy development and implementation are cross-cutting issues.

As from 2009, after having established their network organization, APF members decided to give their partnership a more practical focus in Kenya, Uganda, Mozambique, Zambia, Ethiopia, Niger and Rwanda. In each of these 7 focus countries, at least 5 to 10 APF members operate in the agricultural sector. With the aim to explore innovative collaborative arrangements, the objectives of the APF country focus program are : (i) to improve the coordination, harmonization and complementarities of existing efforts (ii) to develop new joint activities that are demand-driven and for which promoting 'agricultural entrepreneurship' is the common denominator and (iii) to link operational country programs to learning and innovation within the network and vice versa (policy and practice interface). APF has elaborated an operational strategy for the country focus program (APF 2009).

The actual shape of the APF initiatives varies from one country to another. They share, however, the following general characteristics: focus on catalyzing agricultural entrepreneurship, central role for producer organizations and involvement of public and private sector.

### **IPER: a coalition of development agencies exploring innovative arrangements for promoting rural entrepreneurship in Rwanda**

In Rwanda, the first efforts to arrive at more synergy started off with initiatives of three APF members (Agriterra, ICCO and Terrafina), which were keen to improve links between the demand and supply side of financial services. This required moving beyond organizational capacity building of producers' organizations (Agriterra), financial institutions (Terrafina) or local NGO's (ICCO). The three organizations agreed that the development of interfaces and transactions between borrowers (farmers) and lenders (MFI's and SACCO's) was needed and that donor-oriented local NGO's would need to evolve into business development service providers. The three APF members quite smoothly agreed that 'rural entrepreneurship' would be an appropriate common denominator for their inter-related activities. By the end of 2008, the same denominator depicted the common ground of a broader coalition of some 10 organizations operating in Rwanda, who started the Initiative for the Promotion of Rural Entrepreneurship (*Initiative pour la Promotion de l'Entrepreneuriat Rural*; IPER).

The IPER process started with a value chain training and a kick-off meeting in November 2008, which gathered APF members and their Rwandese partners. The two events led to the following results: (i) value chain maps for major commodities partner organizations are most involved in; (ii) identification of 'missing actors' (players in agricultural development arena with whom APF members and partners do not traditionally collaborate with); (iii) elaboration of an affiliation matrix defining and visualizing the roles and tasks among APF members (coordination, focal points for commodities and cross-cutting issues); (iv) establishment of a team responsible for process facilitation, mainly through regular organization of workshops and coaching missions; (v) elaboration

of a simple format for describing economic initiatives and (vi) launch of a demand-driven process for the identification of agribusiness clusters and facilitators. In the first semester of 2009 15 agribusiness clusters were identified (cf. chapter 4), draft Terms of Reference for local facilitators were elaborated and a Country Program Collaboration Agreement was drafted. These 'virtual' clusters were all based on existing initiatives of linking producers to markets. A participatory workshop in June 2009 launched the actual AgriBusiness Cluster Development (ABCD) trajectories. The 15 agribusiness clusters operate around different value chains (rice, maize, potatoes, wheat, cassava and honey) in different parts of the country. More than 200 cooperatives are involved, representing around 30,000 farmers of which an estimated 30-40% are female. Although the composition of the local agribusiness clusters vary, they are typically made up of different stakeholders: farmers' organizations, traders and processors, input dealers, banks and MFI's, seed suppliers, local authorities, research and training institutes and other actors. It is around these agribusiness clusters that the coalition seeks to improve the coherence and synergy of their services. Many of these stakeholders already had partnership relations with APF members operating in Rwanda.