AGRIBUSINESS INNOVATION PROGRAM
Catalyzing Inclusive Growth through Acceleration of Pioneering Enterprises

THE WORLD BANK
infoDev
Agribusiness
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1. INTRODUCTION

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

These examples illustrate the absence of a competitive agro-processing sector in many developing countries that have a comparative advantage in agriculture. An underdeveloped agro-processing industry is a significant missed opportunity to create sustainable jobs and incomes, because each additional job in agro-processing creates 2.8 jobs extra jobs in the wider economy, each agro-processor purchases from numerous small-holder farmers, and small-holders often lose 50 percent of their harvest from seasonal gluts.

Domestic demand for ready-to-consume food products is on the increase in most low income countries because of rapid urbanization and a rising middle class. International supermarkets are also rapidly expanding into these markets. Moreover, high-income consumers increasingly prefer organic, natural ingredients in everything ranging from food to cosmetics—this trend shows no signs of reversing any time soon. Overall, the market for value-added agribusiness products is on the rise.

How can low-income countries that have a comparative advantage in agriculture seize this opportunity for the benefit of their local economies?

InfoDev’s Agribusiness Innovation Program (AIP) seeks to catalyze inclusive growth by accelerating the growth of pioneering agribusinesses. Its focus is to 1) develop and test new approaches to connecting innovative, growth oriented entrepreneurs to the knowledge, markets, networks and capital needed to advance their enterprises; 2) build local capacity and enable public-private partnerships to deliver these approaches, and 3) deliver solid methodologies to the development community for planning, supporting, monitoring and evaluating initiatives that advance the growth of innovative agribusiness enterprises through provision of financial and non-financial services.

This publication discusses the rationale for the AIP, the AIP program components, and the expected outcomes and impacts of the program. It also outlines the concrete deliverables expected during Phase 1 of the program, and the budget required to implement it. The AIP has relevance across Africa, Asia, Latin America, and the Caribbean—basically in any country with a comparative advantage in agriculture. InfoDev will focus on Africa first (hence examples used in this document primarily reference Africa), contributing to the delivery of the World Bank’s agribusiness strategy in Africa, and providing inputs to the Comprehensive Africa Agriculture Development Program (CAADP) and the African Agribusiness and Agro-Industries Development Initiative (3ADI). InfoDev invites public and private sector partners to join us in rolling out this new and exciting program.
2. PROGRAM RATIONALE: Why agro-processing?

AGRO-PROCESSING IS A NECESSARY PART OF THE AGRICULTURAL VALUE CHAIN

Just as a blocked water pipe retards the forward flow of water and applies pressure backwards in the pipe, the absence of agro-processing in agricultural value chains retards the flow of value in the agricultural economy.

Local produce is sold with limited value addition and retailers stock imported processed products because local processing is either absent or sub-par. Supply side limitations also exist as rational farmers tend to produce what they believe they can sell and may have no incentive to increase production without added demand from the agro-processing sector.

AGRO-PROCESSING PROMOTES JOB CREATION AND INCLUSIVE GROWTH

Nonfarm industries, such as trading, transport, and agro-processing, “contribute at least as much as growth in agriculture toward reducing poverty” because the investment in agro-processing produces a significant multiplier effect along the supply chain. The investment generates demand for packaging, transportation, and agricultural products, which in turn generates demand for associated agricultural inputs (such as fertilizer, seeds, pesticides, farm equipment, and so on). In turn, this creates employment along the entire value chain, both on and off the farm. Research indicates that for every job created in processing, an additional 2.8 jobs are created in the economy.

AGRO-PROCESSING REDUCES POST-HARVEST LOSSES

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

AGRO-PROCESSING OFFERS NEW MARKET OPPORTUNITIES

While most people think of food products when they hear “agro-processing,” other products derived from agricultural raw materials include cosmetics, leather, medicines, textiles, fuel, industrial additives, and more. All of these present growing market opportunities. The food and beverage industry alone is estimated to grow to over $7.1 trillion by 2014.

Replacing Imports with Locally-made Products

Today, developing countries consume 58 percent of processed food. By 2050, this is expected to climb to 72 percent, which is driven primarily by a rising middle class and rapid urbanization.

Much of the current processed food consumed in these countries is imported, but as local markets expand and become more concentrated, opportunities will expand for local producers to capture market share.

Opportunities for export exist at the regional level, where markets represent a sizable and important opportunity, and may offer fewer barriers to entry and similar consumer preferences.

ENTERING NICHE PRODUCT MARKETS

Zena Exotic Fruits of West Africa became the first Senegalese jam producer to export “niche” products, such as cashew apple butter and baobab jam, to markets in the United States, Europe, and Japan. Their mission, high quality processing, network contacts, and a unique range made them successful.

COCONUT WATER A NEW NICHE

Coconut water is expected to become an integral part of the $19 billion global market for sports recovery drinks, driven by its natural hydrating qualities, great taste and nutritional benefits.

According to Beverage Marketing Corp, the coconut-water market doubled to $20 million USD in 2009. On the other hand, Merrill Lynch estimates this market to be worth $35 million USD in 2009 and expects it to grow further.
3. WHERE ARE THE AGRO-PROCESSORS?

Despite the presence of comparative advantage in agricultural commodities, and market opportunities, conversion of this advantage into competitive agro-processing industries has proved challenging.

At the macro level, common impediments to the growth of the agro-processing industry include inadequate infrastructure, such as roads, electricity and water; policies and regulations that provide disincentives for investments, such as subsidies for imported alternatives; inefficient and non-transparent application of standards and licenses; financial regulations that prevent financial institutions from offering a broad range of financial products; and the absence of insurance products that help entrepreneurs manage the risks associated with sourcing raw materials and shipping perishable goods.

Many countries address these challenges by encouraging large-scale enterprises, often multinational corporations, to invest. The advantages of larger firms include the capabilities and capacity they possess, and the networks and market information they have at their disposal. However, large multinational firms face challenges. For example, they require large quantities of raw materials; since about 80 percent of agriculture in low income countries is managed by small-holder farmers, the enterprise must coordinate their sourcing from a multitude of farmers—this poses challenges and high transaction costs.

Multinational companies also need local partners to understand and navigate the local business environment. As recently expressed by Ken Powell, Chairman and CEO of General Mills, “Finding a quality local partner who can guide you in understanding and addressing local needs,” is critical.

The missing element would seem to be a vibrant and growing small to medium enterprise sector that can overcome many of the local challenges and can link to the production sector and larger companies, while connecting to other markets. However, what can be observed is often a plethora of micro-scale enterprises that operate at the informal level, and very few enterprises that become medium or large.

Why is there a near absence of these small enterprises growing into medium and large enterprises?

CASE-IN-POINT: WHERE THERE’S A MARKET THERE’S A WAY

Senegal: A Senegalese jam company was producing a range of quality fruit spreads for the domestic market. In working with their rural fruit suppliers, the company learned that rural farmers produced cashews for export but did nothing with the fruit these trees produced. To seize on this opportunity, the company worked with a team of food technologists, marketers, and chefs to develop a value-added product with a commodity that had no commercial value—cashew apples. Today, it exports over 100 tons of all-natural cashew apple butter, its number one selling product in several export markets, including the United States.

Kenya: A Kenyan company was producing low-grade ketchup, packed with low-quality ingredients, including colorants that are illegal in almost every country. After the company was given market knowledge, it began creating a range of east African inspired barbeque sauces specifically branded for an international demographic. Where once stood low-quality unsellable ketchup, now stands a range of four competitive, expertly packaged barbeque sauces that highlight the unique culinary traditions of East Africa.

Source: IFAMA
THE CHALLENGES OF AGRIBUSINESS SMEs

Throughout 2012, infoDev consulted more than 600 stakeholders to assess the needs of small-scale, growth-oriented, agribusiness enterprises in Ethiopia, Mozambique, Nepal, Senegal, and Tanzania. While differences emerged between these five environments, the countries all had similar recurring challenges that prevented the growth of agribusiness enterprises from small to medium size:

• A lack of market and marketing knowledge that results from insufficient marketing skills and access to, and analysis of, market information and market linkages. The result is poor product positioning and market failure (see case-in-point for an example).

• A lack of innovation. As supply chains from producers to consumers become longer, the ability to acquire the necessary market intelligence that gives rise to product innovation becomes more complex. However, without innovation, differentiation and efficiency cannot occur, and competitiveness suffers.

• A lack of appropriate technology, technology advisory services, and testing facilities. Competitive agribusiness relies on appropriate technology to produce at high quality consistently, cost-effectively, and environmental- ly responsibly, test the contents for nutritional, bacterial, or other microscopic contents, and properly package products to keep quality, remain safe, and attract customers. Lack of such technologies retard product and process innovation, efficiencies, labeling and certification—all which are critical to obtaining market share. Agribusiness entrepreneurs often find it difficult to discern what the most appropriate technology is and where to find it. Small enterprises often lack the finances to invest in the technology, particularly in environments where viable financing options are not available.

As illustrated in diagram 3.1, as entrepreneurs move through the stages of enterprise development, the importance of human capital and managerial expertise, quality and efficiency enhancing technologies, product characteristics and non-price factors increase. Unless these are addressed, the enterprise cannot effectively compete, and growth stagnates. Beyond these factors, additional critical constraints found include:

• A lack of appropriate financing products driven by a perception of high risks and the lack of financial skills among entrepreneurs. This leads to short payment terms, high interest rates, and high collateral requirements that cannot be met by small growing enterprises. The result is that micro and small enterprises cannot scale on the back of internal cash flows, self-financing, or microcredit and they remain trapped in their current situation.

• A lack of regulatory direction that is both confusing and time-consuming for entrepreneurs to understand and with which to comply.

• A lack of value chain integration and trust among value chain actors that leads to value chain inefficiency, increased costs, and reduced or unreliable inputs and outputs. A symptom of the fragmentation and lack of trust is that business negotiations between farmers and enterprises, and enterprises and industry/whole salers are often premised on zero-sum assumptions, rather than a shared value premise, hampering the creation of positive business relationships that “raises the bar.”
THE INNOVATION IMPERATIVE

The power of the private sector to innovate and foster economic growth is a critical driver of long-term sustainable development in agriculture. Two major instruments can be used to enable this:

- business development, including services and funding mechanisms for the private sector, which aims to generate innovation and growth based on innovative technologies, processes, products, and business models; and
- public-private partnerships (PPPs), which aim to address development issues in conjunction with the private sector by attaining efficiency gains, mobilizing resources and investments, developing innovative solutions and reducing risk.

InfoDev’s agribusiness innovation program combines these two instruments to enable the growth of first-movers and future market leaders, and to affect bottom-up systemic change that enables the second-movers and late movers to follow.

MARKET & INNOVATION

Beyond baobab juice, is there a market for baobab snack or energy bars?

Can energy or water savings be realized?

Can flavor be improved?

Can different sizing or packaging appeal to different consumer segments at different price points?

4. INFODEV’S AGROBUSINESS INNOVATION PROGRAM

InfoDev seeks to contribute to job creation, competitiveness and inclusive growth by promoting the growth of innovative, technology-enabled enterprises. It is a “learning lab” positioned to derive and test innovative models in different market environments over time, and to derive lessons and methodologies based on experiential learning, that can be mainstreamed into the development community at large, including the World Bank Group, its clients and partners.

The AIP comprises three program components: Agribusiness Innovation Centers (AIC), Evaluation, applied research and knowledge creation, and Capacity Building.

A critical underpinning of all three program components is a thriving international network of agribusiness innovation and entrepreneurship stakeholders that include entrepreneurs, industry, financial institutions, academia, government, international organizations, and nongovernmental organizations (NGOs).
AGRIBUSINESS INNOVATION CENTERS

The AICs will increase the competitiveness and growth of pioneering agro-processing enterprises by advancing product, process and business model innovation translating into improved products and larger market share in existing markets or entry into new markets and development of new products for existing or new markets.

The service offering of each AIC is tailored to the specific needs and characteristics of the target market. Generally speaking, however, the suite of services is as outlined in this graphic.

In conjunction with these activities, infoDev will aim to help strengthen the ecosystem of agribusiness innovation and entrepreneurship stakeholders, which includes entrepreneurs, government ministries and operational departments, academia, international organizations, NGOs, farmer associations, national and international industry, financial institutions, packaging companies, distributors, and traders. Other contributing factors to creating this strengthened network or ecosystem include the extensive partnerships with all these actors that the AICs will establish in order to deliver its service offering, and the governance structure of the AICs that will include representation from key ecosystem stakeholders.

In effect then, the AIC will function as a hub and networker. In some AIC markets, there are already industry associations that could form an excellent base from which to launch such a program. In other markets, a functional business association does not exist, and the AIC would essentially enable the start of the community. These local networks created by the AICs with infoDev’s support will form part of the AIP’s international network, which is described in further detail below.

CONVENCING PUBLIC AND PRIVATE ACTORS (PPP)

An AIC necessitates public-private partnership and active engagement of industry, financiers, government and farmers. Each AIC aims to be an example of how engagement of all eco-system actors around a notion of shared value can increase the competitiveness of the agro-processing sector.

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TARGET CLIENTS

The AICs focus on a unique segment of entrepreneurs. The ideal target client is an innovative growth-oriented small or medium enterprise that has the potential to become an industry leader. The rationale for this focus is as follows:

• Assessments of the development communities’ investments in agribusiness show that the highest success rate was obtained from investments in established businesses versus start-ups. In general, investment in start-ups is risky, and agribusiness is risky sector—even more so in markets where the value chains are not working efficiently. The chances of realizing significant development impact are greater when investing in enabling existing small and medium-size enterprises (SMEs) to scale. To note, the AICs will not exclude start-ups, but they will primarily focus on scaling existing small enterprises.

• Not every business owner wants to grow his or her business. Most small business owners serve their local geographic area, and are satisfied if they can make a decent living. Growth-oriented entrepreneurs have a different mind-set. They have recognized a market opportunity, have a strong desire for growth, and seek markets beyond their immediate area. A subset of growth-oriented entrepreneurs is high growth companies that expand rapidly in terms of revenues and job growth. These are “outliers” in the business landscape, usually representing less than 5 percent of all businesses. However, in the United States, they create upwards of two-thirds of all business growth and job creation. By focusing on growth-oriented entrepreneurs, the AICs hope to identify and accelerate a few high-growth companies that will have transformative impact.

The AICs will put in place a selection policy and process that to a large extent mirrors what angel investors are looking for in a potential business deal. Important parameters are the drive of the entrepreneur, the team in place, the track record of the team, and the market potential of the product market the enterprise can serve.

Sample Target Client Profiles

Working with growth-oriented SMEs

EMPLOYING
5-20 PEOPLE

ANNUAL SALES REVENUE
$30,000-$500,000

AN INNOVATIVE BAOBAB PRODUCT MANUFACTURER

Baobab is not a widely-known ingredient, despite recent studies highlighting its high nutritious properties. Most processors make baobab powder by simply drying the fruit and grinding it down to a fine powder which is intended to be blended with water for a less-than-appetizing, though highly nutritious beverage. There is, however, one company in Senegal who offers innovative products such as energy bars, candy, cookies and a wide variety of similar snack items — many of them having high commercial appeal and possibility. The organization has funding from private sources, but lacks the expertise to take this project beyond its current state of rudimentary packaging and international non-compliance. Without technical expertise, and the guidance to move from concept to marketability, they will not succeed. Not only are their ideas innovative and commercially viable, but the baobab value chain involves the poorest of the poor in cultivation, sizing and other pre-processing initiatives.

A sunflower oil processor on the outskirts of Dar es Salaam has identified an opportunity to supply quality oils and animal feed to the Dar es Salaam market. He cannot meet market demand because he lacks the finances to expand – and this bottleneck impacts the farmers who supply him and who could earn a net profit margin of US $403 per acre after production costs. His innovation extends to the adaptation of equipment to get better quality oils, a printing plant to print his own sacks and process innovation in sourcing of seeds. Other processors have similar potential but lack knowledge about the domestic market for oil and animal feed or cannot access regional exports to lucrative markets in Kenya and Burundi. Providing market information, business development support, working capital and technical advice would positively impact both processors and cooperatives whose farmer members depend on the processors’ ability to gain market share.

Sample Target Client Profiles

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In summary, the AICs will enable market linkages by reducing information asymmetries, building trust, and creating shared value between value chain actors.

MARKET LINKAGES
Market information, marketing skills and market linkages backwards and forwards in the value chain

AICs will work with pioneering agro-processing entrepreneurs to forge both forward and backward market linkages as follows:

INDUSTRY AND RETAILERS
The AICs will develop partnerships with potential buyers and assist pioneering agro-processing entrepreneurs with meeting their requirements. A practical example of this is outlined in the box below.

FARMERS AND SERVICE PROVIDERS
The AICs will leverage backward linkages with producers to achieve economies of scale with regard to procurement of raw materials, packaging, and transportation services, and forward linkages to buyers of processed products. In summary, the AICs will enable market linkages by reducing information asymmetries, building trust, and creating shared value between value chain actors.

FINANCE
Financial management skills and access to appropriate financing products

The AICs will, therefore, provide two types of financial service offerings to their clients:

- Linkages with AIC partnering financial institutions. An AIC will understand the needs of financial institutions and can offer these institutions lower risk clients. The financial institution may lower its collateral requirements or interest rates. The range of financing needed in this category is most often from $200,000 to $500,000.
- “Patient” seed capital to enable pioneers to prove their business model, build a financial track record, and achieve a scale that makes the enterprise less risky and more attractive to commercial financiers. The range of financing needed in this category is most often from $10,000 to $200,000. The funds are often used for market research, capital equipment, sourcing of raw materials, cash flow bridging, packaging, and product testing. The typical fund size needed in an AIC ranges from $2 to $4 million.

Debt financing will typically be offered, but grant financing will be considered in very early-stage, highly innovative ventures. The basis for loans will be as close to market conditions as possible, requiring the entrepreneurs’ “skin-in-the-game,” but reducing collateral requirements as defined by most commercial financiers today.

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

The AIC approach offers a holistic and pro-active business development service to the target clients. This approach will help-spot potential problems—or opportunities—before the entrepreneur recognizes them, and assist the entrepreneur with deriving risk mitigation strategies and action plans for the business. Moreover, the entrepreneur will receive mentoring and coaching to help in planning and managing growth and innovation and to address all aspects of the business arising in this process. In addition, the AIC will offer training in aspects of marketing, financial, and business management, along with access to shared accounting and legal services. In most markets, such services will be outsourced to existing organizations in the market. Other business services offered will include assistance with navigating regulatory requirements, standards, and compliance, which can take a tremendous amount of time in many of the AIC target markets.

Finally, the AIC will offer services that enable entrepreneurs to grow in an environmentally sustainable manner (see box):

- Secure office facilities and meeting rooms with reliable electricity and Internet connection will be offered to enable sales, procurement, and management functions to operate in a professional environment, uninterrupted by irregular energy and Internet supply.
- AICs will have programs that will help their clients:
  - Increase sales after implementing environmental improvements (that is, reduced water or energy usage)
  - Promote products, services, and technologies to key market trends, or financiers introducing financing options relevant to agribusiness SMEs
  - Competitions to catalyze innovation in certain areas
  - Fairs to promote the products of participating entrepreneurs
  - Media campaigns to promote the successes of agribusiness entrepreneurs

PROMOTING GREEN GROWTH
Countries with a nascent agro-processing sector have the opportunity to develop the sector along a climate-smart trajectory that protects the very asset that enables its growth. The AIC will work with InfoDev’s Climate Technology Program to raise awareness for and spur climate-smart agribusiness growth.

The AICs will work closely with agribusinesses to “green” their processes and products and to put sustainability at the center of each business model. In the absence of stringent environmental regulations, business incentives from credible organizations, key market trends, or financiers introducing financing options relevant to agribusiness SMEs

- The AICs will have programs that will help their clients:
  - Reduce business costs by implementing environmental improvements (that is, reduced water or energy usage)
  - Increase sales after implementing environmental improvements and obtaining environmental certifications

Access finance to implement environmental improvements that can be converted to grants on successfully meeting set targets.

NETWORKS
Agribusiness entrepreneur networks, competitions and fairs.

The AIC will promote networks among entrepreneurs and the broader family of stakeholders affecting the success of aspiring agro-processing entrepreneurs.

A community of entrepreneurs is critical to advancing peer-to-peer learning and shared networks among AICs’ clients. Such a community can extend the AIC’s benefits to enterprises that are not direct clients. Examples of community activities include the following:

- Monthly networking events where entrepreneurs share their stories with respect to a particular challenge, such as scaling a new product or market, introducing a new technology, or navigating key market trends, or financiers introducing financing options relevant to agribusiness SMEs
- Competitions to catalyze innovation in certain areas
- Fairs to promote the products of participating entrepreneurs
- Media campaigns to promote the successes of agribusiness entrepreneurs

In Senegal, the group Kirene produces fruit juices in one liter Tetra Pak format that are sold in the country’s supermarkets. Although willing to source such fruits as mangoes locally, Kirene cannot obtain a reliable local supply of semi processed fruits (for example, mango pulp) that meets its requirements, despite the fact that Senegal produces a variety and quality of mango that would fit the requirements of Kirene. The company, therefore, imports mango pulp from abroad, while local farmers experience tremendous post-harvest losses because of the oversupply of mangos during mango season.

To address this challenge, the AIC in Senegal will assist small and medium-size processors in identifying and accessing inputs and supplies, such as appropriate produce, consumables, logistics, equipment, and technology. These inputs and supplies will improve the quality (that is, safer and more nutritious) and productivity of the farmers and processors’ products while ensuring Kirene access to a growing volume at competitive prices. This will translate into expanded markets and raised incomes and profits for both local farmers and processors, along with reduced transaction costs and better quality assurance for Kirene and local units of international food companies sourcing fruits and vegetables from Senegal.

The AICs will develop partnerships with potential buyers and assist pioneering agro-processing entrepreneurs with meeting their requirements. A practical example of this is outlined in the box below.

The AICs will leverage backward linkages with producers to achieve economies of scale with regard to procurement of raw materials, packaging, and transportation services, and forward linkages to buyers of processed products. In summary, the AICs will enable market linkages by reducing information asymmetries, building trust, and creating shared value between value chain actors.
AIC BUSINESS MODELS

An AIC can become sustainable over time if a government or donor provides seed funding (in the form of a grant), and the AIC gradually generates its own revenue to reach a point where it can cover its on-going operating expenses through earned revenues. The projected impact of the AIC, including the public good generated from its positive impact on the enabling environment, justifies an initial public investment.

To date, infoDev has derived three main revenue generating options for AICs. Their applicability depends largely on the local market conditions and the willingness of enterprises to adopt one model or another. The approaches are not mutually exclusive and hybrids including aspects of all three are possible.

Using a combination of these revenue models, the business models infoDev has developed to date project 50 to 100 percent sustainability within a six-year operating period. The time needed to achieve sustainability is an outcome of two key drivers: 1) the starting revenue and operating profit of the enterprises served; and 2) the depth and cost of the services required. For example, if equipment is a necessary requirement to achieve the desired outcomes, depreciation costs must be factored in, and it takes significantly longer to reach sustainability.

Additional complementary revenue generating options (which would not on their own sustain the AIC) include finance brokerage fees, training fees, fees-per-use, and consulting fees.

THE PATH TO SUSTAINABILITY

ROYALTIES:
CLIENTS PAY A PERCENTAGE OF THEIR MONTHLY TURNOVER/TURNOVER GROWTH TO THE AIC.

PROS
- Aligns the incentives of AIC management and AIC clients.
- Attractive to entrepreneurs because payment is delayed until cash flow increases.

CONS
- Deferred payment poses a risk to the AIC that the client may not pay.

MEMBERSHIP FEE:
CLIENTS PAY A PERCENTAGE OF THEIR MONTHLY TURNOVER/TURNOVER GROWTH TO THE AIC.

PROS
- Ensures steady cash flow for the AIC.
- Requires that entrepreneurs have the necessary cash flow to outlay an annual or monthly payment.
- Provides less incentive than royalties and equity for AIC management to ensure maximum growth of the client.

CONS
- Exit for the AIC can be problematic.
- For equity to deliver 100 percent self-sustainability a small number of outlier clients would need to be extremely successful.

EQUITY:
THE AIC TAKES AN EQUITY STAKE IN THE CLIENT.

PROS
- Aligns the incentives of AIC management and AIC clients.
- Attractive to entrepreneurs because payment is delayed until cash flow increases.

CONS
- Exit for the AIC can be problematic.
FEASIBILITY AND PREPARATION

The importance of carrying out a proper feasibility assessment for any business enabler cannot be underestimated. InfoDev has therefore derived a solid feasibility and needs assessment methodology that ensures proper preparation for the potential establishment of an AIC.

The following table outlines the key indicators InfoDev uses to determine feasibility.

INDICATOR SPECIFIC QUESTIONS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Specific Questions</th>
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<tbody>
<tr>
<td>Geographically Clustered Growth Entrepreneur Capacity</td>
<td>Do growth entrepreneurs exist or can they be developed or recruited to ensure the growth of beneficitation activities within a suitable geographic cluster? What do the entrepreneurs need to access and develop opportunities? Are there gaps in these areas and can an AIC offer solutions?</td>
</tr>
<tr>
<td>Access to Finance</td>
<td>Does suitable and accessible funding exist or can it be facilitated for development, research and development, commercialization, and expansion?</td>
</tr>
<tr>
<td>Scalable Production</td>
<td>Are there agricultural subsectors and value chains with known comparative advantage that offer sufficient production of adequate quality within economic reach of processors, and can this be increased (if required) to facilitate beneficitation expansion?</td>
</tr>
<tr>
<td>Clear, Ready Stakeholders</td>
<td>Are there strong stakeholders that are, or can be, active in supporting the value chain? Can they positively affect the likelihood of implementation?</td>
</tr>
<tr>
<td>Scalable, Accessible &amp; Viable Markets</td>
<td>Can markets be identified that are scalable, accessible, and viable now and in the future?</td>
</tr>
<tr>
<td>Infrastructure and Regulatory Constraints</td>
<td>Is there sufficient infrastructure available and does the regulatory environment provide incentives for entrepreneurs to take advantage of the value addition opportunity?</td>
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AIC PREPARATION PROCESS

<table>
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<tr>
<th>Process</th>
<th>Description</th>
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<tbody>
<tr>
<td>Value Chain Analysis</td>
<td>Review of the agriculture &amp; agribusiness sectors and value chains that offer opportunities for growth enterprises.</td>
</tr>
<tr>
<td>Stakeholder Identification</td>
<td>Identification of stakeholders affecting the success of agribusiness entrepreneurs.</td>
</tr>
<tr>
<td>Stakeholder Consultation</td>
<td>Workshops and interviews to validate selection of value chains and identify barriers to SME startup and growth.</td>
</tr>
<tr>
<td>Gap Analysis</td>
<td>Interviews to map existing service offerings and planned initiatives.</td>
</tr>
<tr>
<td>Business Modeling</td>
<td>Data gathering to create a business model, evaluate locations, principal partners/hosts, etc.</td>
</tr>
<tr>
<td>Stakeholder Consultation</td>
<td>Feedback from local stakeholders. Review and inputs from international expert group.</td>
</tr>
</tbody>
</table>

PROFILE OF THE INDIVIDUALS CONSULTED

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

This process seeks to combine local know-how with international expertise to examine the market opportunities and the agribusiness environment. The goal is also to build local capacity and understanding of agribusiness development and the opportunities and challenges associated with it, along with increasing dialogue among agribusiness stakeholders with InfoDev as a neutral convener.
**AIC IMPLEMENTATION APPROACH**

The AIC mission and service portfolio are ambitious and the successful implementation of such a model relies on a dense network of partners. Possible partnerships with the AIC that create win-win situations are the following:

- Farm-level organizations and initiatives working to improve the quality and productivity of primary agriculture—Farmers benefit from a ready market for their products, and entrepreneurs benefit from high quality, reliable supply.
- Industry, wholesalers, or retailers—Industry benefits from expanded supply chains that provide high quality, reliable supply, and entrepreneurs benefit from a ready market for their products.
- Academia—Researchers benefit from information and knowledge of real industry needs, and entrepreneurs benefit from knowledge that meets their business needs.
- Financial sector—Financiers benefit from access to less risky investment prospects, and entrepreneurs benefit from easier access to finance.
- Government—Government benefits from direct access to information on policy and regulatory bottlenecks, and entrepreneurs benefit from a channel to convey such bottlenecks.

Throughout the AIC development phase, infoDev scans the environment to determine which partners “are good at doing what,” and which capacities do not exist in the local market. It then focuses on building AIC capacity in the areas where the gaps lie, and building structured partnerships with other service providers in areas where expertise and capacity already exist. In each market, it also evaluates whether the most optimal implementation scenario is to build a new institution, or to start the AIC as an extension of an existing local organization.

**CRITICAL SUCCESS FACTORS AND LESSONS LEARNED**

Over the past decade, infoDev has accumulated a range of lessons about enabling the start-up and growth of high growth potential enterprises in developing countries. Its recent global assessment: Growing Food, Products and Businesses, revealed a number of critical success factors for an intervention similar to an AIC:

- **Help clients manage risk:** Agribusiness is inherently risky because of its reliance on farming (which is susceptible to such environmental risks as flood, drought, and pests) and perishable products. Critical to the success of an AIC is to help agro-processors manage these risks above and beyond the business challenges that any enterprise faces in any industry.
- **Understand the characteristics of the value chain:** The agribusiness value chain can be long with critical dependencies between each element in the chain. The AIC must understand the state and dynamics of the value chain to assist the agro-processing enterprise in being successful. Relatedly, the World Bank has found in its review of agribusiness investments that a strong focus on a few cross-cutting issues, locations, or value chains with an established competitive advantage and strong market prospects provides an opportunity to “pilot difficult reforms, demonstrate success, and learn from those efforts in scaling up the program.” InfoDev has therefore sought to pro-actively identify a few initial focus areas for each AIC.
- **Proactively identify and promote higher value market opportunities:** The agribusiness sector is complex and plagued by information asymmetries that often prevent enterprises from recognizing high-value business opportunities. An important role of the AIC is to help the enterprise gain access to relevant market information.
- **Maintain a broader goal of demonstrating innovative business propositions:** The desired catalytic effect of an intervention of an AIC does not necessarily happen without a deliberate, tangible effort. Specific programs must be designed for this purpose.

- **Design and operate business incubation in line with good practice.**
- **Business incubation good practices include the following, regardless of sector:**
  - Ensuring a strong selection process that identifies and cultivates innovative, growth-oriented entrepreneurs
  - Developing strong partnerships with the public and private sector
  - Locating the AIC in a geographic location that is attractive to the target clientele. The World Bank’s review of agribusiness investments collaborates this lesson: “Locations with revealed competitive advantage and proven investor demand should be preferred over attempts to initiate new industries in new areas.”
  - Ensuring that the AIC manager and service provider have entrepreneurial, and preferably industry, knowledge and that these staff members have incentives that align with the desired outcomes and impacts of the AIC
  - Obtaining a strong capital structure
  - Putting in place a governance framework that allows the management to operate the AIC in a business-like manner, focused on advancing client growth, obtaining sustainability, and ensuring cost-effectiveness.
  - Continuously adapting the focus and business model of the incubator in line with evolving market conditions.

InfoDev has sought to address each of these factors in the design of the AICs.
Beyond the development impact expected from the AICs, infoDev is expected to contribute to a better understanding of how to catalyze a competitive agro-processing sector through innovation, entrepreneurship, and public-private-partnership. It is also expected to contribute to the adoption and mainstreaming of new approaches to enabling the growth of pioneering agribusiness enterprises in other development programs beyond infoDev. This will multiply the knowledge and impact of the model.

**Evaluation and Applied Research and Knowledge Creation**

**Evaluation**

Given the goals of the AIP, significant investments will be made in a monitoring and evaluation (M&E) and impact assessment framework that allows infoDev to assess the impact and cost-effectiveness of alternative AIC models and to derive lessons as to what works, what does not, and why.

Evaluation of an intervention such as an AIC is not without challenges:

- To what extent can the model be proven to work or not work based on experiences in a country? How big of a difference does the size of the country, the nature of the local culture, the macropolitical economy, and other elements make? By extension, can benchmarks be derived for how an AIC ideally should be tracking at any given point in time?
- How do you measure the impact of the AIC not only on the client enterprises, but on the sector and tangential sectors? How do you measure the impact on the environment? How do you handle the attribution problem?
- How do you ensure cost-effective data collection, given the necessity to measure impact not just at the client, but at the beneficiary level?
- What is the juncture in time when it makes most sense to judge the model a success or failure?

The complexities of designing a proper M&E framework necessitates a significant investment, which infoDev will seek to make in the first year of the AIP implementation and fine tune throughout the program’s roll-out. The outputs of the M&E framework and the methodology itself will have tremendous value to the agribusiness community.

**Applied Research**

The AIP will devote resources to both generate original research and capture lessons that can be derived from the initiatives of others. Potential research areas include:

- Assessing supply chain development programs where an effort was made to work with a large-scale company to build up a strong local supply chain comprised of locally owned enterprises.
- Evaluating activities that aim to enable access to finance for growth-oriented, small-scale agribusinesses.
- Evaluating programs that aim to facilitate technology access for developing country agro-processors.
- Researching the effectiveness of initiatives that aim to increase market linkages backwards and forwards in the value chain.

**Knowledge Creation**

Concrete knowledge products to be created on the basis of the M&E data, the tacit lessons learned of the AIP, and the research program will include illustrated methodologies for conducting AIC feasibility assessments, along with implementing and evaluating an AIC. They will also include analytics that exist for pioneering agro-processing enterprises in other countries. The AIP approach is expected to catalyze a competitive agro-processing sector through innovation, entrepreneurship, and public-private-partnership. It is also expected to contribute to the adoption and mainstreaming of new approaches to enabling the start-up and growth of innovative agribusiness enterprises in developing countries.

**Raising Awareness and Building Capacity**

AIP’s success mainly rides on its ability to raise awareness for the merit of the approach, including the market opportunities that exist for pioneering agro-processing entrepreneurs in developing countries. The AIP approach will raise awareness and build implementing capacity in client countries as well as development institutions, including an updated agribusiness innovation training program and multimedia case studies.

**Learning from Others**

Through collaboration on M&E frameworks and indicators, infoDev will aim to learn from innovative approaches implemented by others and create a shared knowledge base accessible to the development community at large.
EXPECTED OUTCOMES AND IMPACT

The AIP is expected to have the following development impacts:

• Directly and indirectly promoting the start-up and green growth of innovative, value-adding post-harvest agribusinesses in low-income countries that have a comparative advantage in agriculture

• Increasing job creation along the value chain, including in rural and urban areas, with expanded economic opportunity for women in particular.

• Accelerating the green growth of a competitive agro-processing sector and enabling low-income economies to realize greater development gains from their agricultural production.

This example does not capture the AIC’s full impact. The AIC will promote the take-up of product and process innovations beyond its immediate clients

1. by showing that it is possible, thus encouraging other firms to enter the sector, and

2. by catalyzing bottom-up and top-down systemic change to ensure dialogue and trust building among entrepreneurs, farmers, financiers, government, academia, and industry—ultimately benefiting a wider group of enterprises beyond those served by the AIC. Beyond the expected development impact, the AIC should contribute to knowledge of how to catalyze a competitive agro-processing sector through innovation, entrepreneurship, and public-private-partnership. It should also help adopt new approaches to enabling the growth of pioneering agribusiness enterprises in other development programs beyond those implemented by infoDev. This will multiply the overall impact of the program.

THE AGROBUSINESS INNOVATION CENTER IN SENEGAL

While each AIC is designed to respond to the local context, the planned AIC in Senegal provides an illustrative example:

within 6 years the AIC in Senegal is expected to...

raise their income by close to $30 million

increase competitiveness of 195 enterprises

create more than 5,000 jobs

The AIC will also significantly impact the incomes of women as they constitute the majority of Senegal’s agriculture processors. Farmers will benefit because of the increased demand from processors.

The AIC is projected to be self-financing after seven years and the “return-on-investment” ratios will continue to improve over the life of the AIC.

The Agribusiness Innovation Center (AIC) will help us achieve our national competitiveness strategy and create sustainable jobs by accelerating the growth of pioneering Senegalese agri-SME (small and medium-size enterprises). I commend infoDev for their commitment to local public and private sector ownership, their ability to connect us with international experience, and the opportunity to pioneer a new approach to agribusiness development, in accordance with the guidelines of the Accelerated Growth Strategy, which should be leveraged through the development of Agriculture and Agribusiness. Senegal is committed to becoming a best practice example for Africa!
When testing new approaches, the risks are inherently higher, but so are the potential rewards. The M&E framework described will be designed specifically to learn lessons throughout the design and implementation process of the AIC, so that even if the targets set are not realized, significant knowledge will be gained, codified and disseminated.

Below follows a risk analysis of the AIC model as envisioned today, as well as the mitigators that infoDev will put in place.

<table>
<thead>
<tr>
<th>RISKS</th>
<th>MITIGATORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Failure to reach growth targets, resulting in underperformance of the financial model and reputational damage</td>
<td>Careful modeling, good phasing with “proof-of-concept” stages, extensive partnership linkages, high-caliber staffing, good entrepreneur selection procedures.</td>
</tr>
<tr>
<td>Delays in implementing the AIC model because:</td>
<td>Good communication with and among stakeholders; agreement with all funders on timing of financial contributions and application; support of key government officials.</td>
</tr>
<tr>
<td>• The expected funding is not received</td>
<td></td>
</tr>
<tr>
<td>• The political-economic context changes</td>
<td></td>
</tr>
<tr>
<td>• The right manager can’t be hired</td>
<td></td>
</tr>
<tr>
<td>• Partners do not fulfill their duties</td>
<td></td>
</tr>
<tr>
<td>Market assessment failure, resulting in market saturation and mispricing</td>
<td>Further examination of market opportunities when developing the AIC’s business plan, broadening the scope of the AIC’s intervention areas.</td>
</tr>
<tr>
<td>Failure to attract sufficient clients</td>
<td>Excellent marketing activities, demonstration of benefits to companies, accurate market assessment.</td>
</tr>
<tr>
<td>Management failure, resulting in inadequate service provision</td>
<td>Adequate funding for high-caliber management; good board to attract high-caliber management; selection of high caliber management; infoDev’s technical assistance.</td>
</tr>
<tr>
<td>Model flaws, resulting failure to reach targets</td>
<td>Ongoing model review annually as part of business planning, board assistance in review and refinement.</td>
</tr>
<tr>
<td>Board failure, resulting in inadequate leadership and governance</td>
<td>Board selection, board training, high caliber incubator management.</td>
</tr>
<tr>
<td>Inadequate funding, that is, to support the full cycle of incubation</td>
<td>Coordination via a donor consortium, securing preimplementation.</td>
</tr>
</tbody>
</table>
5. IMPLEMENTATION PLAN

The AIP has broad relevance to a range of countries across Africa, Asia, and Latin America. As political-economic contexts and value chains differ dramatically, InfoDev intends to test a variety of models and approaches in different geographic contexts over time, continuously disseminating the lessons and models derived to the broader development community.

InfoDev intends to roll out the AIP in phases because the AIP represents a new approach to advancing agribusiness. Phase 1 will take place over a six-year period, given that it is projected that AIC sustainability can be achieved after six years, and that substantial M&E data and lessons can be derived to inform future development programming over such a time period.

A proof-of-concept milestone will be built into Year 3 of the AIP, and a decision on whether to scale milestone will be built into Year 4. An updated AIP strategy and work plan will be provided for Phase 2 in Year 5 to allow an uninterrupted transition from Phase 1 to Phase 2.

**PHASE 1: 2013–19**

Phase 1 of the AIP will focus on rolling out the first set of AICs and building the foundation for the AIP to function as a true learning and innovation program. Specifically, the phase 1 will aim to:

1. **Implement AICs in four markets:** In 2012, InfoDev conducted feasibility assessments and created business models for AICs in Ethiopia, Mozambique,Senegal, and Tanzania in Africa and Nepal in Asia. Detailed feasibility assessment reports and business model documents are available. Stakeholders are now ready to proceed directly to implementation. The implementation approach and InfoDev’s role in the implementation process is outlined on pages 14 and 34.

2. **Create a state-of-the-art M&E and knowledge management framework:** In the first year of implementation, InfoDev will make an investment in deriving a solid M&E framework and methodology for the full program. Throughout the Phase 1 implementation period, InfoDev will be testing how well the M&E framework and methodology worked, and how it could be improved for an intervention similar to AIC. A refined M&E methodology will then be published at the end of Phase 1. As one example, InfoDev has already initiated collaboration with UNIBRAIN, an initiative to advance university-based agribusiness incubation.

3. **Expand the network of agribusiness innovation enablers:** In the process of preparing the AIP, InfoDev created an ad-hoc international working group for initiatives involved in promoting the start-up and growth of innovative agro-processing enterprises. The membership of this working group (depicted in the map image below), along with the stakeholders associated with the AIC implementations, and those consulted in the AIP preparation process will form the founding basis for the international network that will be leveraged for ideas and lessons throughout the Phase 1 implementation period. This starting point already comprises more than 700 people across 45 countries. During the course of Phase 1, InfoDev will also explore the opportunity to leverage its large. Opportunities will be provided for peer-to-peer learning at an annual workshop.

4. **Develop new knowledge products:** The findings and lessons derived from the M&E activities will be packaged into several iterative knowledge products throughout the implementation of the six to seven year program. An independent interim evaluation report and preliminary lessons learned report will be published in Year 4. An in-depth lessons learned report will be published in Year 6, and an in-depth evaluation report and updated agribusiness innovation training program will be published in Year 7.

At the six to seven year mark, InfoDev will aim to develop a ‘how-to’ knowledge tool that stakeholders can use to help set up an AIC. This will include an updated feasibility assessment methodology that reflects the lessons learned from the implementation period, as well as multimedia case studies.

5. **Build local capacity:** InfoDev advisory services, training, and networks will be leveraged to build local capacity in the implementing countries throughout the implementation period. InfoDev will also assist the AICs with garnering media and policy-maker attention.

Knowledge products will be disseminated online via InfoDev’s website, newsletter, and social media outlets to the international network described above and InfoDev’s community at large. Opportunities will be provided for peer-to-peer learning at an annual workshop.

To mainstream the learnings from the program into development programming, InfoDev will host seminars for the donor community in the AIC implementation countries, as well as other fora, such as the World Bank’s Financial and Private Sector Development Week and Agriculture and Rural Development Week.

6. **Prepare for AICs in four to five new markets:** Following a positive outcome of the ‘decision-on-whether-to-scale’ milestone in Year 4, InfoDev will embark on feasibility assessments for four to five additional markets, with a view to implementing four new AICs within the following year. To complement the initial selection above, the country selection should include one more advanced market in Africa (such as Ghana or Zambia), as well as additional markets in Asia and Latin America, such as Vietnam, Senegal, and Colombia. InfoDev will also seek partnerships with other initiatives to deploy common M&E and knowledge management approaches, thereby expanding the opportunities for learning and innovation between programs.
An extensive feasibility assessment process engaging more than 600 local stakeholders has been completed in Ethiopia, Mozambique, Tanzania and Senegal. Detailed AIC business models have been developed for each country, and potential local implementation partners, including leading retailers, financial institutions, producer organizations and government agencies have expressed interest in joining infoDev to test the pioneering AIC approach to accelerating the growth of value adding agribusiness. In many cases, the AICs will leverage larger World Bank funding, thereby achieving larger scale systemic impacts.

**ETHIOPIA**

**Context:** Ethiopia benefits from exceptional climatic conditions that make the production of a wide variety of agricultural products possible. Ethiopia also has a large addressable market for agricultural products; the domestic market alone constitutes 90 million people and the nearby Middle Eastern market represents more than 380 million potential customers. Agriculture is a key priority in the country’s Growth and Transformation Plan, and the government’s Climate Resilient Green Economy strategy specifically outlines a commitment to green industrial growth. The AIC will make its contribution to ensuring that the nascent agro processing industry evolves along a green growth trajectory, leveraging infoDev’s Climate Innovation Center in the country.

**Targets of the AIC:** Over a six year period, the AIC will target 60+ high growth potential enterprises in a range of value chains, such as bamboo, horticulture, dairy, organic cotton, honey, wheat and spices. The AIC will also enable the growth of providers of innovative solutions to packaging, cold chains, dryers, traceability, and logistics. Over the same period 1,800+ new jobs will be created in the local economy.

**MOZAMBIQUE**

**Context:** Along-side the rapidly developing gas and mining sector in Mozambique, the consumer demographics are changing, creating new domestic markets as towns blossom to support said industries. Leading supermarkets are investing. This could be great news for the food and beverage processing SMEs in Mozambique, except that for most entrepreneurs, this is their first time in being presented with such opportunities, and currently, they have little access to the information, knowledge and capital needed to tap into the opportunity.

**Targets of the AIC:** The AIC will target high-growth potential agro-processors across value chains. Within six years, the AIC is expected to directly promote the growth of more than 100 enterprises, and create more than 3,300 new jobs in the local economy.

**TANZANIA**

**Context:** Kilimo Kwanza provides a national framework for leveraging Tanzania’s comparative advantage in a range of agricultural products to create a “modern and profitable agriculture sector.” The Southern Agricultural Growth Corridor is a flagship initiative to advance commercially successful agribusinesses. The AIC will be implemented within the corridor focusing in particular to advancing oilseeds processing and other diversified value chains and subsectors, such as horticulture, cashew nut, and honey. Immediate low- to medium-tech processing opportunities include oil, soap, and seed cake processing (oilseeds) and drying, juicing, extracting, purifying, concentrating, and powdering.

**Targets of the AIC:** The AIC will have a diversified approach targeting oil seed processors, along with high growth potential enterprises in a range of value chains. Within six years, the AIC is expected to directly promote the growth of more than 180 enterprises and create more than 2500 new jobs in the local economy.

**SENEGAL**

**Context:** Senegal is already competitive in a range of horticultural products. The country has therefore outlined an ambitious “accelerated growth strategy” to increase the competitiveness and growth of the value adding horticulture sector, and views the AIC as a cornerstone of implementation of that strategy. Particular value chains of opportunity include baobab, bissap, ditakh, madd, mango, onion, sweet potato, tomato, tamarind, and papaya. Immediate low- to medium-tech processing opportunities based on these products include dried fruits, juices, concentrates, and powders. Many of these products also have significant health and nutritional properties that can be exploited for higher-end processed products targeting the pharmaceutical and cosmetics markets.

**Targets of the AIC:** With a focus on the horticulture sector, within six years, the AIC is expected to directly increase the competitiveness of almost 200 enterprises, and create more than 5,000 new jobs in the local economy.

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OUTCOMES AND RETURN ON INVESTMENT OF PHASE 1

The specific quantitative targets for Phase 1 will depend on which countries are selected for the AIC implementations. Although the target outcomes and impacts differ from country to country, it is reasonable to conservatively project that Phase 1 of the AIP will yield the impacts through the four AIC implementations collectively.

After ten years, the same four AICs implemented in Phase 1 of the AIP will have created 33,500 jobs, increase SME and farmer incomes by more than $190 million and benefit more than 23,000 women. The “green” benefit of the AIP in this period is hard to project in advance given that this benefit may take many forms, including reduction of CO2 emissions, water use, water pollutants, and others. The M&E framework will be designed to quantify the “green” benefit.

After six years, the local income created as a result of the AIC’s will be three times the donor investment; and after 10 years, it will be seven times. Similarly, after six years, the cost per job created is $2,300; whereas after ten years, it is $1,000.

This analysis captures the direct quantitative impact of the AIC as an outcome of the services that the AIC provides to its target clients. As discussed above, indirect quantitative outcomes are expected to include the entry of new companies to the sector, which enter because of the demonstration effect of the AICs. These in turn will create new jobs and impact at the firm level. It is difficult to project the entry of these new firms.

Qualitative outcomes expected in the AIC implementation countries and in the wider international agribusiness innovation network include the following:

- Increased awareness for the potential development impact of agro-processing, and higher prioritization of advancing the industry
- Increased dialogue among value chain and innovation and entrepreneurship ecosystem stakeholders, and increased initiative to collaborate with a “shared value” mind-set
- Increased knowledge of peers in other countries and alternative approaches to advancing the growth of agro-processing enterprises
- Increased methodologies to plan and support agribusiness entrepreneurship initiatives.

INCREASE SME AND FARMER INCOMES BY $105 million

CREATE 14,300 jobs

BENEFIT MORE THAN 10,000 women
6. PARTNERSHIP OPPORTUNITIES

The AIP is first of all an opportunity to create tangible, sustainable, and inclusive development impact in rural and urban areas, benefiting women and men. Secondly, the AIP is an opportunity to advance knowledge of how to catalyze a competitive green agro-processing sector through innovation and entrepreneurship and public-private partnership.

InfoDev is uniquely positioned to roll out and manage the AIP. InfoDev is a fully trust fund supported unit within the Financial and Private Sector Development Vice Presidency of the World Bank Group – which gives InfoDev the ability and agility to innovate, as well as the opportunity to engage the World Bank’s worldwide expertise, networks, and leverage.

With 12 years of experience in supporting innovation and entrepreneurship, and its network of over 400 business incubators in 77 developing countries, the hallmark of InfoDev’s work is its ability to catalyze international peer-to-peer learning and public-private partnerships. InfoDev engages all stakeholders of the agribusiness eco-system, including entrepreneurs, government ministries and operational departments, international organizations, non-governmental organizations (NGOs), business development support organizations, research and technical institutes, farmer associations, national and international industry and financial institutions. It provides a neutral platform for dialogue and partnership.

InfoDev’s approach to agribusiness development is unique. Joining the AIP is a unique opportunity to innovate and create new solutions to catalyzing innovation-led growth of agribusiness in an inclusive and sustainable manner.
InfoDev seeks a broad range of partners to successfully implement the AICs, to derive lessons and knowledge, and to mainstream and scale the program.

**DONOR & FOUNDATIONS**

Donors and foundations can benefit from the program by positioning themselves as founding funders to a program that has an explicit mandate to innovate and develop knowledge of how to best advance the agribusiness sector, which has significant poverty reduction and job creation potential. Because the AIP offers a lower cost per job created than many other programs, it is a good investment for donor programs whose mandate is job creation. The program is also a good investment in green growth. The agro-processing sector is still nascent in the target market and instilling green practices at the outset will help mitigate climate impacts in the future. Donor-funded agribusiness programs that focus on primary production, input improvements, and rural livelihoods will also benefit directly from the AIC’s development of the processing sector. The AIC will need to coordinate initiatives with such programs to meet the growing demand for domestically produced products. The AIC, in turn, will provide these programs with a direct, new market for fresh and semi-processed agricultural goods.

**CORPORATIONS**

Corporations have a unique opportunity to position themselves at the forefront of economic development and participate in the development of an entire sector. The AIP can directly benefit major corporations that are seeking strong local partners. The AICs will actively seek supply chain development opportunities that provide corporations with reliable, good quality, local products, while in turn providing local enterprises with a reliable market. Partnering with an AIC can soften the landing into new markets given the AIC’s network of key stakeholders who know the local landscape and potential business partners who share the same sense of corporate social responsibility.

**FINANCIERS**

Financiers that target agribusiness enterprises have the opportunity to work with the AIP to test out new products applicable for small and medium innovative enterprises that do not yet meet the very high collateral requirements and short payment terms offered by their local banks today. The AIP offers financiers a less risky client pool that has already been vetted for the growth-potential and that receive continuous technical assistance to enhance and manage their growth.

**ACADEMIC & RESEARCH INSTITUTIONS**

Academic and research institutions can partner with InfoDev on creating and executing the critical M&E and impact assessment framework and on conducting research on critical issues of importance to the advancement of innovation and entrepreneurship in agro-processing.

**7. BUDGET REQUIREMENTS**

The total budget requirement for Phase 1 of the AIP program is estimated at $38 million as outlined here.

### AIC BUDGET

- **4 IMPLEMENTATIONS**
  - $34 million

- **4 TO 5 NEW AIC PREPARATIONS**
  - $1.5 million

- **M&E AND KNOWLEDGE CREATION**
  - $1.5 million

- **AWARENESS RAISING AND CAPACITY BUILDING**
  - $1 million

**$38 million**


4. All dollar amounts are U.S. dollars unless otherwise indicated


Join infoDev, the World Bank, and local and international networks as they change the face of agribusiness entrepreneurship and realize the inclusive development opportunities in this expanding industry.

www.infodev.org/agribusiness