Insight Brief

Sustainable services for smallholder farmers

Lessons learned in setting up sustainable business services
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Glossary
BDS Business Development Service (temporary development)
BS Business Service (regular service permanently required)
FCFA CFA Franc, currency used in a number of countries in West Africa
FFS Farmer Field School
FSC Farm Service Center
GAP Good Agricultural Practices
GDP Gross Domestic Product
ICT Information and Communication Technology
MFI Micro Finance Institution
MSD Market Systems Development
NGO Non-Governmental Organization
PO Producer Organization
STARS Strengthening African Rural Smallholders
VC Value Chain
VCD Value Chain Development

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1. INTRODUCTION

This insight brief presents lessons learned on setting up sustainable business services provision in the targeted value chains of the value chain component of the STARS program in the four countries Senegal, Burkina Faso, Rwanda and Ethiopia.

About STARS

Strengthening African Rural Smallholders, in short STARS, is a five-year (2017 – 2021) program in partnership with Mastercard Foundation and ICCO Terrafina. Through a market system development approach the program focuses on improving access to finance and markets for more than 200,000 smallholder farmers in Ethiopia, Rwanda, Senegal and Burkina Faso. The program plans to have an overall impact in the lives of more than 1 million people.

As the STARS program applies the Market Systems Development approach, the focus is on demand-based services that are paid by its users or other value chain actors. Developing these services and achieving their sustainability and scalability are among the main objectives of the program.

In this brief, we distinguish the following types of services: business development services and business services. We distinguish between these services as well as setting apart the provision of inputs, which is often mistakenly considered a service, but is in fact a provision of goods (inputs).

Apart from the distinction between these different types of services, which will be further elaborated below, we will also distinguish the different payment modalities underlying these services, as a crucial ingredient for their success.

This insight brief will analyze the types of demand-based services designed in the STARS program and delivered to farmers and producer organizations. It will determine which of these services are more likely to be successful and what are determining factors for this success.

Chapter 2 elaborates on the distinction between different types of services outlined above. Chapter 3 zooms in on the payment modalities. Chapter 4 presents the interventions of the STARS program. Chapter 5 gives more background on the playing field for service development in the four countries. Chapter 6 presents 4 case studies of highlighted B(D)S services. Chapter 7 identifies critical success factors for sustainable B(D)S provision, Chapter 8 presents the conclusions and Chapter 9 presents some additional information on how the interventions where consolidated in the last phase of the STARS program.

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1 See https://www.icco-cooperation.org/en/project/stars/
2. BDS AND BS

BDS are generally accepted as a vital ingredient for developing value chains that are inclusive of smallholders and increasing farmer performance on e.g. productivity and quality (see for example Wongtschowski et al, 2013). They “enable farmers to access the necessary support to grow their agro-enterprises when project-based investment is withdrawn or scaled back” (Best et al., 2015, p. 9). BDS are provided in different ways by different types of organizations. Service provision to smallholder farmers is important for multiple reasons: They bridge the capacity gap in adopting new techniques and technologies, and add value to the business at the upstream of the value chain (Best et al, 2015). How to bring about sustainability of service provision is a question many development projects grapple with.

*Figure 1 Schematic overview of a value chain*

It is important to bear in mind that the schematic overview above is based on functions rather than identity: A VC actor can play roles in different functions. For instance, service provision can be delivered by entities that focus on service provision only or by a VC actor in the chain that provides VC services next to its buying or selling role.

BDS are defined here as “services by (third) parties providing temporary support to develop a business”. Examples are technical training on a range of subjects, management training, and other temporary services needed to improve business performance. BDS need to be distinguished from other non-financial services, such as business services, which are services by third parties that are needed by most or all businesses at any given time, such as telecommunication, transport, advertising, etc.

We delineate business development services as temporary services to bring target VC actors (usually farmers and producer organizations) to a higher level of performance. So, in our view there is a beginning and an end to the service. If a service is needed permanently, it is not a BDS, but rather a Business Service. Examples of this are utilities like power and water, but also market information, transport, logistical...
services, farm mechanization services (e.g., combine harvesting; threshing etc.), chemical spraying services.

As with any distinction, there are grey areas; for instance, when does technical training of a farmer end being a business development service and become a business service? As presumably farmers would need refresher training on new technology even after 10 years. One could distinguish levels of specificity of the service, duration, frequency etc. to decide whether training is a BDS or BS, or just accept that there are some grey areas. The main reason for the distinction is that the sustainability perspective required for BS and BDS is somewhat different: while BDS, being temporary in nature does not necessarily have to be sustainable (e.g., farmers have developed to a higher level even if the training is not continued), though it is highly preferable (as it provides the basis for scaling). For BS, sustainability is crucial, as otherwise the service stops when a project ends and all realized results collapse (service which is needed long term ceases to exist).

Referring to the definition of BDS above, we would like to add BDS by second parties (e.g., producer organization to members, processors to suppliers) as a separate sub-category. The main reason why would put it apart from third party services, as that we will show that it may have a different dynamic in terms of sustainability (often easier to make affordable) and scalability (usually replicable rather than scalable) than third party services.

Elementary to the STARS approach of developing business services and business development services is the concept of trigger and uptake, which has been embedded in all the result chains of the eight value chains that STARS is working on in the four countries. An example (Rice VC in Rwanda) is provided in Annex 1. The trigger involves a VC actor offering an innovation demanded by other VC actors (be it the smallholder farmers, producer organization, trader or processor) and the uptake is the actual sustainable adoption of this innovation on a large scale (beyond piloting; without subsidies).

The combined effect of the different uptakes then results in growth of the value chain, more inclusion and fairer outcomes.

An additional interesting point is the role of B(D)S in the professionalization and development of agriculture and off-farm employment: provided that B(D)S services are effective and efficient they will result in a higher return per farm and unit of time invested in agriculture as well as in increased off-farm employment in rural areas. Presumably the first effect would be greatest as many farmers would improve their productivity, while the increase in off farm B(D)S employment will be limited in volume, though important in impact.

<table>
<thead>
<tr>
<th>who</th>
<th>Business Services</th>
<th>Business Development Services</th>
<th>Input Provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd party</td>
<td>Long-term required services provided by buyer or seller</td>
<td>Temporary capacity development service provided by buyer or seller</td>
<td>Inputs provided by buyers</td>
</tr>
<tr>
<td>3rd party</td>
<td>Long-term required services provided by service provider</td>
<td>Temporary capacity development service provided by service provider</td>
<td>Inputs provided by external party</td>
</tr>
</tbody>
</table>
3. PAYMENT MODALITIES OF SERVICES

In the table below we show the different payment modalities we encountered with regards to BDS and BS. In this brief, we will show that the right match between service and payment modality provides the basis for success or failure of a service. Generally speaking: subsidized or free services are very affordable for users but fail to be sustained or scaled; while paid services will only succeed if the service has a strong added value and is affordable (not necessarily cheap) for the user. Embedded services (a service which is integrated into the purchase or sales of a product) can be sustainable if properly integrated into the transaction, but may have challenges in scaling, as the spread of the service will depend on the spread of the primary business transaction it is integrated in. (e.g., if the processor has enough supplies, they will no longer expand their embedded VC services to new suppliers).

In order to be successful, a BDS or BS should meet these criteria: Affordability, sustainability and scalability.

![Figure 2 main dimensions underlying service development](image)

Affordability is at the base of any service. If it is not affordable (price, payment modality) clients will not buy it, and the service will not be adopted.

From a service development perspective, sustainability is the next dimension. If the maintenance and delivery costs are not covered by the VC actors, it is not sustainable and will not last without external (donor/project) support. The next dimension is scalability. We define scalability as the capacity of a service to expand to new areas or new groups of clients without further external support. In practice, this requires decreasing unit costs as scale expands to really take off.

These three criteria may initially be gradual: a service may be more or less affordable, sustainable or scalable. But in our view, while being gradual initially as the service expands and costs per unit go down, in the longer run these criteria are more absolute. If a service is not affordable, sustainable or scalable, it will sooner or later fade out when the project ends.
Table 2 Payment modalities for BDS

<table>
<thead>
<tr>
<th>Payment modality</th>
<th>Details</th>
<th>Affordable</th>
<th>Sustainable</th>
<th>Scalable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee-based service (full-service price charged to the customer)</td>
<td>Payment upon delivery of service</td>
<td>?</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td></td>
<td>Payment in instalments/delayed payment</td>
<td>Y</td>
<td>Y</td>
<td>?</td>
</tr>
<tr>
<td></td>
<td>Commission fee (% of transaction value)</td>
<td>Y</td>
<td>?</td>
<td>Y</td>
</tr>
<tr>
<td>Member service</td>
<td>Free service only for members (of a Producer Organization for example)</td>
<td>Y</td>
<td>?</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td>Subsidized service only for members</td>
<td>Y</td>
<td>?</td>
<td>N</td>
</tr>
<tr>
<td>Subsidized service</td>
<td>Payment of partial price by user; the remainder is paid by a third party (NGO, Government or private sector)</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Free service</td>
<td>No payment for service and no obligations attached (often fully subsidized by government or NGO)</td>
<td>Y</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Embedded service</td>
<td>Service is not charged to the user but embedded in another transaction (e.g. getting advice while purchasing inputs or selling of a crop). Often used in transactions between companies and smallholder farmers, when the former also deliver BDS; pricing may or may not be done transparently.</td>
<td>Y</td>
<td>Y</td>
<td>?</td>
</tr>
</tbody>
</table>

The table above shows that any type of payment modality has its question marks or challenges. Question marks indicate that it is a question whether it is realized or not. For instance, subsidized services by a cooperative are affordable (at least very likely), yet whether they are sustainable will depend on how the Cooperative finances the subsidy it provides on the services (so a question mark).

The scaling of the service is naturally limited to the number of members, so we consider it a "no". Indeed, the service can be adopted by other cooperatives, but we consider that replicability, which often requires some external support to make it happen.

On affordability, many of the payment modalities provide an answer, while on sustainability some modalities do not meet this criterion. A payment modality that is not sustainable is not scalable, yet some modalities that are sustainable must still be proven to be scalable.

Apart from the business model it is also important to look at the type of service provider, as this is an important determinant in the success of the service.

In the next section, we will classify the STARS service interventions into BDS and BS and elaborate on affordability, sustainability and scalability of these services.
4. SERVICE INTERVENTIONS IN THE STARS PROGRAM

The STARS program takes a Market Systems Development (MSD) approach\(^2\) that applies a similar approach in eight different value chains in four rather different countries (two per country). In Senegal, STARS works on onions and cowpeas, in Burkina Faso on sesame and shea, in Rwanda on maize and rice, in Ethiopia on potatoes and malt barley. This breadth of interventions allows for the comparisons made in this document.

\(^2\) MSD addresses the root cause of market failures that prevent poor people from meeting their needs. They focus on “interventions that modify the incentives and behavior of businesses and other market players – public, private, formal and informal – to ensure lasting and large-scale beneficial change”.

https://beamexchange.org/market-systems/key-features-market-systems-approach/
### Table 3 Selection of Services developed by STARS according to type, payment modality and outreach

<table>
<thead>
<tr>
<th>Service</th>
<th>BS/BDS</th>
<th>2nd/3rd</th>
<th>BM/payment modality</th>
<th>outreach</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market information</td>
<td>BS</td>
<td>3rd</td>
<td>Fee based SMS</td>
<td>2019: 16,441 users</td>
</tr>
<tr>
<td>Agri services</td>
<td>BS</td>
<td>3rd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business plan development</td>
<td>BDS</td>
<td>3rd</td>
<td>Fee based % of funding</td>
<td>3 POs</td>
</tr>
<tr>
<td>Fundraising platform</td>
<td>BS</td>
<td>3rd</td>
<td>Fee based % of funding</td>
<td>4 POs</td>
</tr>
<tr>
<td>BF</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical training on GAP, advise on use of inputs, fertilizers, business advice</td>
<td>BDS</td>
<td>2nd</td>
<td>PO charges a fee to users members (cash or in kind)</td>
<td>2 POs in total about 1,000 users for the different services (around 40% female)</td>
</tr>
<tr>
<td>Ploughing services</td>
<td>BS</td>
<td>2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input provision</td>
<td>IP</td>
<td>2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GAP training</td>
<td>BDS</td>
<td>2nd</td>
<td>PO charges a fee to group members (cash or in kind)</td>
<td>10,738 users (40% female)</td>
</tr>
<tr>
<td>chemical spraying services</td>
<td>BS</td>
<td>2nd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ET</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seeds and chemical supply by Farmer Service Centre malt barley</td>
<td>IP</td>
<td>3rd</td>
<td>Loan from MFI, offer by FSC</td>
<td>400 farmers (7% female)</td>
</tr>
<tr>
<td>GAP training in potatoes by processor</td>
<td>BDS</td>
<td>2nd</td>
<td>Embedded</td>
<td>300 farmers (20% female)</td>
</tr>
</tbody>
</table>

**BDS= Business Development Service  BS= Business Service  IP = Input provision  3rd = third party  2nd= second party**

In the table above we distinguish between 2nd and 3rd party provision of services. We think is as an important distinction as it has scalability implications: where a 3rd party provider of services can easily expand its services if affordability and sustainability are met (just a matter of entering another area), this is not so easy with 2nd party services as the natural boundaries of their reach are their members (in case of a PO) or their suppliers (in case of a company). Expanding outreach of services beyond these boundaries would imply expanding membership or sourcing to new areas, which is not impossible but does depend on other issues as well, apart from the service provision.

As mentioned before, we do not consider input provision as a BS or BDS, it is actually the sale of a product within the core value chain. As this function is often poorly developed in emerging value chains, we consider its development crucial, even though it is not a service.

The most complex model in the table above is the FSC input provision, as it hinges on two 3rd party providers of services, firstly the FSC selling the inputs and secondly the MFI providing the loans. So, for instance even if the loan model for farmers is successful but the business model for the FSC is not sufficiently profitable to boost its stock base (which requires pre-investment) , input
provision may still not be scaled to a higher level. Therefore, it is important to consider with whom to develop a service (2nd or 3rd party) as the scaling perspective differs, as well as analyze whether the underlying business model has potential for success or not.

Below, the landscape of actors is shown in table 3, which is rather different in the four STARS countries, leading to tailor made strategies for each value chain:

- In Senegal, where there are relatively many BDS and BS providers, STARS has opted for a number of competitive, value-adding interventions ranging from ICT enabled B(D)S to face-to-face B(D)S.
- In Burkina Faso, where extension services including BDS tend to be offered for free by NGO programs, the POs were chosen as the vehicle for delivering fee-based BDS and BS services to their members, in an effort to change mentalities towards paid services.
- In Rwanda, POs also play a key role in B(D)S provision. Other chain actors such as processors also deliver services to smallholder farmers in the value chains, in most cases these are embedded, i.e., payment is included (often implicitly) in the transactions in the value chain.
- In Ethiopia, the state extension system is strong, but a new model was piloted in the malt barley VC that combines financial and input supply, which state extension services often do not offer. The potato VC model relies on embedded services offered by the processor.

Figure 3 Context of the four STARS countries in terms of subsidies and market actors in services

In a context where there is a high level of subsidy on available services, it is difficult to successfully introduced market-based services. So, basically for all BDS in the four countries this is the case, though in Rwanda and Senegal there tend to be more service providers offering these services than in Burkina Faso and Ethiopia. As STARS aims at developing market-based services, this would be easiest in a context of low subsidy with a larger number of (rural) service providers to work with, this seems to be the case in Rwanda and Senegal. In Burkina Faso, there are only very few rural service providers, which makes it more difficult to start developing these services. In Ethiopia, the number of service providers is growing, while levels of subsidy are still high (even in more
commercial value chain by commercial actors). In our view this context explains to some extent the level of success in realizing the development of market-based services in the different countries.

Table 4 Overview of Value Chains and B(D)S developed in STARS program

<table>
<thead>
<tr>
<th>Market destination</th>
<th>Short description of BDS model</th>
<th>Payment modality</th>
<th>Cumulative outreach Q4 2019 (Total/Female)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Senegal Onion VC</strong></td>
<td>Domestic, import substitution. Some regional export</td>
<td>1. mLouma (online platform offers market information and agri-service information 2. Business plan support by GAPP local BDS 3. Funding support through Baye Seddo (crowdfunding platform)</td>
<td>Fee-based, charged through mobile phone use costs (SMS) Fee-based Fee-based, % of funding raised</td>
</tr>
<tr>
<td><strong>Senegal Cowpea VC</strong></td>
<td>Domestic market</td>
<td>1. mLouma offers market information and agriservice information 2. Fee-based services from POs for members (improved seeds and advise)</td>
<td>Charged through mobile phone use costs (SMS) Cash and in kind (percentage of harvested crop)</td>
</tr>
<tr>
<td><strong>Burkina Faso Shea VC</strong></td>
<td>National (butter), international (nuts and butter)</td>
<td>Embedded services from POs to members</td>
<td>In kind (percentage of harvested crop)</td>
</tr>
<tr>
<td><strong>Burkina Faso Sesame VC</strong></td>
<td>Mainly export (unprocessed)</td>
<td>Fee-based services from POs for members</td>
<td>Cash and in kind (percentage of harvested crop)</td>
</tr>
<tr>
<td><strong>Rwanda Maize VC</strong></td>
<td>National, import substitution</td>
<td>1. Member service: advice on GAP 2. Member service: agrochemical spray</td>
<td>Cash and in kind (percentage of harvested crop)</td>
</tr>
<tr>
<td><strong>Rwanda Rice VC</strong></td>
<td>National, import substitution</td>
<td>1. Member service: advice on GAP 2. Member service: agrochemical spray service 3. Embedded service: inputs advanced by processor</td>
<td>Cash and in kind (percentage of harvested crop)</td>
</tr>
<tr>
<td><strong>Ethiopia Malt barley VC</strong></td>
<td>National, import substitution</td>
<td>Seeds and chemicals supplied through new MFI / Farm Service Center</td>
<td>Loan to MFI repaid (in-kind loan) 400 (27) smallholder farmers</td>
</tr>
<tr>
<td><strong>Ethiopia potato VC</strong></td>
<td>GAP by potato buyer Senselet (embedded service)</td>
<td>In kind</td>
<td>GAP 300 (60) farmers Seed loans 40 farmers. 290/27 farmers linked to agrochemical supplier.</td>
</tr>
</tbody>
</table>
5. CHARACTERISTICS OF THE B(D)S SPACE IN THE FOUR STARS COUNTRIES

Nature of the Value Chain
As can be seen in table 4, the STARS value chains are very different in nature. They range from staple crops to cash crops and from perishable products to grains. They also have a different strategic interest for the respective countries, ranging from import substitution to export promotion. In our earlier analysis for the STARS program (van der Linden, 2019), five ranges of factors were explored to characterize these same VCs:

1. What type of end-market is involved: local to international
2. What type of end-market is involved niche to mainstream commodity
3. Contract farming arrangements: Five main models can be identified
4. Quality regulation: absent to highly structured
5. Price regulation: absent to highly structured

The hypothesis used in this learning brief is that the more commercial VCs, with high demands for quality and high regulation, have more space for commercial B(D)S offered as part of a fee-based business model. This is the case, because quality products are remunerated by higher prices. Margins at all steps in the VCs are strongly linked to quality and investing in a service such as B(D)S which increases these markets is therefore a strategy that pays off. This reasoning is at the core of the uptake of the B(D)S services developed by STARS and its partners.

Business environment: thin vs thick markets
From an MSD approach point of view, the question whether there is a large number of potential private sector operators that can be partnered with for delivering an intervention (‘thick’ markets) or a limited number (‘thin’ markets) has important consequences for program strategy. The thick and thin characterization also applies to the number of potential clients for these services, with thick markets offering more scope for service development as there are more clients³.

As can be seen in table 4 and figure 3, the four countries have different business environments in terms of the density of presence of private sector actors. In Burkina Faso, the number of commercial B(D)S providers is much more limited than in Rwanda or Senegal. In Ethiopia, this is also the case, as the Government is still highly critical of private sector involvement in agricultural production, a domain largely reserved for the state and cooperative system.

Interestingly, there is a shift toward more private sector value chain actors and supporters in the more commercial value chains, such as malt barley. This makes margins higher and the scope for commercial B(D)S larger. Yet, so far the malt barley market is so competitive, that breweries provide embedded services (training) and prefinance inputs through lead farmers in order to get sufficient supply of malt barley. This phenomenon discourages private B(D)S suppliers to emerge.

In all STARS countries, BDS providers primarily look toward NGO programs (in some cases Government programs) for financing. In some cases, they are spin-offs from previous programs and maintain the business model they used to have, now financed by new programming by the same or other donors. As a consequence, they are not always inclined or ready to push their business model towards financial sustainability through charging their clients, the POs and smallholders. Besides simple availability therefore, the reigning attitude toward entrepreneurship among private BDS is also a determinant of intervention strategy options and perhaps even the potential for success.

³ ‘Thin’ markets are relatively uncompetitive markets in which there are few market players and/or a large number of ‘absent’ supporting functions and rules. The Springfield Centre (2015, p 57)
Role of Government and private sector in BDS and input provision

In most developing countries, extension services are offered to smallholder farmers that produce subsistence crops such as maize, rice and wheat because national food security is involved. An increasing number of cash crop value chains, that have been assigned priority in national agricultural strategies, are also included. Trainings on GAP, access to inputs such as fertilizer and in some cases, agrochemicals are provided by the state.

These services/products tend to be low intensity and widespread, delivered with limited accuracy. In Ethiopia for example, until recently, the exact same mix of fertilizer was recommended throughout the country, despite widely varying agro-ecological circumstances. Reliance on these services/products (which are the only ones there for the majority of smallholders) is the norm. A second source of these BDS inputs are NGO projects, which tend to be more comprehensive and state-of-the-art, using delivery models such as Farmer Field Schools (FFS), but they typically focus on a limited geographic project area only. The hypothesis here is that the higher the availability of subsidized services, the lower the uptake of paid services. Both the Government and NGO programs offer subsidized services (completely free in most cases).

In both Senegal and Rwanda, the national Government offers substantial quantities of subsidized inputs and services such as extension support to smallholders and their producer organizations. In Senegal, STARS’ initiatives in the cowpea VC have been hampered as a consequence, as the business models of the supported cooperatives – that charge their members for these services – are less competitive. In Burkina Faso, the public sector is also an important factor, accounting for more than a third of GDP. This is a sign of Burkina Faso’s narrow economic base, and high social and development needs (IFC, 2019).

In Ethiopia, the situation is more ambiguous. Ethiopia has one of the densest extension systems in the world, with approximately 21 Development Agents per 10,000 farmers, and more in the ‘high potential’ areas for priority value chains supported by the Government (ATA, 2017). Although the quality and reach of the services offered are debatable, they clearly occupy the same space as commercial BDS providers, of whom there have been a growing number (Leta, 2017). In more commercial value chains such as malt barley, there is an increasing (latent) demand for better services that cannot be obtained through the extension system.

STARS and other programs are promoting this alternative by linking smallholders and primary cooperatives to Farm Service Centers (FSC), “one-stop-shops” offering inputs – seeds, fertilizers, crop protection products, and services like crop price information, veterinary advice, financing and trade credit, and sometimes even equipment leasing. Another private sector channel for BDS services in Ethiopia are ‘lead farmers’ in the value chains organized by the breweries. These actors cascade down the trainings they receive to other smallholders and are sometimes distributors of inputs as well.

Keeping in mind these distinctions between the countries and the value chains, the following section presents four cases of BDS interventions in the STARS value chains.
6. CASES OF BS/BDS DEVELOPMENT IN THE STARS VALUE CHAINS

This section presents three brief case studies on B(D)S interventions in the STARS countries. Additionally, we present a case of development of input provision linked to financial service development in Ethiopia.

These cases have been selected because they are a mix of successes and failures. The first case, mLouma in Senegal, is an example of an innovative, ICT driven BS approach with potential for large outreach in the cowpea and onion (and other) VCs. The second, member services by Association TIN BA in the sesame VC in Burkina Faso illustrates the challenge of introducing fee-based BDS in an environment where these are not common practice. The third, spray services for PO members in the rice VC in Rwanda is an example of a successful, sustainable and possibly scalable BS model. The fourth case, input provision by a combination of Farm Service Centers and MFIs in the malt barley VC in Ethiopia, illustrates successful adaptive management by the STARS program by changing the input delivery model used by project partners previously.

Senegal: mLouma online platform services to cowpea and onion farmers
mLouma\(^4\) is an agri-services and market information platform. The company started with a weather service (Meteo Mbaye) and market price information, disseminated by USSD (SMS) to smallholder farmers. These have been paid services since the start. STARS has supported mLouma to develop new agri-services information products for value chain actors, initially in the STARS-targeted cowpea and onion VCs (mLouma also serves other VCs such as rice and potatoes). Farmers and other value chain actors such as input suppliers, traders, processors and supporters such as banks and BS can access suitable information through the internet or SMS. The service is paid through a fee upon request of information (a fee based commercial service, see table 1). This service has been called Xam Sa Mbay or ‘know your agriculture’.

Xam Sa Mbay provides producers with information on market prices of agricultural products. In addition, it provides meteorological alerts such as rain forecasts, but also relevant information on available inputs and their suppliers, as well as agricultural best practices. mLouma currently has a large number of subscribers for its services. In the cowpea and onion VCs, 16,441 farmers use the services of mLouma and pay for them. All, subscribers used the service, though the extent varies. For Xam Sa Mbay in particular, a challenge is to make sure information on the platform is accurate and remains updated. Especially POs and local traders that may not have reliable internet access have difficulties to ensure this. STARS and its agents are playing a role in collecting and uploading data to the platform, which will be phased out at project end. The sustainability of this model will depend on a sustained number of paid transactions, attracted by continued relevance of the information that is available. So, the scaling of this business services actually pulls the sustainability of it, provided it remains affordable and relevant. Without scaling, which implies increased income from the service, sustaining the frequent update of data is likely not affordable. Presently these services developed by STARS seem to be at that crossroad, as development subsidies for the services have ended and the service data update needs to be sustained by increasing outreach.

Burkina Faso: Association TIN BA provides member services in sesame VC
In Burkina Faso, STARS focusses on developing member services for partner POs to their members (see table 4). This strategy was chosen for multiple reasons, including the dearth of BDS providers in the STARS VCs, and the fact that the program partnered primarily with second tier (union level) POs whose natural role is to offer BDS to their members. Member services were already provided by most POs; this is a way of making members more loyal and capturing more of

\(^4\) mLouma’ means ‘online market’ in Wolof. See https://www.mlouma.com/
their production. Especially in the sesame value chain this is needed, as POs compete with traders for their member’s harvests. STARS set out to professionalize service delivery.

The main novelty of the approach taken is that it aims to make the services fee-based, whereas typically they are ‘free’ i.e. financed by projects (as there are not many programs with an MSD approach in Burkina Faso, most use a direct delivery intervention model). Results of the BDS strategy so far have been mixed. Out of the 5 POs, 2 failed to implement member services, 1 has not yet decided on the exact modality and 2 rolled out these services in 2019. Association TIN BA, a large sesame PO in the east of the country with 4,180 members, is one of these.

In the case of TIN BA, the member services brought in 6 150 000 FCFA. This amount was collected from trainings (386 clients included 219 women for 3 022 550 FCFA), inputs supply (657 clients included 184 women with 44 included 38 women only for fertilizer for 450 000 FCFA as fees) and ploughing services (119 clients included 36 women for 2 677 500 FCFA).

During an evaluation 2019, it was noted that the services that aligned best with the members’ interest were access to inputs and group selling, which are both actually not BDS services. So, this shows that most members were not willing/less prepared to pay for the real BDS services, while being prepared to pay for more direct business services or inputs or output handling.

At the most recent evaluation, only 5% of the smallholders opted for the paid training services offered by their cooperatives, despite very low subscription fees of around 1 euro per farmer. During the assessment workshop, participants decided to cancel the training because of free training provided by projects of NGOs in their location.

This experience also shows the important distinction between need and demand, farmers may have a need for core BDS services, like technical training and post-harvest management, but are not willing to pay for it (as other donors/project provide it free of charge) hence there is no effective demand. This is a matter that can be hardly addressed by a project, as it involves the actions of other donors, and even sensitizing/convincing them to go for a more sustainable approach may take a long time, if successful at all.

Rwanda: BS providers offer spray services for rice VC PO members

In Rwanda, STARS has worked on developing B(D)S within the cooperatives either as a fee based or an embedded service depending on the type of service as well as cooperative involved. (see table 3). Starting with 2 POs, the program worked on awareness raising of PO members on the need for quality B(D)S services, trained the B(D)S providers in the Farmer Field Schools based at the POs, and supported the development of the fee-based model. The Business Development services provided range from GAP on seed preparation, nursery bed preparation for rice, weeding, handling and responsible use of fertilizers and chemicals spraying. Farmers are also trained on entrepreneurial skills such as selling at the right time and how to effectively negotiate prices with buyers.

This case zooms in further on the provision of spraying services (application of agrochemicals) in the rice VC in particular. As mentioned before this is a Business Service rather than a BDS. This intervention has a positive effect on yields and lends itself well to collective provision, as individual rice producers typically lack the know-how on chemical application, and moreover have difficulties in accessing appropriate products. To date, 10 POs have adopted chemical spraying BS, 2 non-STARS POs have also adopted this fee-based BS model. Outreach to date is 12,731 farmers of which 4,184 women. Total land size sprayed is 1,707 hectares. The success of the model has come to the attention of the rice farmers federation of Rwanda (FUCORIRWA); it wants to adopt it in all its member rice POs. As a result,

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discussions with STARS about scaling up and scaling out is ongoing.

The main success factor probably is that it is not a BDS but a Business Service, hence no competition of projects, NGO’s or government providing such a service free of charge. Secondly it reduces the use of chemicals (both due to higher efficiency and higher effectiveness of coordinated spraying).

Another success factor of the model may be the transparent price setting. Two different payment modalities are used:

6. 8 POs make monthly payments of 20-30 euros to the BS provider plus a bonus when production increases. All members pay a fee which is subtracted from their sales to the PO (i.e., they pay in kind)

7. 4 other POs pay the BS providers between 1.5-2 euro per working day for chemical spraying, based on the need and decision of the executive committee. These costs are paid from the trading margin of the POs.

The first modality seems the more sustainable one, as users pay themselves and the total payment to sprayers appears to be higher.

The percentage of farmers paying for these fee-based services is very high. Before each season, the fees are agreed on by all members, and this mechanism increases ownership and promotes sustainability. The payment modalities are also experienced as convenient.

An additional advantage is that spraying services are safer for farmers as skilled sprayers have protective gear and have been trained to handle chemicals. An important issue to mention is that as the PO rather than the individual farmer organizes the spraying, the PO is responsible for correct disposal of residues, avoiding the pollution of surface water.

One of the main challenges of B(D)S in Rwanda is free services offered by NGOs and Government institutions, posing a challenge to sustainability and scaling of commercial B(D)S. To overcome these challenges, commercial B(D)S has to be more targeted and tailored with specified farmer-facing solutions and promise a clear Return On Investment (ROI). It seems that Business Services are better meeting these requirements than Business Development Services.

When they can prove to better serve PO members or tackle challenges which other stakeholders do not address, there is a value proposition that can be worked with. Alternatively, BS providers could develop geographic areas that other actors do not cover. STARS is promoting its results on BS provision such as through the model discussed here; replication by others would be another level of success.

A point of caution on the scalability of the Rwandan BS model presented is the fact that they are embedded within the POs. This is very cost effective and sustainable, but at the same it puts challenges on scalability, as the natural limitations of service expansion would be the PO membership. STARS is working on overcoming this challenge by engaging the overarching Federation of Rice Cooperatives in promoting and extending the model to other cooperatives.

Ethiopia: Farm Service Centers offer inputs to malt barley farmers

When STARS started intervening in the malt barley VC in Ethiopia, several MFIs were offering in-kind loans to malt barley farmers. They provided improved barley seeds of the variety demanded by the brewer, and the farmers paid back their loans after harvest. They also made available the necessary inputs (agrochemicals in particular) through buying them in bulk from importers with the support of the end-buyer of the barley, Heineken. This arrangement was born out of necessity and there were advantages for all parties involved. The farmers had an extra option to get access to improved seeds, the MFIs served their social mission of outreach in rural areas. There were drawbacks as well though, as the MFIs went beyond their mandate by providing non-financial services to the value chain. They could not provide agronomic advice, lacked storage facilities and moreover ran a risk in case the seed quality turned out to be low. This situation
was not optimal, but due to a lack of alternatives it persisted until recently. The GoE has now banned MFIs from input provision completely.

Against this background, and looking for a more sustainable delivery mechanism of improved seeds and inputs to its beneficiaries, STARS started exploring the channel of the Farm Service Centres. These private input suppliers have been established by NGO funded programs, in particular by CNFA between 2015 and 2017. FSCs are often located in larger towns and serve as rural development centers for private farmers in their communities. They provide “a range of agricultural inputs, machinery services, veterinary services and products, marketing assistance for agricultural outputs, training and information, and access to credit”\(^6\). Some of these FSCs are connected to Producer Unions. The new malt barley input supply set up, which is essentially an MFI-FSC collaboration, was piloted in 2019 to overcome challenges in agricultural input distribution.

STARS created a linkage between three FSCs and three branches of an MFI (Wasasa). A total of 400 farmers (of which 27 females) benefited. These farmers received Birr 3,952,800 in kind loans from the three branches of Wasasa MFI. The FSCs provided field days, extension support and mechanization service provision. In 2020, this model is planned to scale out to other MFIs and FSCs to provide similar services for 4000 (20% of them female) farmers. Services including extension support (a BDS), mechanization support (a BS), and agrochemical provision (inputs) for the smallholder farmers including for rural youths will be provided through the new set up, and an additional collaboration is planned with ag-sector digital platforms to mitigate outreach hurdles due to the COVID-19 crisis.

The challenge in this model will be to what extent the FSC’s owned by the Unions will be allowed to make sufficient margin to develop a viable business. This is rather challenging, as the FSC would actually need a substantial amount of finance to purchase its stock as well as provide inputs on credit. If margins would remain low, stock will be dependent on Union loans, which normally are limited in size, hence the total stock and business would remain small as stocks need to be ordered well before the start of the agricultural season.

\(^6\) [https://www.cnfa.org/program/feed-the-future-farm-service-center-project/](https://www.cnfa.org/program/feed-the-future-farm-service-center-project/)
7. CRITICAL SUCCESS FACTORS FOR SUSTAINABLE BDS PROVISION

The cases presented above, highlight a number of critical success factors for sustainable BDS provision that are discussed in detail below.

**Product market fit**

Perhaps the most crucial characteristic of a good BDS service is the value it offers in the eyes of the final consumer, i.e., the smallholder farmer. This is the concept of product – market fit. A critical success factor for trainings to be in demand is for them to align with farmer needs and expectations. For new topics (that may be part of agronomic advice, or part of the delivery of a new product) this is hard to prove during the first round of trainings. This is related to the extent to which it addresses a felt need, but also to the delivery method (accessibility of the service) and its affordability. Like any commercial service, the service needs to be well designed and targeted. The underlying idea of fee-based services is that consumers are more critical and demanding of them than they would be in case they receive the service for free. When well designed, the trigger for the marketing of the service received much attention. A feedback loop and monitoring should be in place to capture the uptake and response from the farmers, and feed conclusions back into continuous product design.

From the cases, it becomes clear that the spray services in Rwanda are well targeted. The different moving parts of the model (end consumer, PO and BDS provider) were all addressed by preparatory work to position the model. In Ethiopia, the developed service (financial service combined with input provision) also meets a need, such as the weather information and market price information. It is too early to tell whether the new service Xam Sa Mbay will become successful. In Burkina Faso, some inroads were made into fee-based member services, but the experience proved inconclusive and the competition from free services seems to be too strong. A clearer definition of ROI and more tailor-made services, as well as continued awareness raising on the benefits of paid services may be needed.

**Competitiveness**

As becomes clear in the cases, the main competition for fee-based service provision models are ‘free’ services by NGO projects and Government institutions. The nature of the agricultural extension system and its historical development, the (perceived) dependency of smallholder farmers on these services as well as the current BDS space and its trends are determining (but not decisive) factors for the amount of leeway fee-based BDS provision has. At the core of any successful transition to commercial BDS lies an attitude change on the side of the smallholder farmers and their POs. Any farmer will recognize the value added of a service, whether it has been offered for free or not. Uptake of agricultural innovations is determined to an important extent by the ‘seeing is believing’ effect. Interventions such as demo plots and Farmer Field Schools are based on this principle, this was used in the embedded GAP training by POs in Rwanda. Also, continuous improvement of the service and its targeting needs to be built into the model to guarantee its continued relevance and uptake.

Another interesting phenomenon is that commercial B(D)S seem to work best in more commercial VCs, where quality is demanded by the (end-)buyers of the agricultural product and, importantly, is remunerated. From this margin, B(D)S can be paid, and their use starts to make more sense, as farmer and

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7 Coined by Andy Rachleff, see [https://greatness.floodgate.com/episodes/andy-rachleff-on-how-to-know-if-youve-got-product-market-fit-XxGvX8DH/transcript](https://greatness.floodgate.com/episodes/andy-rachleff-on-how-to-know-if-youve-got-product-market-fit-XxGvX8DH/transcript)
PO professionalization is required. However, commercial interest can also impede BDS development if competition for produce is so strong that breweries start organizing their own services, as is the case of the malt barley VC in Ethiopia. This second party service provision has limited scalability and impedes emergence of third party BDS provision. This is not to say that commercial BDS are the only way forward as will be elaborated in section 5.5. A good systemic fit requires them to strengthen and complement aspects of the BDS landscape that are not otherwise (sufficiently) covered, provided that there is indeed a (latent) market demand for the service in question.

**Gender sensitivity**
The experience of STARS shows that services that are in theory available to women as well as men do not suffice. Not only are their needs potentially different, the factors determining the accessibility of the service are also different for women than for men. For example, the timing of delivery of the service should also consider availability of women given the fact that they often have other types of engagements during a day than men, e.g. related to their other roles in the household. Some female smallholder farmers benefit from BDS delivered by another woman, who is in the same situation as she is. Again, this was most explicitly taken into account in Rwanda, which partly explains the high outreach to women in terms of training services. Another explanation was the blanket approach in training, involving all members of the PO, which automatically results in a high share of women being reached if there is a high share of female members. It needs to be noted that here, the nature of the value chain also plays a role, as some value chains e.g. malt barley in Ethiopia, involves very few female smallholders.

**Innovativeness**
Some B(D)S providers offer a range of services. Especially ICT enabled services often offer a bundle of services, which reinforce each other. These are also more scalable than face-to-face services. As an example, mLouma in Senegal offers weather advice, as well as market price information, and in the Xam Sa Mbay service developed with STARS support, an online marketplace and advice on Good Agricultural Practices. Innovativeness is context bound however and not limited to the use of new technologies. Offering a service in a context where previously none existed or offering a high-quality service in an environment in which previously only lower quality services were on offer, are also innovations from the point of view of the consumer.

**Systemic fit of service offered**
This critical success factor relates to the market system itself, and the various services on offer. In thicker markets (Senegal, Rwanda to some extent) there is more competition, but also there is likely to be more demand for commercial, fee-based BDS. In thinner markets (Burkina Faso, Ethiopia), uptake can be more limited as there is no habit and history to source services in this way. Changes in this regard are long-term outcomes that take time to achieve.

The essence of a good business model behind BDS provision is to create an opportunity for its uptake. This is partly addressed by creating the right ‘trigger’. As discussed in section 5.1, the product-market fit of the service is important. This also consists of aligning the service with trends that are moving in the same directions, and finding actors and delivery models that suit the situation. Payment modalities, as presented in table 1, play an important role here. Are smallholder farmers willing and able to pay for services? When the correct financing method is used, the answer is more likely to be a yes. Free (fully subsidized) services remove the potential to find out about this (and the potential to become sustainable, too). The state of technology in a country also plays a role here. If payment mechanisms rely on mobile services, for example, but the project area does not have reliable access to mobile telephone networks, roll out will be difficult.

Importantly, the B(D)S provider needs to be in a good position to become (financially) sustainable. As is so often the case in MSD interventions, they need to have the right
incentive to play their role. This may be commercial, in the case of a private B(D)S provider, but it can also be part not-for-profit, yet sustainable, in the case of NGOs or non-profit B(D)S providers.

Finally, codifying the ingredients that went into a well-functioning B(D)S business model is essential for replication and scale up, as many factors (such as the presence of certain actors or rules and regulations) are context specific and need to be adapted when applying the same model elsewhere. All in all, one can conclude that for none of the B(D)S services products it is an easy road to sustainability and scale. All services all needs careful attention, coaching and time to get to the desired state.

Fee-based chemical spraying service in Rwanda
8. CONCLUSIONS

This learning brief presents the lessons learned of the STARS program with regard to sustainable BDS service provision in its targeted value chains. Four factors related to the BDS space in a given country have been considered: the nature of the value chain, the business environment and whether this is a thick or a thin market, and the presence of government support and therefore competition in BDS provision. The four case studies presented have led to the identification of 5 critical success factors that determined whether the service delivery has become or is likely to become sustainable: the intrinsic value of the service offered, its competitiveness, its gender sensitiveness, its innovativeness and lastly, its systemic fit (see chapter 5).

Table 5 Assessment of the case study services along the five criteria

<table>
<thead>
<tr>
<th>Service</th>
<th>Product-market fit</th>
<th>Competitiveness</th>
<th>Gender sensitivity</th>
<th>Innovativeness</th>
<th>Systemic fit</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>BF</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>RW</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>14</td>
</tr>
<tr>
<td>ET</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Seeds and chemical supply by Farmer Service Centre</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>11</td>
</tr>
</tbody>
</table>

1= weak 2= fair 3= strong

Looking at the five dimensions mentioned in chapter 5, some of the developed services score better than others. Yet, a good score on the five dimensions does not yet mean that the service is sustainable or scalable, but that the conditions for realizing this are suitable.

Table 6 Assessment of the case study services along dimension of affordability, sustainability and scalability

<table>
<thead>
<tr>
<th>Service</th>
<th>Affordability</th>
<th>Sustainability</th>
<th>Scalability</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG</td>
<td>Y</td>
<td>?</td>
<td>?</td>
<td>Maintaining update of info is a challenge</td>
</tr>
<tr>
<td>BF</td>
<td>Y</td>
<td>?</td>
<td>?</td>
<td>Low cost, but free is always cheaper</td>
</tr>
<tr>
<td>RW</td>
<td>Y</td>
<td>Y</td>
<td>?</td>
<td>For scaling service may need to develop from 2nd party to 3rd party</td>
</tr>
<tr>
<td>ET</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Loan product is market compliant</td>
</tr>
<tr>
<td>Seeds and chemical supply by Farmer Service Centre *</td>
<td>Y</td>
<td>Y</td>
<td>?</td>
<td>Attention for business model of FSC needed</td>
</tr>
</tbody>
</table>

* please note that these are not considered BDS but were included in this study as STARS did not work on BDS but development of input provision in Ethiopia.

Based on our assessment of success of the different services/products, we conclude that product delivery of inputs is most sustainable, though scalability still has to be proven. The
perspective of the provision of business services varies with the type of service, rather direct and “simple” services such as chemical spraying have more scope for sustainability than a more complex service such as up to date market specific data. In general, market-based business development services suffer a lot from competition of free services from government and NGOs.

On a positive note, how can STARS or similar programs work on sustainable and scalable services? Based on our analysis, we propose the following preferred approaches.

Table 7 Road to sustainability and scaling for Business Development Services, Business Services and input provision

<table>
<thead>
<tr>
<th>Service/product</th>
<th>Road to sustainability</th>
<th>Road to scalability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Development Services</td>
<td>Embedded service by 2nd party</td>
<td>Adoption by similar VC actors</td>
</tr>
<tr>
<td>Business Services</td>
<td>Fee based 2nd party (PO)</td>
<td>Adoption by similar VC actors either directly or through an umbrella organization</td>
</tr>
<tr>
<td></td>
<td>Fee based 3rd party</td>
<td>BS provider to offer services to other farmers/POs</td>
</tr>
<tr>
<td></td>
<td>Low cost services: upfront payment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Higher cost services: prefinanced</td>
<td></td>
</tr>
<tr>
<td>Input provision</td>
<td>Fully paid prefinanced through a loan</td>
<td>Both the MFI providing input loans and input supplier selling inputs have a model to scale</td>
</tr>
<tr>
<td></td>
<td>Attention needed for business model of input supplier</td>
<td></td>
</tr>
</tbody>
</table>

Although the objective of introducing sustainable BDS provision in the value chains was the same, the experiences in the four countries to date have been different. In all countries, STARS programming has taken into account the status quo and has tried to move this along in the direction of fee-based service delivery, with mixed success. It should be noted that the implementation of STARS is still ongoing, and that this study represents a snapshot of the situation at the beginning of 2020, with another year of implementation to go. The following section provides details on the plans made by STARS to consolidate gains made with regard to sustainability of the BDS.
9. CONSOLIDATING THE INTERVENTIONS

As mentioned above, success is defined here as the likelihood of the sustainability of service provision to beneficiaries beyond program end. When BDS delivery is well designed, the transaction between providers and consumers is fee-based and remains intact, the service provision is more likely to continue after program exit. As the situation in the VCs is dynamic, this also requires continued repositioning of the BDS to maintain its relevance. This may require other actors taking over some of the roles currently played by STARS (notably on design, training, awareness raising and promotion of the service beyond the chain actors it directly targets).

The following are next steps that are under implementation in the STARS countries:

Senegal: STARS is combining elements of the business models of the different BDS actors it works with, making the bundle of services offered to POs more robust, as well as taking them along in the program’s core approaches such as FFS. In the remaining year of implementation emphasis is on consolidating effective interventions, including certified inputs system with 4 main POs, digitizing other value chains within mLouma (rice, millet, potato) and integrating a wallet for paying through the platform. Bay Seddo and GAPP are supported to increase outreach in vegetable marketing.

FFS are often used to demonstrate new varieties, and private input suppliers are also using the model to convince and showcase the performance of their products.

Burkina Faso: STARS is evaluating whether to continue with fee-based service provision by the POs in the sesame VC. Although the evidence is inconclusive, it is likely that the environment in which the services have been offered is not favorable and that a better proposition needs to be found. Possibly this would be embedding the service fee in the sales transaction, though this does require supplier loyalty. Therefore, in the shea VC, STARS is starting a business model for kernel and butter certification process and fees. POs will request contribution of their members, the female shea nut pickers, for 25 FCFA/kg. This could cover the certification fees and contribute for other activities for members.

Rwanda: the BDS services are embedded within the POs, though scale up of this model has some challenges, the recent involvement of the Rice Farmer’s Federation offers a vehicle for spreading the approach. As for business services like chemical spraying, it needs further assessment of the business model for all concerned: while the affordability for farmers does not appear to be a challenge at present, the sustainability of the service also depends on the financial incentives for the sprayers involved. For scale up either replication by other POs (through the Federation) or professionalizing the spraying service to a third-party service would be a way forward. Also, here, affordability and sustainability need to be taken in to account.

Ethiopia: the input provision model has so far only been piloted on a limited scale. Scale up of the model for MFI’s seems less of a challenge, as they tend to have their business approach in order. However, the Farmer Service Centers, which are owned by the Unions, currently lack the margins to make the input supply a scalable venture, as it would require sizeable investments in stock, which can not only be based on the limited Union working capital they may acquire.
10. MAIN LESSONS LEARNED ON B(D)S BY STARS

Based on the STARS experience in B(D)S development the following lessons learned have been collected:

8. Market economic context does matter if one aims to develop sustainable and scalable business (development) services.
9. VCD/MSD team capacities (open mind, readiness to work with both PO and private sector) are important success criteria for B(D)S development.
10. Potential clients are more likely to pay for services that show an immediate benefit and are not yet provided by non-market actors (government, NGO’s). Hence there is more scope for market-based Business Services than Business Development Services in this respect.
11. Market based development of business (development) services requires both a strategic approach (clarity on what to support and what not) and a trial-and-error mind set (amplifying what works and discontinuing what does not)
12. Embedded service development with private enterprises is more likely to work with larger and more formal companies with a clear focus on quality and volume and readiness to pay for it.
13. Embedded service development with Producer Organizations may become sustainable, scalability is likely limited to the membership base, though the service may be replicated by other Producer Organizations.
14. Promote STARS experiences and similar market led service development with donors and governments to sensitize them on the need for sustainability and scaling of services, as well as show them that affordability of services does not mean free services.
11. REFERENCES


Wongtschowski, M., J. Belt, W. Heemskerk, and D. Kahan (eds). 2013. The business of agricultural business services: Working with smallholders in Africa. Royal Tropical Institute, Amsterdam; Food and Agriculture Organization of the United Nations, Rome; and Agri-ProFocus, Arnhem.
Annex 1. Example of a STARS result chain

INTERVENTION RESULT CHAIN RICE VCD IN RWANDA

Impact

1. Farm households have improved their wellbeing
2. Farm households have improved their income
3. Farm households have higher food security

Sector growth

4. RWF: Increased total market size for rice based on sales volume and quality premiums

Enterprise performance

Farmers (m/f) have increased their rice production in quality (inc post-harvest) and quantity
POs buy greater quantities of rice from members according to contract requirements
POs are increasingly accountable and transparent and honour their business contracts
Market buyers buy rice from processing POs, and processing plants

Uptake

Farmers buy and use products and services (including training) to improve production practices
POs/other VC actors offer fee-based input services (PO buys from input suppliers and charges members)

Triggers

POs/other VC actors offer embedded services on PHl training, drying, threshing services, grading and best use of fertilizers
POs/other VC actors offer fee-based input services (PO buys from input suppliers and charges members)
POs develop, test and roll out tailored loan products for VC actors based market contracts in the chain (VCF Result Chain)

Outputs

POs are better organized and strengthened, and are sensitized on female participation on all levels in their PO
POs are better connected to Rice processing plants
POs grade and/or process their paddy rice and pay farmers according to quality

Intervention

Service Development - POs will get direct capacity building as well as making sure that DDS providers and input suppliers are more inclusive
POs develop, test and roll out tailored loan products for VC actors based market contracts in the chain (VCF Result Chain)
Financial Service Development: Financial services are based on key areas gaps on the financing in value chain.
Market Access Development - POs are connected to VC actors and other market buyers and also making sure that POs process and/or grade the product quality and also pay farmers according to quality

Impact

2. Farmers (m/f) have improved their income
3. Farmers (m/f) have increased sales to market actors on good terms (payment according to quality)
4. RWF: Increased total market size for rice based on sales volume and quality premiums

Outputs

POs are better connected to Rice processing plants
POs grade and/or process their paddy rice and pay farmers according to quality

 услуга

2. Farmers (м/ж) имеют улучшенное производство риса по качеству (включая постхозяйственный период) и количеству
3. POs приобретают большие количества риса у членов согласно контракту
4. RWF: Увеличен общий объем рынка риса на основе объема продаж и качества премий

Выходы

POs лучше связаны с производственными предприятиями
POs классифицируют и/или обрабатывают свою пaddy и выплачивают фермерам по качеству

Вмешательство

Сервисное развитие - POs будут получить прямую переформатируемую на основе ключевых областей недостатка финансирования в цепочке
Маркетинговое развитие - POs связаны с VC actors и другими участниками рынка и также обеспечивая, что POs процессируют и/или классифицируют продукт по качеству и также выплачивают фермерам по качеству
We Help Farmers and Small Businesses Grow.