The Inclusive Business Plan

TechnoServe is testing its Inclusive Business Plan (IBP) methodology in the CASA TAF. Our approach involves working closely with agribusiness management teams to create a roadmap to deepen, broaden and/or strengthen supply chains in a way that delivers value to both smallholders and shareholders. We then work with management to operationalise the IBP by deploying inclusive technical assistance. An IBP is a thorough analysis produced over 3-6 months that:

- Diagnoses smallholder supply chain challenges;
- Identifies or validates the inclusive business growth opportunity, aligned to commercial objectives, identifying opportunities for greater commercial and smallholder impact;
- Quantifies the opportunity in terms of commercial value for the business and impact for smallholder farmers;
- Lays out a strategy to access the opportunity including investment and any partners required; and,
- Maps out an implementation plan; a linked package of technical assistance and blended finance.

The IBP process involves field visits and regular touch-points with company management to identify key growth levers and ensure that the plan is grounded in the business’ reality. IBPs are co-created with agribusiness partners to ensure stakeholder alignment, ownership and buy-in. To ensure viability, all recommended inclusive growth initiatives are linked to a robust business case. The IBP is action-oriented and lays out a clear, pragmatic strategy to support the business to access the opportunity.

IBPs – and the associated TA – typically represent just a fraction of the size of an investment, but can have significant impact for investors, businesses, and suppliers; addressing fundamental barriers to inclusive and sustainable growth through careful analysis, the right combination of business, strategy and agronomic expertise and hands-on problem solving.

The IBP acts as a diagnostic to identify and build consensus around shared value opportunities in the business.
The IBP approach

Breaking down how we co-create an IBP

The IBP is flexible in scope, and can consider a wide range of strategic, operational and financial levers of shared value

**Strategic decisions**

- Improved operating models
  - Field team/extension operating models
  - Aggregation logistics models
  - Farmer segmentation
  - Farmer loyalty models
  - Pricing models

- Enhanced business models
  - Diversification into higher value add segments e.g., organic, Fairtrade, and differentiated quality
  - Expansion into additional product/service lines e.g., input sale, input finance, and farm advisory
  - Development of ecosystem of micro-enterprises e.g., agents and franchises

**Strategic enablers**

- New technology
  - Digital extension tools
  - Remote monitoring
  - Traceability technology
  - Payments technology
  - Two-way communications

- New partnerships
  - Input financing partnerships with financial institutions
  - Crop offtake partnerships with other businesses
  - Input advisory services from public bodies

- Innovative finance
  - Blended finance solutions
  - Climate finance e.g., voluntary carbon markets
  - Payments for ecosystem services

We can support clients from diagnostic through to delivery of inclusive sourcing initiatives based on their needs

**Phasing**

- Inclusive Business Plan (3-6 months)
- Technical Assistance Delivery (12+ months)

**Objectives**

- Where to play, how to win
  - Identify priority crops and geographies
  - Identify value drivers and competitive advantage from smallholder sourcing

- How to configure
  - Identify business model to deliver inclusive sourcing opportunity
  - Design gender inclusion and climate resilience into strategy

- How to do it
  - Validate field realities and implementation risks

- How to manage it
  - Identify KPIs that meet business and programme intended outcomes

- Getting it done
  - Manage process through multi-level stakeholder management to ensure alignment with strategy and commercial / impact goals
A detailed diagnostic allows us to create an objective view of business challenges and opportunities, and identify common ground with smallholder impact opportunities.

**Example insight: disengaged farmers further from aggregation hubs**

Proportion of active farmers per village vs. distance from the aggregation hubs.

*Name of company has been changed for anonymity*

**Commercial benefits are assessed in parallel to impact on smallholder livelihoods in order to ensure that the model creates meaningful incentives for all parties.**

**Commercial impact: increase volumes**

**Estimated supply of nuts**

<table>
<thead>
<tr>
<th></th>
<th>2021E</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Millions of nuts</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**Assumptions**

<table>
<thead>
<tr>
<th>Growth lever</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated number of farmer groups</td>
<td>c.75</td>
<td>c.110</td>
<td>c.130</td>
</tr>
<tr>
<td>Share capture</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Production increase</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Smallholder impact: net income gains of ~$150 p.a.**

Total net income gains to smallholder farmers.

<table>
<thead>
<tr>
<th></th>
<th>2021E</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands of USD</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**Assumptions**

<table>
<thead>
<tr>
<th></th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onboarding additional farmers at Hub</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Onboarding additional farmers in [redacted] County</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blended extension model</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farmer groups</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Number of farmers benefiting | 3.0k  | 3.5k  | 4.0k  |
| Average benefit per farmer | $48   | $92   | $151  |
Close collaboration with management allows creation of practical solutions underpinned by detailed implementation plans and realistic cost estimates.

**Output: detailed joint implementation plan**

Farmer group implementation can commence at the end of 2021 with an estimated completion date by the end of 2024 for the initial 10 villages.

<table>
<thead>
<tr>
<th>Project name</th>
<th>Farmer groups</th>
<th>Proposed project lead</th>
<th>Start date</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>[Redacted]</td>
<td>Q4 2021</td>
<td>Q4 2024</td>
</tr>
</tbody>
</table>

**Objectives**

- Facilitate the scheduling of harvesting and collection activities to reduce logistic costs and increase share capture
- Reduce workload and improve efficiency of extension and sourcing teams by delegating functional roles to the farmer groups

**Forecast OPEX**

- 2022: $10k
- 2023: $20k
- 2024: $30k

**Forecast CAPEX**

- 2022: $10k
- 2023: -
- 2024: -

**Risks and mitigations are assessed with personnel responsible for implementation to allow objective judgements on commercial viability and therefore technical assistance needs**

**Output: detailed risks assessed with client management**

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Description</th>
<th>Likelihood</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling nuts to another buyer</td>
<td>Farmer groups supply another buyer with nuts instead of Kitamu Ltd due to the offer of cash-in-hand or a higher price leading to share loss</td>
<td>Medium</td>
<td>Kitamu Ltd should ensure buying clerks maintain close relationships with the lead farmers to ensure loyalty to Kitamu Ltd</td>
</tr>
<tr>
<td>Leveraging negotiating power to increase price with Kitamu Ltd</td>
<td>Farmer groups leverage their increased selling power to request higher prices from Kitamu Ltd</td>
<td>Low</td>
<td>Kitamu Ltd ensures that it is consistently offering a price above the market through utilising its variable pricing model, which limits the negotiating power of farmer groups</td>
</tr>
<tr>
<td>Inputs are not used appropriately and / or for other crops</td>
<td>Farmers either do not know how to use inputs effectively or prioritise its use on other crops leading to limited improvements in yields in farmer groups</td>
<td>Medium</td>
<td>Farmer groups receive dedicated training on how to use inputs (e.g., ash or biochar) Instructing farmers on how to use inputs effectively for nuts is integrated into lead farmer responsibilities</td>
</tr>
<tr>
<td>Harvests are not coordinated resulting in limited aggregation benefits</td>
<td>Harvests are uncoordinated which result in limited efficiency gains from serving farmer groups</td>
<td>Low</td>
<td>Lead farmers receive dedicated training on how to coordinate harvesting and collection schedules and its importance to Kitamu Ltd</td>
</tr>
</tbody>
</table>
Challenges and opportunities for inclusive TA to agribusinesses

**Insights gained through our experience**

**Short-term cost, long-term value:** Identifying viable inclusive sourcing initiatives requires sustained engagement and a mix of strong commercial, operational and agronomic expertise. Resourcing these projects is often perceived to be beyond the capacity and means of an SME agribusiness. At the same time, the real value of an IBP is often delivered in the longer term as new initiatives scale and benefits are banked. It can therefore be difficult for investors and agribusinesses to justify funding an IBP before they have experienced concrete results, while public donors may have expectations on short-term targets that sit in tension with the model of viable private sector development: slower to show ‘results’ in the short term but where success can lead to sustained investment and substantial multiplier effects in the longer term. CASA TAF is working to develop tangible examples of successful smallholder-sourcing businesses that have benefited from this approach in order to stimulate investment into the sector. However, public funders will need to continue to play a role for the time being both in de-risking private investment, and in supporting better decision making around deployment of public funds into inclusive sourcing. Crucially, public funders may need to shift their perception of what success looks like in the short term to unlock more meaningful and sustainable impact in the future.

**Analytical challenge vs. creative solution:** IBPs inherently contain the risk that the opportunity is not viable or impactful. Analysis leading to a No-Go decision can be highly valuable, avoiding poor investment and TA funding decisions. However, to maximise the impact of IBP support it is important to find ways to enhance the “conversion rate” without simply backing winners or excluding smaller and riskier businesses that would benefit most from the support and may have the greatest potential to generate bottom of the pyramid impact. CASA TAF aims to mitigate this through systematic pipeline development and screening; and through an adaptive approach to delivering IBPs that emphasises creative solution design in addition to thorough analysis.

**Increased private sector leverage based on clear risk-reward ratio:** An IBP aims to provide agribusinesses with the clarity they need to assess the cost-benefit of inclusive business opportunities: how much they would need to invest in deeper relationships with smallholder suppliers, what the reward should be, and what the risks are. A collaborative approach to developing IBPs allows for early alignment on shared commercial and impact opportunities and drives company management buy-in. Objective assessment of impact potential ensures the model creates meaningful incentives for participation and loyalty by driving tangible financial benefits for smallholder farmers. CASA TAF is finding that the process of developing IBPs leads to mobilisation of private capital at a much earlier stage and helps to target public funding where it is really needed, considering the commercial risk and opportunity.