

Improving the effectiveness of Agri-BDS: A Guide to Segmentation

Segmenting agri-SMEs helps match them with the most appropriate BDS/TA support and foster a self-sustaining market – system that drives sector-wide improvements that can be scaled

Benefits of segmenting agri-SMEs



Agri-SMEs can assess their development needs and commission BDS/TA to match their needs



BDS/TA providers can match **programmes** to agri-SME needs



Donors can benchmark performance to drive improved effectiveness of programs targeting Agri-SME development



As the **quality of BDS/TA provision improves**, agri-SMEs are more willing to pay for the services, which leads to a **more sustainable market**

Segmentation Framework

It is recommended that a pragmatic segmentation of the Ag-SME market is adopted:

- **by legal form:** 1) private enterprises, 2) social enterprises, cooperatives and other hybrids, and 3) unregistered organizations forms.
- **by position in the value chain** considering where the majority of the SME income is derived from: 1) Production; 2) Aggregation; 3) Processing; 4) Distribution and sales; 5) Equipment and equipment services; 6) Other non-financial services
- **by capacity:** 1) Basic; 2) Proficient; 3) Advanced

Matching agri-SME demand with BDS/TA supply

Agri-SMEs capacity Segmentation	BDS/TA supply / expected outcome		
	Management system improvement	Market access and product development	Capacity building (for farmers)
Basic capacity: Not attractive to financial institutions, often with limited and uncertain growth potential.	Introduction of management systems such as governance, financial systems/risk management enabling the SME to become viable. Unlikely there will be support to access finance at this stage.	Basic marketing strategy development support to support modest turnover growth	Support for training farmers before a viable Ag-SME is established is not recommended
Proficient capacity: Can attract some financing, but despite significant growth potential, working capital challenges prevent rapid growth.	Improvements to management systems such as governance, financial systems/risk management + HR and digital processes. At this stage efforts will be made to enable	Advanced marketing support such as new product development / certification with the aim of creating new income streams which can also enable access to finance.	Strengthening of supply chain relationships between ag-SMEs and farmers, such as contract farming.
Advanced capacity: Has raised capital, internally or through external financing, but insufficient for their significant potential growth.	Specialised capacity building which may support financial, business & risk management and process digitisation	Specialised capacity building which may support product development and access to complex markets	Specialised capacity building depending on the needs of the farmers and the supply chain