The Rwanda Private Sector Driven Agricultural Growth program (PSDAG) is a five-year (2014-2019) USAID-funded effort. The goal of PSDAG is to increase smallholder farmer incomes by promoting private sector investments – internationally and domestically – that contribute to the Government of Rwanda’s Vision 2020 aim of transforming agriculture into a market-oriented, competitive, and high-value sector.

Currently in its fifth year of implementation, and in order to ensure a smooth transition of project activities to partners, PSDAG is holding a series of learning events aimed at sharing successes, lessons learned, tools and templates, and curricula with a comprehensive group of public, private, and donor stakeholders within the Rwandan agriculture sector.

Rwanda’s small- and medium-sized agribusinesses (SMEs) often lack the financial skills, scale, and marketing acumen that would make them attractive to financial institutions or impact investors currently operating in or hoping to invest in the country. To address this, PSDAG has designed a Business Development Service (BDS) program for project-supported SMEs that includes a tailored package of capacity building in financial accounting and reporting, investment readiness and access to finance, sales process and forecasting, human resources, and marketing, all while supporting policies for the inclusion of women, youth, and persons with disabilities. The BDS program was intended to help partner SMEs become more sustainable by assisting them to professionalize, expand, and find new and affordable finance.

PSDAG’s BDS program has been rolled out to 36 agri-SME partners throughout the country. In May 2019, 44 stakeholders met in Kigali, Rwanda, to discuss PSDAG’s approach to BDS provision and BDS service-market strengthening, challenges, and results. Major lessons learned are outlined in this learning brief.
BDS Program Goals

PSDAG has leveraged a US$5 million Value Chain Competitiveness Fund (VCCF) to identify promising SME partners and provide co-investment grants that allow them to invest in technology upgrades and strengthen relationships between themselves, producers, investors, and financial institutions.

As a complement to VCCF support, and to increase the sustainability of SME business models, PSDAG offered BDS to assist companies in preparing for their next stages of growth and investment. The program aligned assistance to individual business needs and included tiered support for finance, accounting, and operations; market analysis; financial analytics and modeling; and preparation for pitching to international investors.

For project partners, the subsidized BDS support was intended to be a “proof of concept” to demonstrate the impact on business growth while establishing longer-term relationships between agri-SMEs and local providers, thereby driving demand for future engagement. At the same time, the program built the capacity of local BDS service providers to provide and market affordable, performance-based agribusiness assistance to reduce risk and drive adoption within the larger agri-SME market system.

BDS Program Process

PSDAG rolled out the BDS program primarily to partners who had already demonstrated commitment to their own expansion via significant co-investment under the VCCF. In order to ensure the program was responsive to SME needs rather than prescriptive, the project designed and implemented a survey of PSDAG SME partners to assess their business advisory service needs.

Based on the survey results, PSDAG developed a scope of work and released a request for proposals to solicit applications from local, regional, and international BDS service providers; PSDAG chose three service providers from 129 total applications received.

Partner SMEs were then allowed to choose for themselves which service provider they would like to use based on the alignment between their own business goals and the advisory companies’ previous experience. Service providers then proceeded with the provision of BDS over a period of three to eight months, which generally consisted of a phased implementation comprised of an assessment period, an initial training period, and follow-up coaching and mentorship to monitor implementation of recommendations.

Results

The 36 agri-SMEs supported with BDS have benefited from professionalized management; businesses now utilize sound accounting principles to produce professional financial statements, have improved stock and sales management, and can conduct basic business planning and forecasting. In addition, differentiated results based on tailored support include: three SMEs obtained equity investment of more than US$1 million; three SMEs expanded to regional or international markets; and 13 developed a permanent web presence, including three that have full online sales portals.

There are also signs that the BDS service market is improving as a result of this program. Two of three service providers have or are considering changing their payment terms to attract additional agri-SMEs and one service provider reports that it is already receiving requests for SME-funded follow-up support from PSDAG partners.

Selected key lessons learned based on challenges that arose during implementation are highlighted at left; a more comprehensive list was shared with stakeholders at the May learning event.

LESSON 1
Start early and plan for multi-year support (~2 years), as ongoing coaching and mentorship will make activities more impactful and sustainable.

LESSON 2
Basic BDS is more broadly demanded; these lower-cost services can be more sustainably purchased by SMEs in the future. More sophisticated, expensive BDS is likely only necessary when seeking significant investment fund-raising.

LESSON 3
SMEs need to understand the time obligation required for BDS mentoring and demonstrate commitment to participation in iterative intervals before additional support services are approved.

LESSON 4
Staff turnover in SMEs is common and can be disruptive to coaching; service agreements should appoint SME focal person(s) and include a clause that any change will be communicated in advance with a formal handover meeting.