



RURAL INFRASTRUCTURE AND
AGRO-INDUSTRIES DIVISION

The Inclusive Business Model Approach: Improving linkages between small producers' organizations and buyers

The case of cotton in Kenya

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Context

- Inclusive business model (IBM) approach piloted in 16 countries across Africa, the Caribbean and the Pacific regions with the support of the European Union.
- Easily customized to the local context
- Focuses on the weakest link - between the smallholder and their organizations and the buyer which could be a trader, a processor or a retailer – helping to identify context and commodity specific solutions to local market obstacles.



Implementation Steps

1. Characterization of business model - how the actors are currently doing business
2. Identification of the critical success factors (CSF) that are particularly valued by buyers and end consumers
3. Develop plan for upgrading business model including financial plan
4. Identify sub-set of activities that project can support without distorting viability, unduly subsidizing, undermining sustainability



Lessons learned for public sector

- Public policy can go much further by introducing reforms that abolish **over-bureaucratic rules** governing the institutional, legal and administrative frameworks of both small businesses and membership based organizations.
- contributing to a general **easing of doing business** at the local level, such reforms will also play a important part in reducing many of the costs and risks faced by SMAEs when doing business with small farmer-based organizations





Lessons learned for SMAEs

- The important role that **SMAEs** play in providing smallholder-based organizations with reliable nearby market outlets but without the high standards demanded by more commercial buyers.
- But some constrains:
- More risks of doing business with smallholders which range from **inconsistent quality and quantity** of supply **to side-selling** and **reputational risk** based on public perception of smallholder exploitation.
- They struggle to provide the **technical and financial assistance** it takes to bring smallholders' produce up to a standard which satisfies the market.

