Agribusiness Investment for Market Stimulation (AIMS) is a five-year, U.S. Department of Agriculture (USDA)-funded initiative to promote trade in Kenya, Tanzania and Malawi by increasing access to finance and markets for agricultural small and medium enterprises (A-SMEs) working in grains, pulses, horticulture and livestock/dairy. Target A-SMEs represent a diverse range of enterprises (including agribusiness cooperatives, and farmer business organizations), ranging from agricultural input and veterinary supply dealers, to producers, commercial commodity traders and exporters, value-added processors, equipment manufacturers/suppliers, and other service providers.

AIMS recognizes that A-SMEs and market-oriented cooperatives are critical actors within agricultural value chains—providing a link between smallholder farmers and local, national, regional and even international markets. However A-SMEs are often under-resourced limiting the role they can play in building markets. AIMS focuses on the unique constraints they face to growth include inadequate financing, lack of market information, limited market linkages and lack of capacity in the key areas of financial management, business planning, human resource management, marketing and trade, and business finance.
AIMS focuses on four key objectives:

- **Objective 1:** Leverage public-private investment to increase agricultural lending and the provision and use of financial services for A-SMEs through a $50 million Loan Guarantee Facility backed by the Overseas Private Investment Corporation (OPIC).

- **Objective 2:** Facilitate agricultural lending by improving the capacity of partner banks to lend to A-SMEs.

- **Objective 3:** Improve the capacity of A-SMEs.

- **Objective 4:** Improve linkages between buyers and sellers by facilitating relationships and increasing access to market information.

AIMS was not initially designed and implemented as a market systems development program. The original interventions relied primarily on direct and supply-driven services to A-SMEs and financial institutions. To have greater impact and create more sustainable changes and efficiencies within each of the target subsectors, Global Communities introduced a market systems approach in the second year of the program. This meant revising intervention strategies, re-orienting staff, implementing partners and the target A-SMEs to a new way of understanding their roles. The shift in approach also required re-communicating AIMS’ activities and strategies to institutional and private sector partners, to assess their buy-in to a more facilitative way of working with AIMS. With this change in approach, the program sought to create sustainable forward and backward linkages within the respective value chains, and linkages with critical business support services.

The principles inherent in AIMS’ approach include: grounding intervention design in market assessments and research for greater long-term viability; engaging a broad set of stakeholders to understand root constraints and opportunities; using facilitation to leverage existing business incentives for sustainable change; working through partnership with permanent market actors, including private sector enterprises; and ensuring program adaptation to country contexts and external events. Global Communities has worked with stakeholders, AIMS staff, and the donor to raise awareness of these principles and to demonstrate their application and benefits on partnership, program timeframes, results measurement, learning and adaptation, human resources, and internal management.
There are the more obvious steps to take in implementing such a change in approach—such as providing staff with training in market systems and putting in place internal review and learning cycles to continuously adapt interventions to each context and market system—but others became clear later. What follows are some considerations that any entity looking to replicate this process would want to take into account:

1. The reorientation will likely necessitate assessing and adjusting management and HR systems to promote creativity, team engagement and collaboration, and ensuring a safe culture where technical staff can continue taking greater ownership of the learning and adaptation process, and be adaptable when things don’t go as expected.

2. The focus on leadership development and adaptive management must increase among staff. For a more adaptive and proactive culture to take shape, leadership at all levels need to be interested in learning about successes and failures, and be able to create a safe space for staff to express, analyze, discuss and reassess the effectiveness of various interventions and activities. There are many ways to foster learning from other tactics and experiences, with in-person and in-the-field opportunities particularly valuable. But it can take time and understanding that not all staff will advance at the same pace which requires oversight and coaching.

3. Reaching out to partners and beneficiaries with new messages and expectations is vital. Language needs to be tailored to reflect business terms and incentives, rather than donor/development lingo. For example, be clear with partners and businesses that they will share the costs and responsibility of any activity, and that it will be an “investment” on their part to access new markets, improve business management, source more/higher quality products, access finance, reach new members/students, etc. AIMS facilitates connections, cost-shares activities, presents new business opportunities, but does not provide direct financial support to the businesses, or fully subsidize activities. Delivering this message consistently takes discipline, given how much easier it can be to engage partners using more traditional development language promising resources and direct support.

4. If shifting to a market systems approach, leadership should recognize the importance of identifying partners that are motivated by market incentives, and the time it takes to identify the right ones. AIMS works through larger, well-established apex organizations to reach A-SMEs, and has found that cooperatives or member associations are more likely to have governance issues that affect business-minded decision-making, and may be more habituated to receiving donor support for their activities, lowering their likelihood of buying into facilitative partnerships founded in real market incentives.

Focusing on partners with these qualities can mean identifying and contacting potential partners in new and creative ways to find companies that are not expecting subsidies. Being clear on the partnership model from the outset helps to clarify which partners see the benefits of facilitative activities.

5. In addition to selecting the right private sector partners – both existing and prospective – for specific interventions, staff need to recognize the challenges associated with taking a market systems approach when implementing partners are unfamiliar with the concepts. For this reason, it can also be beneficial to train implementing partners in market systems concepts, both to have a consistent strategy and approach, and to build their capacity in using a more sustainable market-driven model.

6. The way of thinking about partnerships needs to shift toward “scaling” partners, entities which will have the interest and ability to grow the new business practices and linkages which may not be the traditional groups organizations have worked with.
Taking a market-based approach to business development services

AIMS efforts to build the capacity of A-SMEs have centered on developing a stronger system of advisory and support services that are marketed directly to A-SMEs, and founded on a direct business relationship between A-SMEs and business advisory service providers (BASPs). This has been a challenge, given a strong history in all three countries of donor-subsidized training and business development services within the agricultural sector. Consequently, BASPs have reduced incentives to market directly to A-SMEs (as they have been provided A-SME clients via NGOs), and reduced the willingness of A-SMEs to pay for such services.

AIMS has recruited and is building capacity among a pool of quality BASPs who see a viable market opportunity in targeting and serving A-SME clients. AIMS realized that it would be important to deliver strategy and marketing workshops for BASPs themselves, and to provide direct support in targeting their message directly to A-SME clients. Consultative forums with the BASPs were useful in this regard as they allowed BASPs to share experiences.

On the demand side, A-SMEs have had to see in real terms the potential value that investment in such services would bring to their businesses. AIMS has created opportunities for them to experience and assess the value of such services through forums where the BASPs provide a "short course" demonstrating their potential value. AIMS recognized the need early on to target and reach larger and more sophisticated A-SMEs willing to cost share for BAS. For example, AIMS now works more with apex organizations (companies, associations and cooperatives that have wide outreach to A-SMEs) to connect them to important business services, as they are better able to afford the services and are more aware of the business incentives for doing so. This then leverages AIMS resources and has a broader reach, as these larger businesses/organizations work in new and improved ways with the smaller A-SMEs and farmers that they source from. Working through apex organizations with a stronger business mindset and higher capacity allows AIMS to leverage resources to reach more A-SMEs indirectly, a shift in strategy for reaching smaller A-SMEs.
Promoting agricultural finance through training of bank staff

Another example of how the technical approach shifted mid-program—and how the revised approach succeeded—is how AIMS promoted agricultural finance through the training of bank staff. AIMS developed the Executive Certificate in Agricultural Finance (ECAF), a course to build the technical capacity of loan officers, risk managers and bank executives to understand agribusiness lending, the unique dynamics of specific sub-sectors, and how to effectively assess and mitigate risk. The ECAF training has yielded considerable success in engaging banks and other financial institutions who see a business opportunity in providing financial services for agribusinesses, and realize the value of investing in the training and certification of their staff.

Some banks have developed a collaborative relationship directly with the training provider, the Kenya School of Monetary Studies (KSMS), to advocate for further improvements to the curriculum or train additional staff. For example, Barclays Bank worked with KSMS to add more case studies and illustrative examples, and is considering fully paying for a follow-on training specific to Barclays employees that are working further outside of Nairobi. A number of banks have also used staff that completed ECAF as in-house trainers to continue building knowledge and skills, and to reduce turnover among staff who have attended the full training course.

AIMS has achieved positive outcomes not in spite of shifting its approach, but because of it, by applying previously learned lessons and remaining flexible. While it is challenging to change mindsets and disrupt expectations for both program staff and partners, businesses are taking up new behaviors—such as increasing agrilending (banks), engaging service providers on a fee-for-service basis (SMEs), and targeting marketing and pricing to SMEs (BASPs). Despite the attenuated timeframe stemming from AIMS’ mid-course correction, these wins provide encouraging evidence of new and sustainable market-based relationships that have the potential to scale and create significant impact on agricultural trade over the long-term.