Mismatch in African entrepreneurial ecosystems: how to cater to smallholder farmer entrepreneurs?

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# Introduction and literature background

Smallholder farmers across Africa are faced with mounting challenges, such as soil degradation, impacts of climate change (Yengoh & Ardö, 2020), and power dynamics in value chains (Louw & Jordaan, 2017), that have severe implications on their ability to generate sustainable livelihoods. A popular coping strategy promoted by governments, NGOs, and donors is to increase income through value addition of farming products (e.g. instead of selling tomatoes, sell dried tomato powder or juice) (Begashaw et al., 2019). Value addition requires farmers to acquire entrepreneurial skills such as finding new distribution channels, promoting products, producing consistent quality, and financial management, as well as new resources, such as access to finance.

The entrepreneurial ecosystem plays a pivotal role in the potential for success of smallholders as entrepreneurs. An entrepreneurial ecosystem includes government agencies, business incubators, accelerators, venture capitalists, and educational institutions and provides crucial assistance to aspiring and established entrepreneurs (Stam & Van de Ven, 2021). Their roles are multifaceted: government agencies can create conducive policy environments, incubators and accelerators provide training and expert guidance, venture capitalists offer funding, and educational institutions impart essential knowledge and skills (Opute et al., 2021). The potential consequences of the absence of a robust entrepreneurial ecosystem are profound. Aspiring entrepreneurs may struggle to access the necessary knowledge, mentorship, and funding, resulting in a higher likelihood of business failure (Stam & Van de Ven, 2021).

# Aim of the paper

The paper takes a critical look at current entrepreneurial ecosystems for smallholder farmers. It compares what support is on offer, where and for whom, against the needs of smallholders, and aims to come up with insights for improved support. Currently, most smallholder farmers engaged in entrepreneurial activities can be classified as survivalists, i.e. their primary goal is meeting the basic needs of their families. Survivalist entrepreneurs, who operate small, informal businesses, but whose main activity remains farming, often do not benefit or have access to existing support structures, which are more geared toward growth-focused enterprises, i.e. entrepreneurs focused on expanding and scaling their business ventures by pursuing strategies that lead to substantial revenue and market share increases (Barto et al, 2021; Berner et al., 2008). As a result, smallholder - survivalist - entrepreneurs often lack access to formal financial institutions, business development services, and education. The support they require is different, focusing on basic financial literacy, access to microcredit, confidence building, basic post-harvest processing and conservation, and informal business networks. However, the resources and capacities available for such support are limited, making it difficult to address the needs of the large number of survivalist entrepreneurs adequately.

The problem has not gone completely unrecognized. Various entrepreneurial support organizations (ESOs) have emerged across the African continent giving entrepreneurial training for smallholders (Barto et al, 2021; Collett & Gale, 2009) supported by development aid. However, studies show that ESO entrepreneurship training is not well contextualized, marginalizing the desired outcome (Olutuase et al., 2020), and often follows a Western approach (Sriram et al., 2021). Others indicate that smallholder farmers have limited access to necessary support services to grow their entrepreneurial endeavors (Barto et al, 2021). This raises questions about the efficacy of these current efforts and the reasons why mismatch persists. Recent publications of Haugh (2020) and ILO (2023) hint towards the unidirectional collaboration between development aid and local implementing actors, where donors define and ESOs execute with limited room for contextualization, as potential contributors to the lack of appropriate support for smallholder farmers as entrepreneurs.

# Methodology

We posit that understanding the relationships between different organizations providing support and the mismatch between existing support services and farmers needs, is a crucial step to gain insights into how to better support smallholder farmers as entrepreneurs. Thus our guiding research question is: *“What mismatches exist between existing support and farmers as entrepreneurs’ needs? And how does the relationship between organizations providing support impact these mismatches?”.*

To answer the research question, we conduct a contrasting case study analysis where we study the entrepreneurial ecosystem in Kenya, which is considered one of the most developed ecosystems on the African continent, and the entrepreneurial ecosystem of Burundi, one of the most underdeveloped entrepreneurial ecosystems. In both countries development aid heavily promotes entrepreneurship as a means for increased income generation for smallholders.

We use a two pronged approach. First, we conducted a thorough literature review and a first round of exploratory (online) interviews with entrepreneurial ecosystem actors such as ESOs, financial institutions and donors in both Kenya and Burundi, to identify some of the mismatches in each country. Second, we conduct fieldwork in both Kenya (July 2023) and Burundi (November 2023) including in-depth interviews and focus group discussions with smallholder farmers, farmer cooperatives and entrepreneurial ecosystem actors, to deep-dive into the exact dynamics behind these mismatches.

# Preliminary Findings

**Kenya:** Our early findings point to a significant problem for small-holders as entrepreneurs looking to scale up: the disconnect between donor-driven and commercial entrepreneurial ecosystems. Many smallholder entrepreneurs, initially supported by donors, struggle to access necessary follow-up services to grow and scale. Consequently, they often remain small niche players in the market. Thus, there seems to a lack of alignment between the supportive structures of donor-driven ecosystems and the demands of the commercial landscape. Smallholder entrepreneurs find it hard to navigate this gap, hindering their transition from initial donor support to sustained commercial success. This gap means that a considerable number of (informal) enterprises are left in limbo, unable to bridge the divide between initial support and long-term sustainability. Another standout feature is the differing treatment of cooperatives. Donor-driven initiatives emphasize cooperatives as a means of fostering community-centric growth, while the commercial ecosystem tends to resist integrating cooperatives in their programs due to governance and accountability issues. This contrast affects smallholder entrepreneurs in their search for scale since smallholders often form (informal) cooperatives in order to pool their skills, enhance community security, and increase product supply, as individual agricultural yields are often insufficient for buyers.

**Burundi:** Burundi's entrepreneurial ecosystem is heavily donor-driven, there is no substantial commercial entrepreneurial ecosystem; everything is fueled by donor or government initiatives. It is common for initiatives to focus on cooperatives and all cooperatives interviewed during the field trip were founded with support of a training initiative. Initiatives mentioned that the core reason for this was that individual smallholders’ output is often too low, and forming a cooperative leads to pooling of resources. Other reasons highlighted were the ease of reaching high numbers, since only cooperative leaders need to be trained and can distribute the learnings among their members. However, the effectiveness of this approach is questionable, in practice this transferability of knowledge was much more challenging. Training initiatives for smallholders as entrepreneurs seem generally short (1-3 days) and seem generic, emphasizing cooperative management, business plans, and getting loans. Training and access to finance often come as a package, but this bundling might overlook the diverse needs of entrepreneurs. Additionally, limited attention seems to be given to addressing the specific needs of farmers regarding their core crops, input management, and output management, such as value addition skills, and market access.

Both in Burundi and Kenya a consistent pattern emerges – the inclination to work with farmers or cooperatives deemed to possess commercial viability potential – independent of the core actor behind the initiative (donor, government, commercial). While programs and projects often assert inclusivity, targeting the poorest smallholders, practitioners on the ground express a different reality. They openly acknowledge the necessity to engage with more literate, skilled, and generally better-off farmers to attain the stated objectives in terms of reach and impact. All programs seem to draw a clear line of who can be included and who cannot. This contrasts with the explicit commitments made by these initiatives to Sustainable Development Goals (SDGs) 1 and 2, emphasizing zero hunger and zero poverty, while simultaneously drawing a hard line regarding commercially viability potential of farmers or cooperatives, leading to a situation where the poorest farmers continue to be left behind.

# Conclusion

We expect that our findings will contribute to the broader discussion on trade-offs between various SDGs. While entrepreneurship training is routinely seen as contributing to SDG 1, 2 and 11 on zero hunger, zero poverty and generating growth and innovation, when the poorer smallholders are excluded from support this leads to continued poverty among the poorest smallholders, and a rise in inequality, which will have a backlash on SDG 1 and 2. This tension demands careful consideration by policymakers and practitioners alike. Striking a balance between the imperative for inclusive development and the pragmatic need for commercially viable participants is essential. As initiatives move forward, addressing this policy tension becomes pivotal for ensuring that agricultural development efforts contribute to the overarching goals of poverty alleviation and hunger eradication. Additionally, our preliminary findings seem to indicate that the entrepreneurial landscape in Burundi is currently more about meeting donor expectations quickly than addressing the real challenges faced by smallholder farmers. Subsequent research stages will explore these issues further, aiming to provide practical recommendations for a more locally relevant and effective entrepreneurial setup.

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