



LIA-CS-03

LEARNING INTO ACTION CASE STUDY SERIES

THE 2SCALE ETHIOPIA KMFCU PUBLIC- PRIVATE PARTNERSHIP

Catalyzing Inclusive Agribusiness
Through Aggregator-Led Finance
and Capacity Building.



The 2SCALE program (Toward Sustainable Clusters in Agribusiness through Learning in Entrepreneurship) focuses on Public-Private Partnerships with Business Champions in specific agrifood value chains in more than ten countries in Sub-Saharan Africa. The main program goal is to contribute to inclusive agribusiness. The program aims to improve access to nutritious food for 1 million consumers (at the base of the pyramid¹); develop inclusive business with 5,000 Micro, Small and Medium Enterprises (MSMEs), and improve the livelihoods of 750,000 farmers through public-private partnership (PPP).

2SCALE enables inclusion of farmers and MSMEs through formation of inclusive Agribusiness Clusters (ABCs). 2SCALE's PPP approach was to partner with private sector companies that commit to be engaged as key partners of inclusive ABCs. These companies were called Business Champions. This ABC approach is used widely and included in the AMEA Toolbox.²

The 2SCALE program in Ethiopia is led by IFDC with support from SNV and BoP Inc. The program was implemented in two phases from 2012 to 2024. At the end of phase 2 the Ethiopia program had 8 PPPs active from 11 PPPs that had been supported. One of the most successful of these PPPs appears to be the Kesem PPP with the Kesem Multipurpose Farmers Cooperative Union acting as the Business Champion. The Agribusiness Clusters consisted of 33 primary cooperatives, reaching over 37,000 farmers (6,800 women, 8,000 youth), and consumer cooperatives reaching 35,883 BoP consumers under Kesem partnership.

KEY FINDINGS

1. Consumer coops can provide critical financing to support business expansion.
2. Phased support for young professional cooperative managers can be a highly effective strategy to enable cooperatives to build a robust business.
3. The ambition for youth and women inclusion, as set in Theory of change (ToCs) and Impact pathways targets, is often incoherent with the reality on the ground. There is a need to re-assess how these targets are set to encourage learning and adaptation during the project.
4. The selection of the value chain and the Business Champion is critical. Local ownership of this decision would appear to be vital for future success.
5. Pilots of regenerative (or eco-efficient) practices should only be approved once a credible scaling plan is developed, backed by sufficient incentives to enable scaling.
6. PPPs where a limited number of Business Champions play a central role are not well-suited to (sub-)sector systems change approaches. There is a need to include other activities that work on sub-sector level drivers of change which will anchor changes and provide the foundation for scaling the best approaches, such as support for professional cooperative managers.

1. "Base of the pyramid" (BoP) development refers to a business and economic development model focused on serving the needs of the world's poorest populations, defined as those living on less than \$2 a day
2. iCRA's Agribusiness Cluster Training and Coaching - <https://amea-global.com/toolbox/>

Results

2SCALE was ambitious in terms of the range of KPIs and expected impact. Progress was measured through the following Ultimate Impact Indicators (UIIs) that evolved over time.

Table 2: 2SCALE Targets - Phase 1 and Phase 2

Target area	Phase 1	Phase 2	
		Original	Revised ⁶
Number of PPPs	100 PPPs working with 10 Dutch multinationals and 30 large African companies ⁷	60 --	50 active Phase 2 PPPs plus 17 PPPs Phase 1 Light intensity support
BoP consumers (UII1)	550,000 metric tons	1 million	1.5 million
SHFs (UII2): Number Increase of productivity Increase of income	1.15 million families 100% 30%	750,000 farmers (50% women, 40% youth)	1 million
Adoption of Eco-efficient production practices (UII3)	--	375,000 ha	500,000 ha
Strengthened SMEs in inclusive business (UII4): Number	4,000	250 (50% female-led) in leadership role	700
Additional non-farming jobs (UII5)	--	20,000	25,000
Strengthened capacity of Micro, Small & Medium Enterprises (MSMEs) in target value chains (UII6)	--	5,000	15,000
Innovations in non-farming segments of value chains (UII7)	--	50	150
Access to financial services (UII8): Target value	--	€ 50 million	€ 75 million
Strengthened capacity for advocacy and lobbying for policy improvement		12 demonstrable contributions to sub-sector transformation	
New knowledge on business models that bring transformative change		Linkages to African and Dutch knowledge platforms	

Source: ADE-KIT, based on 2SCALE Program documents for Phase 1 and 2, Request for extension Phase 2

The following results from the Kesem PPP are drawn from 2SCALE Ethiopia reports and the independent external evaluation (which only included results to December 2023).

- 1 Addis Ababa consumer cooperatives continue to provide advance payments for reliable supply. 2SCALE M&E system recorded 35,883 BoP consumers under Kesem partnership.

- 2 Kesem contributed 37,000 SHFs (18% women, 22% youth) toward the UII2 target. Although the program-wide goal of one million SHFs seemed ambitious, 2SCALE confirmed it reached 1.18 million by December 2023. However, these gender and youth percentages are portfolio-wide, as Kesem did not systematically track income, roles, or governance participation for women and youth. At partnership level, women and youth mainly benefited through value-added enterprises, mechanization services, and wage-based roles such as loading and unloading, but quantitative inclusion data remains incomplete.
- 3 The independent evaluation considered Kesem to have achieved just over 50% of its' target for UII3 with the scaling of vermi-composting "unclear". IFDC felt that they were constrained by the narrow definition of eco-efficient practices, which for example did not include integrated pest management. Scaling for vermi-composting was challenging as the cost of inputs was relatively high.
- 4 Achievements under UII4, UII5 and UII7 were not clear.
- 5 The Kesem PPP worked with 44 MSMEs (UII6) which was significantly lower than the expected targets for each PPP. Again it appears the targets were very ambitious.
- 6 The achievement on UII8 was also not clear. Kesem Union moved from a ETB 50m loss (pre-project) to ETB 47.8m profit (2015 EC ≈ 2022/23 GC) with internal capital rising from ETB 14m to ETB 147m. Kesem's improved performance appears to have been driven primarily by enhanced aggregation efficiency—one of the core ambitions of the PPP's business model—which also generated spillover benefits across the Union's broader business portfolio, including fertilizer and input distribution. Because only 20–30% of Kesem's turnover derives from teff, attributing overall Union-wide financial improvements solely to 2SCALE remains challenging, though the partnership clearly contributed to strengthening key operational functions.

Despite the challenges in understanding 2SCALE performance it appears clear that the 33 Primary Cooperatives are in a stronger position as the 70% cost share to reduce the risk exposure in trying business as unusual support for professional managers has been phased out and most Cooperatives are now paying the full costs (ETB 8,000 per month, approximately \$70 p.m.). This is possible as there has been a median increase in revenue of \$2,000 per cooperative over the period 2021 to 2023. This suggests the PPP has entered a Light Intensity Support stage.

In addition Kesem had established a strong relationship with the consumer cooperatives which lead to more stable prices. New enterprises such as injera baking and teff flour milling were also established, employing predominantly women.

However, persistent working capital shortages for seed procurement and mechanization constrained scaling, while seasonal financing patterns and regional instability slowed PPP expansion in 2023–2024.

BDS Approach / Cost Effectiveness

The indicators were very ambitious and extensive, such that the independent evaluation suggested that the M&E system should have been simplified. The stated that “a key priority must be measuring changes on the ground for beneficiaries, such as smallholder farmers or BoP consumers”. AMEA would argue that this should mean that there is greater focus on understanding the effectiveness of the services provided, including the Business Development Services provided to the Union and the Cooperatives.

External BDS providers were engaged to deliver support to the Union and Cooperatives however 2SCALE believe the most successful strategy was to provide phased cost sharing (to reduce risk exposure) for primary cooperatives to hire young, professional managers (ABC coaches). This enabled improvements in cooperative governance such as more transparent financial reporting and accountability to both the members and the Board.

AMEA examined the BDS cost and used revenue increases as a proxy for the return on investment (ROI) from the BDS provided. Quantitative analysis of SME-level data highlights wide variation in returns. Using Year 1 as the baseline, the median ROI is 0.67, indicating that most Kesem Cooperatives generated less than \$1 additional revenue per \$1 invested in BDS. The average ROI is higher at 2.13, skewed upward by a small number of outliers, including Yeshaw and Friends (23.7) and Yitina and Friends (19.1) which provided logistics services rather than aggregation services.

Insights and Recommendations

The Kesem PPP offers several lessons that are relevant both within Ethiopia and for the broader 2SCALE portfolio:

- 1 Consumer coops can provide critical financing to support business expansion**
Kesem relied on consumer cooperatives for advance payments, unlike other 2SCALE PPPs that used SACCO/MFI financing. This innovation stabilized cashflow and built market trust.
- 2 Phased support for young professional cooperative managers**
2SCALE developed a low cost strategy to enable cooperatives to recruit young, professional managers and contribute partially to their wages (30%). This cost share has since been phased out and most Cooperatives are now fully financing their wages. This form of BDS has been institutionalized and is expected to be sustained and appears in line with ECC’s ambition to support cooperatives to be professionally managed. The return on investment on other forms of BDS appeared underwhelming.



3 Regenerative (or eco-efficient) practices deliver results but unable to be scaled

Vermi-composting, mechanization services, and seed multiplication were introduced, contributing to yield stability and sustainability. However there remained significant constraints on scaling practices given the need for significant inputs.

4 PPPs led by only a few Business Champions are generally not well-suited for broader sub-sector systems change.

The independent evaluation found that when a PPP relies heavily on a small number of lead actors, it tends to generate strong partnership-level results but limited sector-wide transformation, because key sub-sector drivers (finance, input systems, market governance) are not addressed. AMEA agrees: meaningful systems change requires tackling these broader enablers, not only firm-level performance. However, 2SCALE emphasized that some partnerships – such as the Haricot Bean PPP – performed well despite involving only a few actors. This worked because the enabling conditions were already strong (willing partners, aligned incentives), showing that partnership depth can sometimes compensate for limited actor diversity, but such cases are exceptions rather than the norm.



How we calculate BDS Cost Effectiveness

2SCALE's BDS effectiveness was assessed using performance data from 30 primary cooperatives, 2 logistics cooperatives and a bakery enterprise, all of which are part of Kesem Union. Three ROI measures were applied to estimate the financial and business growth benefits relative to program costs:

Indicator	Definition & Calculation Method
Jobs Created (FTEs)	Difference in full-time equivalent (FTE) employment between Year 0 (or first available record) and Year 4. FTEs include permanent and seasonal staff standardized to full-time units. Median job creation across 33 SMEs = 0, total = 34 FTEs .
Capital Mobilized	Total external finance accessed by enterprises within the partnership period. For Kesem, 15 enterprises accessed finance , but attribution to the 33-sample is incomplete; hence this figure is reported qualitatively.
Turnover Growth	Calculated as change in total enterprise revenue from Year 1 (baseline for ongoing businesses) to Year 3. Median enterprise revenue growth = USD 2,000 , representing 38.7% average annual growth .
Return on Investment (ROI)	ROI = (Revenue Growth ÷ Cost of BDS). Year 1 used as baseline to avoid inflated results from zero-revenue assumption. Median ROI = 0.67, Average ROI = 2.13 .
Union-Level Turnover	Kesem Union financials show turnover increased from ETB 50 million (pre-project) to ETB 305 million (2022/23) , with ETB 47.8 million profit. Only ~30% of this turnover is teff-related; the rest comes from fertilizer and input supply.