The Donor Committee for Enterprise Development

Advancing Agri-Food MSMEs with a Whole-of-Government Approach

Policy Brief

Agri-food MSMEs are economic powerhouses, with over 90% of businesses and 60–70% of employment worldwide, but face challenges like limited finance, weak infrastructure, informality and climate shocks.

Because these challenges cut across sectors, no single ministry can fix them alone: a whole-of-government (WoG) approach is needed to align finance, agriculture, trade, infrastructure and social policy.

Kenya shows strong political will but better institutional coordination and financing are necessary. Costa Rica shows advanced WoG coordination with strategies, formal bodies and digital platforms, but fragmentation and data gaps persist.

WoG approaches face risks like political turnover, turf conflicts, coordination fatigue, and accountability gaps, so governments must deliberately design and institutionalise them, not assume they will work automatically.

/01 Introduction

MSMEs are globally significant economic actors, accounting for over 90% of businesses and 60–70% of employment worldwide.[1,2] They contribute substantially to economic growth, job creation, and innovation.[3] In developing countries, especially, many MSMEs are concentrated in the agri-food sector, where they support food production, processing, and distribution. MSMEs in the agri-food sector encompass a wide range of actors, from input suppliers and producers to processors, traders, transporters, and retailers,[4] playing a vital role in rural development and broader economic growth. They form a critical link between agricultural

[1] Reliable figures for the total number of MSMEs worldwide, specifically in the agri-food sector, were unavailable.
[2] United Nations, 2025. "Micro-, Small and Medium-sized Enterprises Day, 27 June".
[3] OECD, 2017. "Enhancing the Contributions of SMES in a Global and Digitalised Economy. In Meeting of the OECD Council at Ministerial Level (pp. 1-24)". Paris: OECD Publishing.
[4] Gálvez Nogales, E., Casari, G., 2023. "Promoting the Digitalization of Small and Medium-sized Agrifood Enterprises in Asia and the Pacific". Food and Agriculture Organization of the United Nations.

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production and food consumption,[5] contributing to food security, employment, and sustainable development across the agri-food value chain.[6,7]

Despite their importance, agri-food MSMEs face multiple interconnected challenges. These include limited access to finance, weak infrastructure, poor digital connectivity, fragmented market access, high compliance costs, and limited access to business development services. Additional constraints include low technology adoption, inadequate skills, and difficulties in meeting food safety and certification standards. Recent shocks such as the COVID-19 pandemic, climate-related disasters, economic instability and rising debt levels have further increased MSME vulnerability and disrupted supply chains.[8]

Another major challenge is the high prevalence of informality. In many developing countries, more than 70% of employment is informal, with agriculture accounting for the largest share.[9,10] Informality restricts MSMEs' access to finance, markets, social protection, structured value chains, and government support programs. Formalisation can improve access to investment, increase productivity, strengthen resilience, improve labour conditions, and support participation in regulated value chains and public programs.[11] However, formalisation remains difficult because of high registration costs, administrative complexity, weak institutional capacity, limited incentives, and low awareness of its benefits.[12]

Because the challenges facing agri-food MSMEs are multidimensional and cross-sectoral, isolated policy interventions are often insufficient. MSME development intersects with agriculture, finance, trade, labour, infrastructure, social protection, health, and innovation policies, requiring coordinated action across multiple institutions and sectors. In this context, WoG approaches seek to strengthen policy coherence and coordination by aligning regulatory reform, financing, infrastructure investment, skills development, and formalisation incentives. Through a more integrated and collaborative approach, WoG frameworks can better address MSME constraints and support the development, resilience, and formalisation of agri-food MSMEs, while helping unlock their potential to drive inclusive, sustainable, and resilient agri-food system

[5] Food and Agriculture Organization of the United Nations (FAO), 2017. "The State of Food and Agriculture 2017: Leveraging Food Systems for Inclusive Rural Transformation". Rome: FAO.
[6] Kelly, S. & Ilie, E.T., 2021. "Engaging with small and medium agrifood enterprises to guide policy making – A qualitative research methodological guide". Rome, FAO.
[7] United Nations Department of Economic and Social Affairs, 2023. "Micro-, Small and Medium-sized Enterprises (MSMEs) and their role in achieving the Sustainable Development Goals".
[8] Organisation for Economic Co-operation and Development (OECD), 2020. "Coronavirus (COVID-19): SME policy responses. OECD Policy Responses to Coronavirus (COVID-19)". Paris: OECD Publishing.
[9] Loayza, Norman, 2019. "Informality: Why is it so Widespread and How Can it Be Reduced?" World Bank Research and Policy Briefs No. 133110.
[10] International Council for Small Businesses (ICSB) (2024). "ICSB Annual Global Micro-, Small and Medium-Sized Enterprises Report 2024".
[11] Organisation for Economic Co-operation and Development (OECD), 2025. "Expanding Social Protection and Addressing Informality in Latin America". Paris: OECD Publishing.
[12] World Bank Blog, 2023. "Can you hear us? Voices from informal businesses".

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Understanding whole-of-government approaches

WoG approaches involve deliberate, structured collaboration across ministries, agencies, and levels of government in policymaking, resource allocation, and implementation. Their objective is to overcome institutional fragmentation through horizontal and vertical coordination, supported by political leadership, shared goals, and integrated administrative systems. While there is no standardised formula,[13] key principles of WoG approaches typically include: policy coherence, clear institutional roles, joint planning and budgeting, shared data and monitoring systems, inclusive stakeholder engagement, and accountability mechanisms that support learning and policy adaptation.

For agri-food MSMEs, WoG approaches can help integrate support across sectors and pool resources, expertise, and decision-making to deliver more comprehensive and effective responses to MSME challenges. Countries have adopted various institutional models to support this coordination. According to the Organisation for Economic Co-operation and Development (OECD), some countries implement standalone SME strategies (e.g., Costa Rica, Kenya, India, and Korea), while others integrate MSME support into broader national development or competitiveness frameworks. Several countries, including India, Kenya, Ghana, and Zambia, have also established dedicated ministries or agencies responsible for MSME development and formalisation.[14] These institutional arrangements reflect efforts to strengthen leadership, coordination, and policy implementation while reducing fragmentation across government systems.

Key advantages of adopting a WoG approach for MSME development include:

- **Integrated solutions:** Coordinated action can help address interconnected MSME challenges, including finance, infrastructure, regulation, skills and market access through holistic policy responses.
- **Institutional synergies:** Collaboration across ministries and agencies allows governments to combine expertise in areas such as agriculture, finance, trade and technology to deliver more effective support.
- **Efficient use of resources:** WoG approaches can reduce duplication and improve the targeting of public investments, helping governments use limited resources more effectively.[15]
- **Policy coherence:** Alignment across national, provincial, and local governments can create a more stable and predictable environment for MSME growth and investment.[16]
- **Data-driven support:** Information sharing across institutions can improve targeting of MSME support and enable more tailored interventions.
- **Innovation and technology coordination:** Coordinated support can help MSMEs access technology, financing, training, and technical assistance needed to improve productivity and competitiveness.[17]

[13] Peters, B. Guy, 2018. “The Challenge of Policy Coordination”, Policy Design and Practice 1, no. 1.
[14] OECD, 2021. “SME and entrepreneurship policy frameworks across OECD countries: An OECD Strategy for SMEs and Entrepreneurship”, OECD SME and Entrepreneurship Papers, No. 29.
[15] Desmond C, Watt K, Rudgard WE, Sherr L, Cluver L., 2024. “Whole of Government approaches to accelerate adolescent success: efficiency and financing considerations”. Health Policy and Planning. 39(2):168–177.
[16] Ogunleye, A., 2025. “Effect of Government Policies on Small and Medium Enterprises (SMEs)”. International Journal of Small Business and Entrepreneurship Research, 13(1), 33–50.
[17] Sarita, V. B., 2025. “The role of technology management in enhancing competitive advantage among MSMEs”. International Journal of Research and Innovation in Applied Science, 10(3), 860–869.

- **Sustainability and climate action:** WoG approaches can support the integration of environmental and climate objectives into MSME policies, helping businesses strengthen resilience and adopt sustainable practices.[18]
- **Coordinated crisis response:** Cross-government collaboration can enable faster and more comprehensive support for MSMEs during crises such as pandemics or economic shocks.[19]
- **Public-private partnerships:** WoG approaches can also engage the private sector, civil society, and research institutions to mobilise additional expertise, innovation, and investment for MSME development.[20]

While WoG approaches can improve policy coherence and development impact, they also face several implementation challenges and risks, including:

- **Political turnover and policy discontinuity:** Changes in political leadership can shift priorities, disrupt coordination mechanisms, and weaken long-term programme continuity. Institutionalising programmes through legislation, long-term strategies, or independent coordination bodies can help sustain efforts across political cycles.[21,22]
- **Overlapping mandates and turf conflicts:** Shared or unclear responsibilities across ministries and agencies can lead to duplication, competition, and delays in implementation.[23] Clearly defining institutional roles, appointing lead coordinators, and using formal coordination frameworks can reduce these tensions.[24]
- **Coordination fatigue:** Frequent meetings, excessive reporting, and unclear decision-making processes can overburden staff and slow momentum. Streamlined coordination mechanisms, digital monitoring tools, and technical working groups can improve efficiency and effectiveness.[25]
- **Resource constraints:** WoG initiatives often face unstable or fragmented funding, which can undermine implementation and service delivery. Joint budget mechanisms, blended financing, and phased implementation can help improve financial sustainability.
- **Accountability gaps:** Shared responsibilities can create uncertainty over who is accountable for results, leading to weak monitoring and limited follow-through.[26] Clear leadership roles, measurable performance indicators, integrated monitoring systems, and independent evaluations can strengthen accountability and improve implementation outcomes.

Ultimately, while WoG approaches are not without challenges, their ability to strengthen coordination, align policies, and mobilise collective action can

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[18] Rizkita, M. A., Winarno, A., & Suwono, H., 2025. "Harnessing sustainability and innovation in micro, small, and medium enterprises: Strategies and challenges for competitive advantage". International Journal of Sustainable Development and Planning, 20(06), 2627–2638.
[19] United Nations Economic and Social Commission for Asia and the Pacific. "The Impact of Disasters on MSMEs." UNESCAP MSME Policy Web.
[20] World Bank. *"How Can Public-Private Partnerships (PPPs) Be Successful?" World Bank.*
[21] Peters, B. Guy, 2018. "The Challenge of Policy Coordination", Policy Design and Practice 1, no. 1.
[22] World Bank, 2017. "World Development Report: Governance and the Law".
[23] OECD, 2023. "Improving policy co-ordination at the centre of government in Honduras". In OECD Public Governance Reviews: Honduras. OECD Publishing.
[24] OECD, 2025. "Government at a Glance 2025". OECD Publishing, Paris.
[25] Peters, B. Guy, 2018. "The Challenge of Policy Coordination", Policy Design and Practice 1, no. 1.
[26] Ostrom, E., 2005. "Understanding institutional diversity". Princeton University Press.

make them a valuable framework for building more resilient, inclusive, and sustainable agri-food MSME ecosystems.

/04 Enabling agri-food MSMEs through a WoG approach

Governments play a critical role in addressing the complex challenges facing agri-food MSMEs and in unlocking their potential as drivers of inclusive growth, food security, and resilient food systems. Through coordinated, strategic public action, particularly under a WoG approach, governments can align policies and investments across key sectors to deliver integrated solutions in finance, infrastructure, regulation, innovation, and skills development. Such an integrated approach should be grounded in long-term planning and supported by targeted investment. The following section outlines key challenges facing agri-food MSMEs and highlights how governments, through coordinated WoG approaches, can strengthen MSME resilience, competitiveness, and inclusion.

- **Limited access to finance:** Limited access to finance can restrict investment and expansion. Governments can address this through concessional loans, credit guarantees, and partnerships with microfinance institutions. A WoG response can involve coordinated financial inclusion strategies led by ministries of finance, agriculture, and trade, together with central banks and financial regulators, to align MSME financing policies and instruments.
- **Weak infrastructure and connectivity:** Poor roads, storage facilities, energy systems, and digital connectivity raise transaction costs and restrict market access. Governments can respond by making targeted investments in rural and digital infrastructure. WoG approaches can support cross-ministerial infrastructure planning involving transport, ICT, energy, and agriculture authorities to coordinate investments and improve value chain connectivity.
- **Skills gaps and low technology adoption:** Many MSMEs face challenges related to entrepreneurship skills, food safety, sustainability practices, and digital literacy. Governments can strengthen training, extension services, and innovation support to improve productivity and competitiveness. A WoG response can include integrated national skills and innovation strategies coordinated across ministries responsible for education, labour, agriculture, science, and trade, and alongside research institutions and vocational training centres.
- **Regulatory and administrative burdens:** Complex registration systems and high compliance costs can discourage formalisation and business growth.[27] Governments can simplify procedures, harmonise standards, digitise registration systems, and provide incentives such as tax benefits and access to public procurement. WoG approaches can support coordinated regulatory reforms across ministries of trade, finance, justice and agriculture, as well as local governments, to establish unified compliance systems and one-stop digital platforms.[28]
- **Low productivity and weak labour conditions:** Low productivity, poor labour conditions, and limited social protection affect many MSMEs, particularly in informal and seasonal activities. Governments can support labour-saving technologies, management training, occupational safety, and access to social protection systems. A WoG

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[27] Abhaya Sanatan Satpathy, Suresh Kumar Sahoo, Asit Mohanty, Pragyan P. Mohanty (2025). "Strategies for enhancements of MSME resilience and sustainability in the post-COVID-19 era", Social Sciences & Humanities Open, Volume 11.
[28] World Bank. Subnational Doing Business Indicators (Good Practices under "Starting a Business").

response can link ministries of labour, agriculture, industry, and social protection to align MSME upgrading programs with employment policies and labour standards.

- **Inequality and exclusion:** Women, youth, and marginalised groups often face additional barriers to accessing finance, training, markets, and productive resources. Governments can address these inequalities through inclusive business models and targeted support initiatives. WoG approaches can help mainstream inclusion objectives across policies and programmes by coordinating ministries responsible for gender, youth, agriculture, finance, and social development.
- **Limited market integration:** Weak integration with formal markets and value chains reduces MSME competitiveness and market opportunities. Governments can support cluster development, strengthen producer linkages, and promote access to domestic and export markets. Coordinated WoG responses can include joint strategies across trade, agriculture, industry, and the digital economy to improve MSME participation in formal value chains.
- **Climate vulnerability and external shocks:** Increasing exposure to climate change and economic shocks requires stronger resilience measures, including climate-smart agriculture, sustainable practices, and access to insurance and risk-mitigation tools. WoG approaches can support integrated resilience frameworks, coordinated across environmental, agricultural, disaster management, and financial institutions, to strengthen adaptation and emergency preparedness.
- **Low trust and informality:** Low trust in public institutions and limited awareness of the benefits of formalisation can discourage MSMEs from entering the formal economy.[29] Governments can respond through outreach campaigns, local partnerships, and affordable legal and business advisory services. A WoG response can involve coordinated communication strategies implemented jointly by ministries of information, trade and agriculture, local governments, cooperatives, and civil society organisations.
- **Weak monitoring and accountability systems:** Limited data sharing, weak monitoring systems, and accountability gaps can reduce the effectiveness of MSME policies and programmes.[30] Governments can strengthen monitoring and evaluation systems, improve transparency, and expand digital oversight tools to support evidence-based policymaking. WoG approaches can establish inter-agency data-sharing and monitoring platforms that link statistics offices, planning agencies, and sectoral ministries to improve coordination, accountability, and policy effectiveness.

Addressing the diverse challenges facing agri-food MSMEs requires a coordinated, long-term WoG approach that promotes inclusion, resilience, productivity, and sustainable development. In response, a growing number of countries have begun implementing WoG approaches to strengthen MSME coordination and policy coherence, with Kenya and Costa Rica offering two distinct examples of how such approaches can be designed and implemented across different institutional and development contexts.

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[29] Ohnsorge, F., and Shu Yu, eds., 2022. "The Long Shadow of Informality: Challenges and Policies". Washington, DC: World Bank.
[30] OECD, 2020. "Improving Governance with Policy Evaluation: Lessons From Country Experiences", OECD Public Governance Reviews, OECD Publishing, Paris.

/05

Key findings and lessons from Kenya

Kenya's WoG approach to MSME development emerged in response to fragmented institutional responsibilities and weak policy coordination. A major turning point was the 2022 Bottom-Up Economic Transformation Agenda (BETA), which placed MSMEs at the centre of national priorities for employment, inclusion, and growth. This was reinforced by the establishment of the Ministry of Co-operatives and MSME Development in 2023, alongside agencies such as the Micro and Small Enterprises Authority (MSEA) and financial inclusion instruments, including the Hustler Fund, Uwezo Fund, and Women Enterprise Fund. Together, these reforms created a more coordinated institutional framework linking finance, formalisation, skills development, and market access.

Despite these advances, significant challenges remain. MSME support initiatives continue to suffer from duplication, fragmented implementation, and weak coordination across institutions, development partners, and private actors. Informality also remains widespread, with millions of MSMEs still unregistered despite efforts to simplify registration procedures and strengthen formalisation systems. Key elements of an effective WoG approach - including integrated data systems, stronger accountability mechanisms, and fully coordinated financing structures - remain only partially developed.

Table 1: Implementation status of WoG framework in Kenya

WoG framework element	Level of implementation in Kenya
Strategic vision & political leadership	Partially implemented, growing momentum
Institutional coordination mechanisms	Emerging, but ad hoc and fragmented
Streamlined financial resources	Moderately implemented, needs better integration
Shared data & info systems	Minimal, early-stage digital tools
Capacity building & shared learning	Present in projects, not system-wide
Accountability & performance measurement	In development, not fully integrated
Stakeholder engagement & communication	Moderately developed
Legal & regulatory frameworks	Active reforms, pending legal adoption

Source*: The analysis of the implementation status of a WoG framework in Kenya is based on findings from interviews with relevant stakeholders in the country, as well as on the consulted literature.*

Kenya's experience shows that strong political commitment and dedicated institutional leadership are necessary foundations for a WoG approach, but not sufficient on their own. Effective coordination mechanisms, clear institutional mandates, integrated implementation systems, and sustained collaboration across public and private actors are equally critical for translating political ambition into coherent and effective MSME support (Table 1).

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Key findings and lessons from Costa Rica

Costa Rica has developed an advanced WoG approach to agri-MSME development based on strong legal frameworks, institutional coordination, and integrated service delivery. Institutions such as the Ministry of Economy, Industry and Commerce (MEIC), the Ministry of Agriculture and Livestock (MAG), the Foreign Trade Promotion Agency (PROCOMER), the National Training Institute (INA), and the Institute for Rural Development (INDER) collaborate through formal coordination mechanisms, including the SME and Entrepreneurship Support Network (RED). Unified MSME classification systems and digital platforms further improve access to finance, training, market support, and formalisation services.

Despite these strengths, important challenges remain. Financial resources and support programmes remain fragmented across institutions, data interoperability is limited, and informality, financing gaps, and rural capacity constraints continue to affect many agri-food MSMEs.

Table 2: Implementation status of WoG framework in Costa Rica

WoG framework element	Level of implementation in Costa Rica
Strategic vision & political leadership	Strong and long-standing; embedded in laws and multi-year strategies
Institutional coordination mechanisms	Well-established, with formal inter-agency bodies and legal mandates
Streamlined financial resources	Moderately implemented, needs better integration
Shared data & info systems	Moderately implemented; centralised platforms like SIEC and MEIC systems are in use but not fully integrated
Capacity building & shared learning	Present in projects, not system-wide
Accountability & performance measurement	Integrated into national M&E systems, led by MIDEPLAN
Stakeholder engagement & communication	Strong, regular consultation with private sector, academia, and civil society
Legal & regulatory frameworks	Comprehensive and actively updated, key laws support WoG and MSME development

Source*: The analysis of the implementation status of a WoG framework in Costa Rica is based on findings from interviews with relevant stakeholders, as well as on the consulted literature.*

Costa Rica's experience shows that effective WoG approaches require not only political commitment but also institutionalised coordination mechanisms, shared systems, and digital integration. Strong legal frameworks and cross-sector collaboration can significantly improve support for MSMEs, although sustained efforts are needed to strengthen system-wide integration and inclusiveness (Table 2).

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Recommendations

Effective support for agri-food MSMEs requires moving beyond fragmented interventions towards a WoG approach that aligns policies, institutions, financing, data systems, and accountability mechanisms across government. WoG is therefore not only about coordination but also about joint design, implementation, and ownership of MSME policies, supported by political leadership, strong institutions, and an enabling governance culture. Such an approach can help governments deliver more coherent, efficient, and inclusive support for MSMEs while strengthening long-term resilience, competitiveness, and sustainable development outcomes.

Drawing on evidence from Kenya and Costa Rica, the analysis identifies eight key priorities for strengthening WoG approaches:

1. Governments should establish a clear long-term strategic vision for MSME development in the agri-food sector, backed by high-level political leadership and a central coordinating body to ensure policy coherence across agriculture, trade, finance, and related sectors.
2. Institutional coordination mechanisms should be strengthened through formal inter-agency platforms with clearly defined roles at both national and local levels to improve implementation.
3. Financial resources should be better aligned through pooled funding, co-financing arrangements, and results-based budgeting to reduce fragmentation and improve efficiency.
4. Governments should invest in shared, interoperable data systems and unified MSME registries to support evidence-based policymaking and improve targeting and monitoring.
5. Capacity building should be institutionalised through cross-government training and shared learning systems, rather than isolated or project-based initiatives.
6. Accountability should be strengthened through joint monitoring and evaluation frameworks, shared indicators and performance-based incentives to ensure a focus on results.
7. Inclusive stakeholder engagement should be embedded in policymaking through structured dialogue with MSMEs, cooperatives, private sector actors, academia and development partners, ensuring that policies reflect local realities.
8. Strong legal and regulatory frameworks are essential to define mandates, enable coordination, support data sharing and facilitate integrated financing systems (Figure 1).

The experiences of Kenya and Costa Rica show that strengthening agri-food MSMEs requires more than isolated policy reforms or short-term programmes. Effective implementation depends on sustained political commitment, strong institutional coordination, integrated systems, and clear accountability structures that enable government actors to work towards shared objectives. While progress has been made, both cases also show that WoG approaches remain an evolving process requiring continuous adaptation, learning, and investment in coordination capacity. By embedding collaboration across institutions and aligning actions around common development goals, governments can create a more enabling environment for agri-food MSMEs to contribute to inclusive economic transformation, resilient food systems, rural development, and long-term sustainability.

Figure 1: Key elements of a Whole-of-Government approach

For links to more resources on this topic, see the DCED's Business Environment Reform webpage.

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