

# From Silos to Synergy: Advancing Agri-Food MSMEs with a Whole-of-Government Approach

Business Environment Working Group

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The Donor Committee for Enterprise Development

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## From Silos to Synergy: Advancing Agri-Food MSMEs with a Whole-of-Government Approach

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# Executive summary

This report explores how Whole-of-Government (WoG) approaches can strengthen the development and formalisation of Micro, Small, and Medium Enterprises (MSMEs), with a particular lens on enterprises in the agri-food sector in developing countries. With MSMEs accounting for over 90% of businesses across sectors and a substantial share of employment globally, their role in rural development, food security, and inclusive economic growth is critical. However, MSMEs, particularly in agri-food value chains, face persistent challenges such as limited access to finance, inadequate infrastructure, market barriers, low technological adoption, and a high degree of informality.

Traditional siloed approaches to MSME development often fall short of addressing these complex, interlinked issues. WoG strategies are increasingly recognised as a more effective means of delivering integrated support. These approaches involve aligning policies, programmes, and resources across multiple government ministries and agencies to create a coherent and enabling environment for MSMEs to grow, innovate, and formalise. A WoG approach can be especially necessary in the agri-food sector, where interventions related to agriculture, trade, finance, infrastructure, education, labour, and the environment must be coordinated to achieve sustainable outcomes.

The report outlines key principles underpinning successful WoG strategies, including policy integration, inter-agency collaboration, leveraging technical expertise, and setting a long-term vision for MSME development. Such strategies can promote efficiency by ensuring policy coherence, reducing duplication, and enabling tailored and integrated solutions to the diverse needs of MSMEs. They can also enhance resilience, particularly in the face of shocks such as pandemics or climate change, and can serve as platforms for public-private partnerships that bring innovation and investment to underserved segments. At its core, a WoG approach goes beyond coordination or streamlining processes: it represents a comprehensive strategy that integrates strategic vision, institutional mechanisms, financial systems, data sharing, capacity building, accountability, stakeholder engagement, and enabling legal frameworks. It entails joint efforts by government entities to co-design, co-implement, and co-own initiatives, programmes, and policies. Achieving this requires more than structural alignment; it depends on cultural change within institutions, appropriate incentives, and sustained political will and leadership. When anchored in strong institutions, adequate resources, and an outcomes-oriented mindset, a WoG approach can become a powerful tool for holistically addressing the complex challenges faced by MSMEs in the agri-food sector. Drawing on case studies from Kenya and Costa Rica, the report illustrates how two diverse countries have applied WoG approaches to support agri-MSMEs.

In Kenya, the government has taken significant steps to institutionalise support for MSMEs through legal and policy instruments such as the Micro and Small Enterprises Act (2012) and newer policy directions through the Strategic Plan (2023–2027) for the State Department for MSME Development, and the forthcoming MSME Policy 2025. Central players such as the Ministry of Co-operatives and MSME Development, the Micro and Small Enterprises Authority (MSEA), and institutions like the Kenya Industrial Estates (KIE) and Kenya Institute of Business Training (KIBT) provide policy direction, capacity-building, infrastructure, and market linkages. Complementary funding mechanisms, including the Women Enterprise Fund and Hustler Fund, help address financing gaps. However, despite the breadth of initiatives, the sector faces persistent coordination

challenges. Stakeholder interviews highlighted persistent overlaps in institutional mandates and fragmented interventions, resulting in inefficiencies, duplication of efforts, and missed opportunities for innovation. In response, the government is actively working to strengthen alignment, notably through the creation of the Directorate of Financing, Partnership, and Coordination within the Ministry of Co-operatives and MSME Development. This unit is tasked with coordinating partnerships across all MSME-supporting stakeholders. The new MSME Policy 2025 clearly defines institutional roles, and aims to enhance operational coordination and foster a more coherent and collaborative ecosystem for MSME development nationwide.

Costa Rica's experience offers a more mature and institutionalised example of a WoG model. With a history of stable governance and a strong emphasis on sustainability, the country has embedded MSME support within its broader development and environmental strategies. The Ministry of Economy, Industry and Commerce (MEIC) coordinates closely with a network of public agencies, the Costa Rican Business Information System (SIEC), the Development Banking System (SBD), the National Training and the National Women's Institutes (INA and INAMU), the National Institute for Rural Development (INDER) and the Export Promotion Agency (PROCOMER), to deliver integrated support. Together, these entities provide comprehensive support spanning training, value chain development, and inclusive programming, with a particular focus on women and youth. The strength of Costa Rica's model lies in its consistent political commitment, participatory policy processes, and well-established institutional architecture.

Both case studies underscore that a WoG approach is not a fixed formula but rather a flexible framework that must be adapted to national contexts. Success depends on leadership, coordination mechanisms, accountability, institutional capacity, and sustained stakeholder engagement. However, implementing WoG approaches is often complex in practice. Common challenges include overlapping institutional mandates, limited interagency coordination, and political or budgetary shifts that disrupt long-term planning. Recognising and proactively addressing these risks is essential to achieving the intended outcomes. For development partners and policymakers, the report highlights the importance of supporting governments in strengthening interagency collaboration, investing in infrastructure and digital tools, streamlining regulatory frameworks, and designing inclusive and resilient MSME ecosystems.

In conclusion, WoG approaches can offer a viable pathway to harness the potential of agri-food MSMEs. When effectively implemented, they can lead to more formal, productive, and sustainable enterprises that contribute meaningfully to rural livelihoods, national food systems, and inclusive economic transformation.

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# Acronyms

<b>AfCFTA</b>	African Continental Free Trade Area
<b>AIF</b>	Agriculture Infrastructure Fund
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>BCCR</b>	Central Bank of Costa Rica
<b>BEWG</b>	Business Environment Working Group
<b>CCSS</b>	Costa Rican Social Security Fund
<b>CGS</b>	Credit Guarantee Scheme
<b>CORFO</b>	Chile's Economic Development and Production Corporation
<b>COSME</b>	Competitiveness of Enterprises and SMEs Program
<b>CRC</b>	Costa Rican Colón
<b>CREAPYMES</b>	Regional Centres for Support to Small and Medium Enterprises
<b>DIGEPYME</b>	General Directorate for SME Support
<b>ENAMEH</b>	National Household Microenterprise Survey
<b>EU</b>	European Union
<b>FAO</b>	Food and Agriculture Organisation of the United Nations
<b>FAOSTAT</b>	FAO Statistics
<b>FPO</b>	Farmer Producer Organisations
<b>GDP</b>	Gross Domestic Product
<b>GEA</b>	Ghana Enterprise Agency
<b>GEPA</b>	Ghana Export Promotion Authority
<b>GIZ</b>	German Development Cooperation
<b>HACCP</b>	Hazard analysis and critical control points
<b>ICT</b>	Information and Communications Technologies
<b>IDB</b>	Inter-American Development Bank
<b>IICA</b>	Inter-American Institute for Cooperation on Agriculture
<b>ILO</b>	International Labour Organisation
<b>IMEC</b>	Inter-Ministerial Empowered Committee
<b>INA</b>	National Training Institute

<b>INAMU</b>	National Women's Institute
<b>INDAP</b>	National Agricultural Development Institute
<b>INDER</b>	National Institute for Rural Development
<b>INEC</b>	National Institute of Statistics and Census
<b>KEPSA</b>	Kenya Private Sector Alliance
<b>KIBT</b>	Kenya Institute of Business Training
<b>KIE</b>	Kenya Industrial Estates
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>KNCCI</b>	Kenya National Chamber of Commerce and Industry
<b>KRA</b>	Key Result Area
<b>MAG</b>	Ministry of Agriculture and Livestock
<b>MEIC</b>	Ministry of Economy, Industry and Commerce
<b>MICITT</b>	Ministry of Science, Technology and Telecommunications
<b>MIPYME</b>	Micro, Pequeña y Mediana Empresa (MSME)
<b>MSE</b>	Micro and Small Enterprises
<b>MSEA</b>	Micro and Small Enterprises Authority
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>MTP</b>	Medium Term Plan in Kenya
<b>MTSS</b>	Ministry of Labour and Social Security
<b>NBSSI</b>	National Board for Small Scale Industries
<b>NGO</b>	Non-governmental organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PAP</b>	Productive Alliance Programme
<b>PMFME</b>	Pradhan Mantri Formalisation of Micro Food Processing Enterprise Scheme in India
<b>PMKSY</b>	Pradhan Mantri Kisan Sampada Yojana Scheme in India
<b>PNAO</b>	National Organic Agriculture Programme
<b>PND</b>	National Decarbonisation Plan
<b>PNDIP</b>	National Development and Public Investment Plan
<b>PPP</b>	Public-Private Partnerships
<b>PROCOMER</b>	Export Promotion Agency

<b>PRONAF</b>	National Program for Strengthening Family Agriculture
<b>PYME</b>	Pequeña y Mediana Empresa (SME)
<b>PYMPA</b>	Small and Medium-Sized Agricultural Producers in Costa Rica
<b>RNIA</b>	National Network of Business Incubators and Accelerators
<b>SACCO</b>	Savings and Credit Cooperative Organisation
<b>SAG</b>	National Agriculture and Livestock Agency in Chile
<b>SAGA</b>	Semi-Autonomous Government Agencies
<b>SBD</b>	Development Banking System in Costa Rica
<b>SEPSA</b>	Executive Secretariat for Agricultural Sector Planning in Costa Rica
<b>SHG</b>	Self-Help Group
<b>SIEC</b>	Costa Rican Business Information System
<b>SUGEF</b>	General Superintendence of Financial Institutions
<b>TVET</b>	Technical and Vocational Education and Training
<b>VAT</b>	Value-added tax
<b>WoG</b>	Whole-of-Government
<b>WoS</b>	Whole-of-Society

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# Introduction

## Background

There is growing interest among countries in exploring and adopting a WoG approach to support the development of Micro, Small, and Medium Enterprises (MSMEs).<sup>1</sup> This approach involves coordinated efforts across multiple government departments, agencies, and stakeholders to create an enabling environment for MSMEs to grow, innovate, and succeed. The goal is to provide comprehensive support that addresses both the challenges and opportunities faced by MSMEs.<sup>2</sup>

MSMEs are the backbone of economies worldwide. They account for over 90% of businesses and 60-70% of employment globally.<sup>3,4</sup> MSMEs foster growth, employment, and innovation, thereby playing a central role in the economic development of any country.<sup>5</sup> Many MSMEs are essential in meeting domestic demand, including in sectors that address key social needs such as food security, health, care, and education, while also contributing to exports that help improve the trade balance and generate foreign exchange earnings.

The size and definition of “MSME” vary widely across countries and regions, often based on factors like the number of employees, annual turnover, and/or total assets.<sup>6</sup> Microenterprises usually employ 10 people or fewer, small enterprises up to 50, and medium enterprises up to 250. However, each country and region defines MSME differently. The European Union<sup>7</sup>, Kenya<sup>8</sup> and South Africa<sup>9</sup>, for instance, define micro enterprises as those with up to 10 employees, whereas Costa Rica<sup>10</sup> and Malaysia<sup>11</sup> classify businesses as “micro” if they have 5 or fewer employees.

MSMEs operate in diverse sectors such as manufacturing, services, trade, and construction. In developing countries, especially, many MSMEs are concentrated in the agri-food sector, where they support food

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<sup>1</sup> The analysis of several MSME laws, policies, and emerging strategies conducted for this report reveals a clear trend among governments toward exploring more integrated approaches to MSME development. Interviewed stakeholders confirmed that this shift is motivated by fiscal constraints and a growing recognition that coordinated, cross-sectoral efforts yield more effective development outcomes. It also reflects a desire to draw on international experiences and good practices to inform more responsive and coherent policy design and implementation.

<sup>2</sup> OECD, 2019. [Strengthening SMEs and entrepreneurship for productivity and inclusive growth: OECD 2018 Ministerial Conference on SMEs](#). OECD Publishing.

<sup>3</sup> Reliable figures for the total number of MSMEs worldwide, specifically in the agri-food sector, were unavailable.

<sup>4</sup> United Nations, 2025. [Micro-, Small and Medium-sized Enterprises Day, 27 June](#).

<sup>5</sup> 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.

<sup>6</sup> European Commission, 2020. [SME Definition - user guide 2020](#).

<sup>7</sup> [EUR-Lex, 2025. Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, Document 32003H0361](#).

<sup>8</sup> [Kenya Draft MSME Policy 2025](#).

<sup>9</sup> International Journal of Research in Business and Social Science, 2024. [The role of small, medium, and micro enterprises in contributing to the socioeconomic development of South Africa](#).

<sup>10</sup> [Poder Judicial Diccionario Costa Rica](#), 2025.

<sup>11</sup> SME Corp. Malaysia. Secretariat to the National SME Development Council, 2013. [Guideline for new SME Definition](#).

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,<sup>12</sup> playing a vital role in rural development and broader economic growth. They form a critical link between agricultural production and food consumption,<sup>13</sup> contributing to food security, employment, and sustainable development across the agri-food value chain.<sup>14,15</sup> Key roles include:

1. **Job Creation:** Agri-food MSMEs are major employers, especially in rural and peri-urban areas. They generate direct and indirect jobs across production, processing, logistics, and retail, helping reduce rural-urban migration and providing accessible livelihood opportunities due to their relatively low capital requirements.<sup>16</sup>
2. **Food Security and Nutrition:** By producing, processing, and distributing affordable, nutritious, and locally sourced foods, MSMEs strengthen regional food systems. Processing activities extend shelf life and improve year-round availability, while culturally relevant products enhance local diets and health outcomes.<sup>17</sup>
3. **Strengthening Agricultural Value Chains:** MSMEs add value through processing, build linkages with farmers and cooperatives, and supply larger firms. These activities enhance marketability, foster integrated value chains, and support resilient local supply systems.
4. **Poverty Reduction and Inclusion:** Through employment and income generation, MSMEs contribute to poverty alleviation and improved living standards. They also promote the economic empowerment of women, youth, and marginalised groups,<sup>18</sup> supporting more inclusive development.
5. **Innovation and Technology Adoption:** MSMEs are often agile adopters of new technologies<sup>19</sup> and practices, improving productivity, food quality, and environmental performance.
6. **Sustainability:** Many agri-food MSMEs promote sustainable practices such as regenerative agriculture,<sup>20,21</sup> crop rotation, organic farming, and soil conservation, contributing to climate resilience, biodiversity conservation, and long-term food system sustainability.

Despite agri-MSMEs' crucial role in food security, employment, and rural livelihoods, they face a complex web of interconnected challenges that limit their growth, resilience, and contribution to food systems transformation. Common constraints include limited access to affordable finance due to lack of collateral,

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<sup>12</sup> 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.

<sup>13</sup> 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.

<sup>14</sup> Kelly, S. & Ilie, E.T., 2021. [Engaging with small and medium agrifood enterprises to guide policy making – A qualitative research methodological guide](#). Rome, FAO.

<sup>15</sup> 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](#).

<sup>16</sup> International Fund for Agricultural Development (IFAD), 2019. [Creating Opportunities for Rural Youth](#). Rome: IFAD.

<sup>17</sup> PanAfrican Farmers Organisation. [Health for All: The key Role of Agri-Food MSMEs and Businesses](#).

<sup>18</sup> United Nations Department of Economic and Social Affairs, 2023. [Supporting small businesses to achieve inclusive growth for all](#). UN DESA Voice.

<sup>19</sup> Faiz Faiz, Viet Le, Eryadi K Masli, 2024. [Determinants of digital technology adoption in innovative SMEs](#). Journal of Innovation & Knowledge, Volume 9, Issue 4.

<sup>20</sup> Green Policy Platform, 2025. [How SMEs Can Shape Climate-Resilient Agri-Food Systems](#).

<sup>21</sup> FAIRR Network, 2023. Food Sector Making [More Promises Than Progress On Regenerative Agriculture](#).

formal registration, or tailored financial instruments; high and volatile input costs; inadequate rural infrastructure, unreliable energy, and weak digital connectivity; fragmented and weak market linkages; and difficulties in complying with food safety, quality, and certification standards. These structural barriers are compounded by low levels of technological adoption, skills deficits in business and digital literacy, and limited access to business development services, innovation support, and policies related to rural finance, employment, nutrition, and enterprise upgrading. Recent shocks, including the COVID-19 pandemic, climate-related disasters, economic instability, and rising debt, have further exposed the vulnerability of agri-food MSMEs, disrupting supply chains, reducing demand,<sup>22</sup> and undermining their ability to invest, innovate, or scale<sup>23</sup>. Climate risks such as floods and pests continue to generate recurrent shocks, for which few MSMEs have access to insurance or early warning systems. These challenges are further magnified by sectoral fragmentation and informality, which weaken integration into formal value chains and limit the effectiveness of public support and policy interventions.

A significant share of agri-food MSMEs, particularly in developing countries where more than 70 percent of employment is informal, operate outside the formal economy.<sup>24</sup> Agriculture accounts for the largest share of employment in the informal economy.<sup>25</sup> Informality limits access to finance, markets, social protection, and structured value chains. Formalisation<sup>26</sup>, which involves registering enterprises, complying with tax and labour laws, accessing social security, and participating in structured supply chains or government programmes, offers multiple benefits. These include improved access to finance and investment, enabling growth and adoption of productivity-enhancing technologies; integration into value chains with quality, safety, and traceability standards; better working conditions and social protection for employees,<sup>27</sup> enhanced government revenue and more effective policy targeting; and greater resilience to crises such as pandemics, economic shocks, and climate-related disruptions.

Despite these advantages, formalisation remains challenging due to high costs, complex procedures, limited administrative capacity, weak enforcement, low awareness of benefits, and insufficient incentives. World Bank Enterprise Surveys across seven countries (2017–2022) found that many informal businesses cite taxes, time and cost of registration or “no benefit”<sup>28</sup> as reasons for remaining informal. Addressing these barriers

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<sup>22</sup> 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.

<sup>23</sup> Oman, S., Kongongo, F., Kelly, S., & Ilie, E., 2021. [Assessing the impact of COVID-19 on agrifood manufacturing small and medium enterprises in sub-Saharan Africa – Recommendations for building back better](#). Rome, FAO and Vienna, UNIDO.

<sup>24</sup> Loayza, Norman, 2019. [Informality: Why is it so Widespread and How Can it Be Reduced?](#) World Bank Research and Policy Briefs No. 133110.

<sup>25</sup> International Council for Small Businesses (ICSB) (2024). [ICSB Annual Global Micro-, Small and Medium-Sized Enterprises Report 2024](#).

<sup>26</sup> The term formalisation covers varying degrees of informality, commonly categorised into three dimensions: legal, fiscal, and labour. Legal informality refers to whether a business is officially registered with the appropriate authorities. Fiscal informality relates to financial practices, including whether the business pays taxes, uses bank accounts, or maintains proper bookkeeping. Labour informality concerns the employment conditions within the business, such as the use of formal contracts and the provision of employee benefits. These dimensions are not mutually exclusive, businesses may be informal in one, two, or all three areas. (Source: Marusic, A., Nielsen W., Ghossein, T., Solf, S., 2020. Re-thinking the Approach to Informal Businesses. Typologies, Evidence and Future Exploration. World Bank.)

<sup>27</sup> Organisation for Economic Co-operation and Development (OECD), 2025. [Expanding Social Protection and Addressing Informality in Latin America](#). Paris: OECD Publishing.

<sup>28</sup> World Bank Blog, 2023. [Can you hear us? Voices from informal businesses](#).

requires targeted policy reforms, capacity building, and innovative approaches to simplify compliance and increase awareness of the value of formalisation. Digital solutions, such as mobile registration platforms and e-governance tools, are increasingly seen as transformative<sup>29</sup> for reducing complexity, expanding access, and enabling inclusive economic growth, productivity, and resilience in the agri-food MSME sector.

Given the diversity of agri-food MSMEs in size, functions, business models, and market orientation, one-size-fits-all policies may be ineffective at addressing these challenges. Moreover, agri-food MSME policies are inherently cross-cutting, spanning agriculture, finance, trade, labour, social protection, health, infrastructure, and innovation. Isolated or sector-specific interventions may therefore be inadequate and may even work at cross-purposes. A coordinated Whole-of-Government (WoG) approach can help reduce policy fragmentation by aligning actions across these domains, integrating regulatory reform, incentives for formalisation, access to finance, infrastructure investment, skills development, and food safety oversight to more effectively address MSME constraints and unlock their potential to drive inclusive, sustainable, and resilient agri-food systems.

In this context, in March 2025, the Business Environment Working Group (BEWG) launched a research study to deepen our understanding of how governments in developing countries can support MSMEs in the agri-food sector through a WoG approach. The study aims to explore how such coordinated efforts contribute to business environment reforms that drive MSME development, with a particular focus on the agri-food sector and its sustainable transformation. Special emphasis is placed on how WoG approaches may facilitate the formalisation of informal enterprises. The ultimate objective is to generate insights and guiding principles that can inform donors and development agencies in supporting governments to adopt more integrated strategies for MSME development, thereby advancing the sustainability and resilience of the agri-food sector.

## Scope of the report

This report explores how WoG approaches can support the development and formalisation of MSMEs in the agri-food sector in developing countries. It focuses on the ways in which cross-government coordination can create a more enabling environment for these enterprises to thrive and contribute meaningfully to the sustainable transformation of the agri-food sector. The study aims to understand how governments use integrated approaches to business environment reforms that support the development of MSMEs. It also seeks to analyse the effectiveness of these approaches in addressing common barriers such as informality, limited market access, and fragmented support systems. In addition, the study identifies good practices and policy interventions that can be scaled or adapted to other developing country contexts.

The research is primarily qualitative and draws on a combination of methods. It includes a review of the available literature related to MSME support, as well as existing government coordination mechanisms and programmes. The study also involves an in-depth analysis of national policies and regulatory frameworks governing MSMEs, particularly agri-food enterprises. Furthermore, interviews and consultations with key stakeholders, including representatives from government bodies, private sector actors, and development partners, were conducted in two selected countries: Kenya and Costa Rica. Where possible, secondary quantitative data from sources such as the Food and Agriculture Organisation's Statistical Database

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<sup>29</sup> UNESCAP, 2025. ESCAP Online Resource Centre for Asia-Pacific MSME Policy - [Role of the digital economy in formalizing MSMEs](#).

(FAOSTAT), World Bank Indicators, International Labour Organisation (ILO), UN Comtrade, and national monitoring and evaluation systems were used to complement the findings and strengthen the analysis.

Kenya and Costa Rica were selected as case studies due to the significant role MSMEs play in their economies. Both countries have established specialised agencies and policy frameworks aimed at supporting MSMEs, offering a useful basis for comparative analysis of institutional arrangements and policy effectiveness. The agri-food sector, central to both economies, provides a sectoral lens through which to assess MSME dynamics and policy impacts. Additionally, the selection reflects diversity in income classification, Kenya being a lower-middle income country, and Costa Rica an upper-middle income country and OECD member. Costa Rica, in particular, serves as a model for several developing countries<sup>30</sup>, having demonstrated consistent economic growth and effective enterprise support systems over the past two decades.

The report examines several key themes related to the development of MSMEs in the agri-food sector, with a focus on how WoG approaches can strengthen coordination and policy coherence. It explores the role of MSMEs and outlines the main challenges these enterprises face, including difficulties in accessing finance and markets, inadequate infrastructure, burdensome regulations, and a high prevalence of informality. The report further discusses the rationale for adopting WoG approaches in MSME development, emphasising the need for integrated policy responses across agriculture, trade, finance, infrastructure, and social sectors to address the multidimensional constraints facing agri-food enterprises. It identifies key principles, risks, and enabling conditions for effective WoG implementation, and examines how institutional coordination, data sharing, and stakeholder engagement can enhance the effectiveness and impact of public support interventions. Through detailed case studies from Kenya and Costa Rica, the report highlights specific policy frameworks, coordination models, and institutional arrangements that have shaped the MSME ecosystem in these countries.

Ultimately, the report is intended to provide policymakers, donors, and development partners with actionable insights and practical recommendations. It advocates for more coherent and coordinated support for MSMEs in the agri-food sector, encourages inclusive formalisation processes, and seeks to promote more sustainable and resilient agri-food systems in developing countries.

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<sup>30</sup> Mugano, N., 2016. [MSMEs formalisation: Lessons from Costa Rica](#). Nelson Mandela Metropolitan University. Article in the Herald Online.

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# 1. Understanding whole-of-government approaches

WoG approaches are increasingly gaining attention as a way to improve policy coherence, coordination, and effectiveness in addressing complex development challenges.<sup>31</sup> This is particularly relevant for MSME policy, which is inherently cross-cutting and spans multiple sectors and policy domains, including industry, trade, finance, employment, and innovation. In developing countries, especially, where a large share of MSMEs operate in the agri-food sector and contribute significantly to employment, poverty reduction, and economic growth, stakeholder interviews revealed that there is growing recognition of the need for more integrated and coordinated government action. As a result, governments are giving greater consideration to WoG approaches, with some countries already implementing them to better align policies and instruments<sup>32</sup> in support of agri-food MSMEs and to deliver more targeted and impactful support.

## Government coordination vs. collaboration

The difference between government coordination and government collaboration lies in how government entities interact, why they interact, and to what extent they share control and responsibility. Coordination is about managing alignment, while collaboration is about creating together. Coordination ensures policies don't clash; collaboration aims to amplify impact by working in partnership. More specifically,

Government coordination is the process by which different parts of government (ministries, agencies, departments, or levels of government) align their actions to avoid duplication, fill gaps, and ensure consistency in policies and service delivery. For example, the Ministry of Agriculture and Ministry of Trade align their timelines and policies to ensure that input subsidies for agri-MSMEs do not conflict with export regulations.

Government collaboration, on the other hand, involves active, joint efforts by government entities to co-design, co-implement, and co-own initiatives, programmes, or policies. It reflects shared goals, responsibilities, and decision-making. For instance, the Ministries of Agriculture, Trade, and Finance jointly design and implement a national agri-MSME growth programme, pooling resources and sharing responsibility for outcomes.

Sources: Peters, B. Guy, 2018. *"The Challenge of Policy Coordination"*, *Policy Design and Practice* 1, no. 1., and Ansell, C., Gash, A. 2008. *"Collaborative Governance in Theory and Practice"*, *Journal of Public Administration Research and Theory*, Volume 18, Issue 4, October 2008, Pages 543–571.

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<sup>31</sup> OECD, 2019. [Policy Coherence for Sustainable Development 2019: Empowering people and ensuring inclusiveness and equality](#). OECD Publishing.

<sup>32</sup> OECD, 2019. [Governance as an SDG accelerator: Country experiences and tools](#). OECD Publishing.

## 1.1 Definition and key principles

A WoG approach means that different levels and departments of government collaborate and coordinate in policymaking, resource allocation, and project implementation. More broadly, WoG approaches are designed to address complex and cross-cutting policy challenges that cannot be effectively managed by single institutions or sector-specific interventions alone. They seek to break down institutional silos by promoting horizontal coordination across ministries and agencies, as well as vertical alignment between national and subnational levels of government, supported by political will and leadership,<sup>33</sup> shared objectives, and interoperable administrative systems.

From a policy perspective, WoG implies aligning strategies, regulations, and instruments across sectors around shared societal goals, rather than isolated departmental mandates. From an institutional perspective, it involves establishing coordination structures, incentives, and decision-making processes that enable sustained collaboration across organisational boundaries.<sup>34</sup>

While there is no standardised formula for approaching government coordination (and collaboration) issues<sup>35</sup>, WoG approaches typically rely on a set of common governance principles that help structure and operationalise coordination mechanisms across the public sector. Key principles typically include: policy coherence across sectors, clear roles and responsibilities, joint planning and budgeting, shared data and monitoring systems, inclusive stakeholder engagement, and mechanisms for accountability and continuous learning.

- **Policy coherence across sectors** ensures that government actions are aligned around shared objectives and do not work at cross-purposes, reinforcing rather than undermining each other.
- **Clear roles and responsibilities** define mandates, leadership, and accountability across institutions, reducing duplication, gaps, and conflicting actions.
- **Joint planning and budgeting** align priorities and resources across sectors, enabling integrated interventions and reducing siloed implementation.
- **Shared data and monitoring systems** support evidence-based decision-making through common indicators, data sharing, and coordinated tracking of results.
- **Inclusive stakeholder engagement** involves non-government actors in policy design and implementation, improving relevance, legitimacy, and effectiveness.
- **Mechanisms for accountability and continuous learning** ensure regular review, performance tracking, and adaptation, enabling governments to refine and improve policies over time.

Together, these elements shift the focus of public governance from fragmented, sector-based interventions toward integrated, outcome-oriented policymaking.

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<sup>33</sup> Candel, J.J.L. & Pereira, Laura, 2017. [Towards integrated food policy: Main challenges and steps ahead](#). Environmental Science & Policy, Volume 73, 89–92.

<sup>34</sup> OECD, 2019. [Governance as an SDG accelerator: Country experiences and tools](#). OECD Publishing.

<sup>35</sup> Peters, B. Guy, 2018. [The Challenge of Policy Coordination](#), Policy Design and Practice 1, no. 1.

Within this broader governance framework, WoG approaches are particularly relevant for MSME development, which cuts across multiple policy domains and institutional mandates. For MSME development in the agri-food sector, this approach should encompass ministries or agencies that handle agriculture, trade, finance, infrastructure, and innovation, among others. The approach recognises that MSMEs are crucial drivers of economic growth, job creation, and innovation in the agri-food sector but face challenges that require multi-dimensional solutions. Rather than having isolated efforts, a WoG approach aims to pool

### Box 1: Key lessons and good practices from MSME promotion agencies

Several countries have established specialised agencies dedicated to MSME development, bringing together all related functions under one roof. In 2016, the International Labour Organisation (ILO) conducted a study<sup>1</sup> on these MSME promotion agencies to identify good practices and draw lessons from their regulatory and institutional frameworks, as well as the operational factors that contribute to the success of government-led MSME promotion efforts. The findings of the study resulted in the following key recommendations for enhancing their effectiveness:

#### Regulatory framework:

1. **Legal basis:** An agency should be formally established through a law or presidential decree, clearly defining its mandate and governance structure.
2. **Autonomy and government alignment:** For autonomous agencies, their relationship with national SME policies must be explicitly stated in the founding legislation or decree.
3. **Strategic alignment:** The agency's objectives should reflect the country's long-term economic strategy. These goals should be informed by a thorough needs assessment and integrated into the legal or regulatory framework.

#### Institutional and operational framework:

- **Integration in national systems:** The agency should be an integral part of the national enterprise promotion system to avoid fragmentation and duplication of efforts.
- **High-level leadership:** The chairperson of the agency's board should be appointed at the highest level of government to reinforce political support and ensure alignment with national priorities.
- **Stakeholder representation:** The governing board or council must include representatives from both the public and private sectors. This inclusiveness enhances transparency, relevance, and shared ownership of the agency's initiatives.
- **Inclusive targeting:** While individual programmes may cater to specific sectors or firm sizes, the agency's overall mandate should cover the full spectrum of SMEs.
- **Evolving program design:** As the agency matures, it should transition from offering standardised tools to delivering more sophisticated and tailored interventions targeting specific SME segments.
- **Sustainable financing:** A long-term financial strategy should be developed and endorsed to protect the agency from political or budgetary changes, ensuring continuity in support services.
- **Robust monitoring and evaluation:** A comprehensive monitoring and evaluation (M&E) system should be embedded within the legal framework, enabling ongoing assessment and refinement of the agency's programmes.

**Strategic alignment with other actors:** Where other support organisations exist, clear coordination and alignment of objectives are critical to maximising impact and avoiding overlap.

resources, expertise, and decision-making to create more coordinated and impactful solutions to effectively support MSMEs in the sector. Building on these general WoG principles, countries have adopted varied institutional arrangements and policy instruments to structure MSME policy frameworks.

The Organisation for Economic Co-operation and Development (OECD) distinguishes between three dimensions of such frameworks<sup>36</sup>: Countries with standalone SME Strategies (e.g., Costa Rica, Kenya,<sup>37</sup> India, Korea, Cambodia or the European Union), Countries with (multi-) annual action plans or other dedicated documents on SME and entrepreneurship policies (e.g., Nigeria, Chile, Turkey or the United States), and countries where SME and entrepreneurship policies are part of wider strategies and policy frameworks (e.g., Mexico, Canada and many European countries). In these latter cases, SME support is often integrated into cross-cutting agendas such as gender equality or national competitiveness. Examples include Germany's "More female entrepreneurs for small and medium-sized enterprises" action plan<sup>38</sup> and Ireland's women-in-business initiative.

Some countries have also established dedicated ministries or agencies specifically tasked with overseeing all matters related to MSME development and formalisation, as it is the case in India, Kenya, Ghana, and Zambia, for example.

These institutional choices reflect efforts to strengthen leadership and coordination within government and to reduce fragmentation in MSME policy and implementation. Building on this foundation, broader governance models such as Whole-of-Society (WoS) approaches emphasise the coordinated involvement of all societal actors - government, the private sector, civil society, academia, and communities - in addressing complex development challenges, including MSME development. For MSMEs, WoS approaches can foster more inclusive and resilient ecosystems by mobilising private investment, leveraging business associations, enabling innovation through academia, and ensuring that policies reflect on-the-ground realities. While WoS offers broader reach and shared ownership, it presupposes a capable and well-coordinated government.<sup>39</sup> Accordingly, this report focuses on a WoG approach as a necessary first step: governments must first organise internally - aligning mandates, incentives, and delivery mechanisms - before they can effectively and credibly engage non-state actors in a WoS framework for MSME development.

## 1.2 Advantages of adopting a WoG approach for MSME development

WoG approaches can offer governments a practical framework to address the pressing and interconnected challenges facing MSME development, particularly in the agri-food sector. By promoting coordination, policy coherence, and collaboration across institutions, WoG approaches can enable more effective responses to complex constraints related to finance, infrastructure, regulation, technology, sustainability, and market

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<sup>36</sup> OECD, 2021. [SME and entrepreneurship policy frameworks across OECD countries: An OECD Strategy for SMEs and Entrepreneurship](#), OECD SME and Entrepreneurship Papers, No. 29.

<sup>37</sup> More detailed findings on WoG mechanisms in Kenya and Costa Rica can be found in the following report chapters.

<sup>38</sup> Bundesministerium für Wirtschaft und Klimaschutz (BMWK), 2023. „[Mehr Unternehmerinnen für den Mittelstand](#)“.

<sup>39</sup> Kjellén, Marianne & Wong, Catherine & Koppen, Barbara & Uprety, Labisha & Mukuyu, Patience & Avidar, Ornit & Willaarts, Barbara & Tang, Ting & Witmer, Lesha & Nagabhatla, Nidhi & De Lombaerde, Philippe & Lindelien, Maria & Dhot, Neil & Saleh, Angie, 2023. [Governance: A 'whole-of-society' approach](#).

access. Key rationales for adopting a WoG approach to strengthen public action and improve development outcomes for agri-food MSMEs include the following:

**Integrated solutions for MSME challenges:** WoG approaches in MSME development are built on the understanding that MSMEs play a critical role in economic growth, job creation, poverty alleviation, and innovation. However, MSMEs in sectors like agri-food face multifaceted challenges, including limited access to finance, inadequate infrastructure, market access issues, regulatory barriers, and skills gaps. No single government agency has the expertise or mandate to address all these challenges independently. A WoG approach ensures that various government bodies can tackle these issues in a coordinated manner. For instance, financial support alone might not help if infrastructure (roads, storage, etc.) or market access is limited. By aligning policies across sectors, a more holistic solution to benefit MSMEs is possible.

**Institutional synergies for MSME support:** Government agencies can maximise their impact through collaboration because they each have expertise in specific domains (e.g., agriculture, finance, trade, infrastructure), and these domains often overlap in MSME development. By leveraging the diverse strengths of different agencies, the government can provide comprehensive support and integrated solutions. For example, the Ministry of Agriculture can help MSMEs, involved for instance in improving production techniques, while the Ministry of Finance can offer financial products, and the Ministry of Trade can help MSMEs access new markets. Collaboration between these ministries leads to synergistic outcomes that are far more effective than isolated interventions.

**More efficient use of public resources:** A WoG approach can help the public sector channel scarce public funds more efficiently.<sup>40</sup> Different government departments often work with overlapping populations and industries. When their efforts are not coordinated, there may be inefficiencies, such as redundant programmes or conflicting initiatives. A WoG approach can help streamline government resources, avoiding duplication and optimising the impact of public investments and support. For example, financial support for MSMEs can be better targeted if the Ministry of Finance, the Ministry of Agriculture, and the National Bank collaborate to understand local needs and risks, ensuring that the right kind of financial products are provided.

**Policy coherence across government levels:** A holistic public approach to MSME development can also ensure that policies are consistent and coherent across different government levels (national, state, and local). This consistency is crucial for creating long-term stability for MSMEs, which are often sensitive to policy changes.<sup>41</sup> When all ministries and agencies are aligned with a clear, unified vision for MSME development, it can build policy continuity that MSMEs can rely on for future planning, investment, and growth. A practical example is Argentina's CreAr Agro-Industrial Credit Program, which integrates national and provincial efforts to expand credit access for agro-industrial MSMEs. At the national level, the programme channels productive loans through the National Development Bank in line with broader industrial policy. Provinces support implementation by acting as guarantors, lowering lending risks and accelerating access to finance for local

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<sup>40</sup> 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.

<sup>41</sup> 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.

enterprises. This coordinated structure, linking central funding with provincial guarantees, demonstrates how vertical policy integration can effectively strengthen rural agribusiness development.<sup>42</sup>

**Data-driven targeting and coordination:** Different government bodies have access to different data and insights. By sharing information and aligning efforts, governments can more accurately target specific types of MSMEs that need assistance. For example, some MSMEs might need financing, while others might require technical support or market linkages. A WoG approach allows for the creation of tailored solutions that address the particular needs of different MSMEs within sectors like agri-food, technology, or manufacturing. In Ghana, public agencies have made significant strides in data sharing to enhance MSME development, particularly through the national MSME database established by the Ghana Enterprises Agency (GEA). This centralised system allows institutions such as the Ghana Revenue Authority and the Registrar General's Department to access shared business data, enabling coordinated decision-making on financial support, formalisation, and compliance. The initiative is supported by Ghana's broader open data strategy, which fosters inter-agency collaboration and evidence-based policymaking to more effectively target and assist MSMEs across sectors, including agriculture.<sup>43</sup>

**Coordinated innovation and technology support:** MSMEs in sectors like agriculture and food processing need to adopt modern technologies to remain competitive.<sup>44</sup> However, innovation and technological development often involve complex challenges related to funding, training, regulatory standards, and market adoption. Through a WoG approach, agencies like the Ministry of Science and Technology can collaborate with the Ministry of Agriculture and the Ministry of Finance to provide MSMEs with the necessary technological tools, financing, and skills training needed to innovate and improve productivity. In Argentina, inter-agency collaboration between the Ministry of Science, Technology and Innovation (MinCyT), the Ministry of Agriculture, and research institutions like INTA (*Instituto Nacional de Tecnología Agropecuaria*) and SENASA (*Servicio Nacional de Sanidad y Calidad Agroalimentaria*) is helping agri-food MSMEs access the technology and knowledge needed to innovate. Through partnerships with international bodies such as the Inter-American Institute for Cooperation on Agriculture (IICA), these agencies coordinate efforts to promote digital agriculture, biotechnology, and bio-inputs tailored to small and medium enterprises. MinCyT supports the development of new technologies, while the Ministry of Agriculture facilitates their transfer to producers through extension services and technical assistance. This integrated approach ensures that rural MSMEs not only receive cutting-edge tools, but also the training and institutional support needed to apply them effectively and improve productivity.<sup>45</sup>

**Sustainability and climate coordination:** As global challenges like climate change and resource depletion become more pressing, MSMEs need to adopt sustainable practices to remain competitive and resilient.<sup>46</sup> A

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<sup>42</sup> Ministerio de Economía Argentina, 2024. [Facilitarán el acceso al crédito a microempresas de las economías regionales y de la agricultura familiar](#). Gobierno de Argentina.

<sup>43</sup> Article in The Graphic, 2021. [NBSSI develops database on MSMEs](#).

<sup>44</sup> 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.

<sup>45</sup> IICA, 2022. [Ministerio de Ciencia y Tecnología Argentino y el IICA se unen para impulsar bioeconomía y agricultura digital](#).

<sup>46</sup> 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.

WoG approach can help coordinate policies that encourage environmentally friendly practices (e.g., water conservation, sustainable packaging, and waste reduction). Agencies like the Ministry of Environment and the Ministry of Agriculture can provide MSMEs with incentives, technical expertise, and financial support to make the transition to more sustainable practices, ensuring long-term resilience. Working alongside the World Bank's NDC Support Facility, Vietnam is adopting a WoG approach to its climate planning, signifying a fundamental shift towards integrated climate action. This approach emphasises enhanced coordination and mainstreaming of climate objectives across various ministries, sectors, and sub-national levels of government. Vietnam's approach recognises the vital role of MSMEs in achieving national climate goals. As the backbone of Vietnam's economy and significant contributors to emissions and employment, MSMEs are being actively integrated into climate strategies, with a focus on improving their capacity to contribute to higher climate ambition and collective actions. This means policies and support programmes aim to equip MSMEs with the knowledge, tools, and financing necessary to implement sustainable practices, enhance resilience, and participate effectively in the green transition, thereby ensuring that Vietnam's climate efforts are comprehensive and inclusive.<sup>47</sup>

**Coordinated crisis response:** In times of crisis (e.g., pandemics, natural disasters, or economic downturns), MSMEs are often the most vulnerable.<sup>48</sup> A coordinated crisis response allows government bodies to act quickly and provide comprehensive support, ensuring that MSMEs have access to financial relief, infrastructure rebuilding, and access to markets. For instance, during the COVID-19 pandemic, a WoG approach could help MSMEs access emergency loans, grants, and logistical support through collaborations between the Ministry of Finance, the Ministry of Commerce, and the Ministry of Agriculture. During the COVID-19 pandemic, Ghana implemented coordinated initiatives such as the Coronavirus Alleviation Program Business Support Scheme (CAPBuSS) and the Ghana Economic Transformation Project (GETP). Led by the National Board for Small Scale Industries (now the Ghana Enterprises Agency) under the Ministry of Trade and Industry, these efforts brought together multiple government agencies, including the Ghana Standards Authority, Registrar General's Department, and the Ghana Investment Promotion Centre, to provide financial relief, technical assistance, and regulatory support to MSMEs. This coordinated response enabled MSMEs to access grants, sustain operations, and enhance their resilience during the crisis.<sup>49</sup>

**Public-private and societal partnerships:** A WoG approach often includes promoting public-private partnerships (PPPs) to leverage private sector expertise and investment in MSME development. Governments can work with the private sector and other stakeholders, such as civil society organisations, business associations, research institutions, and local communities, to provide innovative solutions to financing, market access, and technology adoption, creating synergies that benefit all parties.<sup>50</sup> In many cases, it is useful to go beyond a WoG approach and adopt a broader whole-of-society perspective that reflects the full range of actors involved in and affected by MSME-related policies. This broader view highlights that governance is not solely the domain of government institutions but includes the diverse network of stakeholders who contribute to shaping and implementing policy.

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<sup>47</sup> World Bank, 2021. [The World Bank NDC Support Facility: Impacts and Lessons Learned supporting NDC Implementation](#). World Bank, Washington, DC.

<sup>48</sup> United Nations Economic and Social Commission for Asia and the Pacific. [The Impact of Disasters on MSMEs](#). UNESCAP MSME Policy Web.

<sup>49</sup> World Bank, 2022. [Ghana: Supporting Small and Medium Enterprises to Recover from the COVID-19 Pandemic](#).

<sup>50</sup> World Bank. [How Can Public-Private Partnerships \(PPPs\) Be Successful?](#) World Bank.

## 1.3 Common risks of WoG approaches and possible solutions to address them

WoG approaches offer strong potential for coherence and impact. However, they also carry inherent risks that can undermine effectiveness, including

**Political turnover and policy discontinuity:** Political turnover and policy discontinuity pose significant challenges to WoG initiatives, particularly those aimed at long-term development goals such as MSME support. When new political leadership assumes office, priorities often shift, and programmes initiated by previous administrations may be scaled back, rebranded, or abandoned altogether. This can lead to the loss of institutional memory, as experienced staff are reassigned or removed, and inter-ministerial coordination mechanisms, such as working groups or steering committees, are disbanded. For external stakeholders such as MSMEs, development partners and civil society, this unpredictability undermines trust in public programmes and discourages long-term planning and investment. To mitigate this risk, programmes should be institutionalised through legislation or embedded in long-term national strategies, such as MSME Acts or multi-year development plans that transcend political cycles. Establishing independent secretariats or cross-party advisory bodies can help safeguard continuity by anchoring coordination outside partisan influence. Engaging social partners, civil society and the private sector in oversight and advocacy roles can generate sustained demand for programme stability and hold governments accountable across transitions.<sup>51 52</sup>

**Overlapping mandates and turf conflicts:** Overlapping mandates and turf conflicts are common in WoG approaches, especially when multiple ministries or agencies share similar or competing responsibilities,<sup>53</sup> such as between a Ministry of Industry and a Ministry of Commerce. Several stakeholders interviewed for this research reported that they often struggled with internal competition, duplication of efforts, and even policy paralysis as agencies vie for control or visibility. To address this, it is essential to clearly define institutional roles through formal instruments like memoranda of understanding (MoUs), legal mandates, or results-based action plans. Well-designed action plans can help identify strategic priorities, focus on measurable results and targets, and clearly assign responsibilities across institutions. In addition, appointing a lead ministry or designated coordinator for specific components can streamline decision-making and accountability. Additionally, policy mapping can help identify areas of overlap and misalignment, enabling governments to adjust responsibilities and reduce friction between actors.<sup>54</sup>

**Coordination fatigue:** Coordination fatigue emerged repeatedly in interviews as a source of significant strain. Frequent meetings, excessive reporting demands, and unclear decision-making processes can overwhelm staff, slow progress, and undermine WoG efforts. This often leads to declining motivation, weak follow-through, and a loss of momentum across participating agencies. To reduce this burden, governments can streamline coordination platforms by holding fewer but more focused and strategic meetings. Implementing digital dashboards for shared planning and real-time monitoring can also improve efficiency

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<sup>51</sup> Peters, B. Guy, 2018. [The Challenge of Policy Coordination](#), Policy Design and Practice 1, no. 1.

<sup>52</sup> World Bank, 2017. [World Development Report: Governance and the Law](#).

<sup>53</sup> OECD, 2023. [Improving policy co-ordination at the centre of government in Honduras](#). In OECD Public Governance Reviews: Honduras. OECD Publishing.

<sup>54</sup> OECD, 2025. [Government at a Glance 2025](#). OECD Publishing, Paris.

and transparency. Additionally, shifting operational responsibility to technical working groups, rather than relying solely on high-level or politicised steering committees, can ensure that coordination remains practical, action-oriented, and responsive to on-the-ground needs.<sup>55</sup>

**Resource Constraints:** Resource constraints are another common challenge in WoG programmes, which often depend on pooled or reallocated budgets that lack long-term stability. This can result in fragmented implementation, underfunded projects, and uneven service delivery among beneficiaries. To address this, governments can establish joint budget lines or blended finance mechanisms, such as MSME Innovation Funds, that ensure coordinated and predictable funding. Additionally, phasing implementation to align with available resources allows programmes to scale gradually while maintaining quality and impact.

**Accountability Gaps:** Accountability gaps can arise in WoG initiatives when responsibilities are shared but not clearly defined, leading to confusion over who is ultimately responsible for results.<sup>56</sup> However, lack of accountability is not only a matter of unclear roles and responsibilities; it more fundamentally reflects the absence of effective mechanisms to hold institutions accountable for delivering on their mandates. This can result in blame-shifting between agencies, weak M&E processes, and poor tracking of outcomes. To overcome this, it is essential to assign clear lead responsibilities to specific agencies, accompanied by measurable performance indicators. Embedding joint performance frameworks within national M&E systems can ensure consistent oversight across institutions. Beyond coordination mechanisms, governments can strengthen accountability through incentives and enforcement tools, including legal requirements, integrating performance expectations into budget guidelines, and adopting performance-based budgeting approaches, where assessments of past implementation inform future funding allocations. Additionally, using third-party evaluations can provide objective assessments of impact and help inform necessary policy or operational adjustments.

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<sup>55</sup> Peters, B. Guy, 2018. [The Challenge of Policy Coordination](#), Policy Design and Practice 1, no. 1.

<sup>56</sup> Ostrom, E., 2005. [Understanding institutional diversity](#). Princeton University Press.

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## 2. Enabling agri-food MSMEs through a WoG approach

Governments play a critical role in responding to 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 and strategic public action, particularly under a WoG approach, governments can align policies and investments across key sectors to deliver integrated solutions in areas such as finance, infrastructure, regulation, innovation, and skills development.

Such an integrated approach should be grounded in long-term planning and supported by targeted investment. Tailored financing solutions, including concessional loans, credit guarantees, and partnerships with microfinance institutions, can expand MSMEs' access to capital. Simultaneously, investment in rural roads, storage, market infrastructure, and digital connectivity is essential for reducing transaction costs and enhancing market reach. Capacity building, through training in entrepreneurship, food safety, sustainability, and digital tools, can elevate business performance and enable MSMEs to adopt new technologies.

Moreover, simplifying regulatory requirements, harmonising standards, and incentivising formalisation through tax benefits or access to public procurement can reduce compliance burdens and attract new entrants into the formal economy.<sup>57</sup> This may be further supported by streamlining and digitising registration procedures through one-stop shops or integrated digital platforms,<sup>58</sup> reducing or waiving fees for micro and rural enterprises, and adapting regulatory frameworks to the realities of seasonal, small-scale, and perishable agri-food activities. Measures to improve productivity and decent work, such as labour-saving technologies, management support, occupational health and safety, and social protection for workers, should also be integrated into MSME support programmes.

Equally important are cross-cutting initiatives that promote inclusion, innovation, and resilience. Governments can empower women, youth, and marginalised groups by designing inclusive business models and tailored support programmes. Promoting integration into formal markets and value chains, reducing dependency on intermediaries, and supporting cluster development can improve MSMEs' market access and competitiveness.

Promoting sustainable agriculture, investing in climate-smart tools, and enhancing access to risk mitigation instruments can build long-term resilience. Public-private partnerships can amplify these efforts by mobilising

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<sup>57</sup> Abhaya Sanatan Satpathy, Suresh Kumar Sahoo, Asit Mohanty, Pragyana P. Mohanty (2025). [Strategies for enhancements of MSME resilience and sustainability in the post-COVID-19 era](#), Social Sciences & Humanities Open, Volume 11.

<sup>58</sup> World Bank. [Subnational Doing Business Indicators \(Good Practices under Starting a Business\)](#).

innovation, investment, and outreach,<sup>59</sup> while robust data systems and feedback mechanisms ensure that policies remain adaptive and effective.

Targeted outreach and communication campaigns, delivered through local leaders, cooperatives, and producer organisations, may help raise awareness, build trust, and address misinformation about formalisation, particularly by highlighting benefits such as legal protection, access to finance, and eligibility for public programmes. Affordable legal and business advisory services may further support entrepreneurs as they navigate the transition to formality. These trust-building measures are especially important in contexts where informality is driven by fear of bureaucracy or low confidence in public institutions.<sup>60</sup>

Finally, strengthened monitoring, evaluation, and feedback mechanisms can support evidence-based policymaking, track performance, and ensure accountability<sup>61</sup> across agencies. These may be complemented by enforcement mechanisms to ensure a level playing field, reduce unfair competition stemming from widespread informality, improve transparency, and address corruption and rent-seeking within registration and compliance systems. Enhanced digital monitoring tools and interoperable data systems may support both oversight and trust in public institutions. (Table 1).

Ultimately, supporting the growth, formalisation, and transformation of agri-food MSMEs requires not just piecemeal reforms but a system-wide approach, anchored in coordination, collaboration, inclusivity, and long-term vision. A WoG strategy can play an important role in addressing the diverse challenges MSMEs face and in supporting their potential as drivers of sustainable development, food security, and rural prosperity (Table 1).

**Table 1: Key challenges and policy responses for agri-food MSMEs**

Challenges MSMEs in the agri-food sector face		Government interventions	Possible WoG intervention
<b>Limited access to finance</b>	<ul style="list-style-type: none"> <li>• Difficulty obtaining loans due to lack of collateral, credit history, or formal registration.</li> <li>• High interest rates and limited access to tailored financial products.</li> </ul>	<p><b>Financial inclusion:</b> Providing easy access to finance through subsidies, low-interest loans, and credit guarantees, particularly for small-scale agri-food enterprises, to enable them to upgrade infrastructure, invest in</p>	<p><b>Joint financial inclusion strategies</b> led by ministries of finance, agriculture, and trade, with coordinated input from central banks and credit bureaus to align MSME financial products and regulatory reforms. E.g., Kenya’s National Financial</p>

<sup>59</sup> World Economic Forum, 2024. [How public-private partnerships can ensure ethical, sustainable and inclusive AI development](#). World Economic Forum.

<sup>60</sup> Ohnsorge, F., and Shu Yu, eds., 2022. [The Long Shadow of Informality: Challenges and Policies](#). Washington, DC: World Bank.

<sup>61</sup> OECD, 2020. [Improving Governance with Policy Evaluation: Lessons From Country Experiences](#), OECD Public Governance Reviews, OECD Publishing, Paris.

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention
	<p>technology, and scale operations.</p> <p><b>Credit guarantee schemes:</b> Government-backed credit guarantee schemes to reduce the risk for financial institutions, encouraging them to lend to MSMEs in the agri-food sector.</p> <p><b>Public and private partnerships:</b> Collaboration between public banks, microfinance institutions, and private financial bodies to provide tailored financial products for MSMEs in agriculture and food processing.</p>	<p>Inclusion Strategy (NFIS) 2025–2028.</p>
<p><b>Weak infrastructure</b></p>	<ul style="list-style-type: none"> <li>Poor rural roads, limited cold storage, and unreliable energy affect the entire value chain, from production to market.</li> <li>Lack of digital infrastructure hinders e-commerce and access to online services.</li> </ul> <p><b>Physical infrastructure:</b> Building and improving rural infrastructure such as roads, storage facilities, cold chains, and market access points, which are crucial for the efficient operation of MSMEs in the agri-food sector.</p> <p><b>Digital infrastructure:</b> Promoting the adoption of digital tools and platforms that enable MSMEs to access e-commerce markets, financial services, and digital training, as well as facilitating access to information on market</p>	<p><b>Cross-ministerial rural infrastructure plans,</b> involving ministries of transport, ICT, energy, and agriculture to prioritise rural value chains jointly. Use of shared funding and implementation frameworks.</p>

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention
	trends and food safety standards.	
<b>Skills gaps and knowledge constraints</b>	<ul style="list-style-type: none"> <li>Lack of business, technical, and digital skills, especially among rural entrepreneurs.</li> <li>Inadequate access to training in value addition, quality control, or compliance with food safety standards.</li> </ul>	<p><b>Training programmes:</b> Developing skill enhancement programmes to improve the technical, managerial, and entrepreneurial capacities of MSME owners and employees, particularly in areas like food safety, quality assurance, supply chain management, and digital technologies.</p> <p><b>Extension services:</b> Strengthening agricultural extension services that assist MSMEs with the adoption of modern farming techniques, sustainable practices, and food processing innovations.</p>
<b>Market access and integration</b>	<ul style="list-style-type: none"> <li>MSMEs often struggle to connect with formal markets, supermarkets, or export chains.</li> <li>Dependence on middlemen reduces profit margins and negotiating power.</li> <li>Limited access to market information and trends.</li> </ul>	<p><b>Coordinated agri-food export and value chain development strategy</b> involving trade, agriculture, industry, and digital economy ministries to promote MSME integration in domestic and global markets. E.g., Costa Rica's PROCOMER Agrotransformación programme.</p>

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention	
	<p>gain access to shared services and knowledge.</p> <p><b>Supply chain integration:</b> Building strong linkages between MSMEs, farmers, processors, and retailers, ensuring that MSMEs are integrated into both upstream and downstream supply chains.</p>		
<p><b>Regulatory and bureaucratic hurdles</b></p>	<ul style="list-style-type: none"> <li>• Complicated, costly, and inconsistent regulations around food safety, registrations, certifications, and taxation.</li> <li>• Time-consuming procedures for licensing, export documentation, and formalisation.</li> </ul>	<p><b>Streamlining regulations:</b> Reducing bureaucratic hurdles by simplifying registration processes, reducing compliance costs, and harmonising food safety and environmental regulations. This includes providing MSMEs with a clear understanding of their regulatory obligations.</p> <p><b>Creating enabling legal frameworks:</b> Ensuring MSMEs are legally protected in terms of intellectual property rights, contract enforcement, and dispute resolution mechanisms.</p> <p><b>Government incentives:</b> Offering tax incentives, grants, or other support mechanisms to encourage the growth and formalisation of MSMEs in the agri-food sector.</p>	<p><b>Regulatory reform task forces</b> bringing together finance, justice, food safety authorities, and local governments to align MSME regulations, licensing, and compliance processes under a unified MSME framework.</p>

Challenges MSMEs in the agri-food sector face		Government interventions	Possible WoG intervention
<p><b>Low productivity and decent work deficits</b></p>	<ul style="list-style-type: none"> <li>• Low labour productivity due to limited mechanisation, poor management practices, and low skills levels.</li> <li>• Prevalence of informal, low-paid, and insecure jobs with limited social protection, especially for women and seasonal workers.</li> <li>• Limited compliance with occupational health and safety standards in farming and food processing.</li> </ul>	<p><b>Productivity enhancement:</b> Supporting investments in labour-saving technologies, improved inputs, and better management practices to raise productivity and profitability of agri-food MSMEs.</p> <p><b>Decent work promotion:</b> Promoting decent work conditions through minimum labour standards, occupational health and safety regulations, and access to social protection schemes for MSME workers.</p> <p><b>Skills and employment programmes:</b> Linking MSME support with active labour market policies, apprenticeships, and on-the-job training to improve workforce skills and job quality.</p>	<p><b>Integrated productivity and decent work strategy,</b> coordinated by ministries of labour, agriculture, industry, and social protection, aligning MSME upgrading programmes with employment policies, labour standards enforcement, and social insurance systems.</p>
<p><b>Low technology adoption</b></p>	<ul style="list-style-type: none"> <li>• Outdated farming and processing techniques reduce efficiency and competitiveness.</li> <li>• Limited access to modern inputs, tools, and agri-tech solutions like precision farming or digital logistics.</li> </ul>	<p><b>Research and development (R&amp;D):</b> Supporting the development and adoption of new technologies and innovations in farming, food processing, and packaging that can help MSMEs improve productivity and sustainability.</p> <p><b>Technology transfer:</b> Facilitating the transfer of appropriate and affordable</p>	<p><b>Joint innovation and agri-tech agenda,</b> coordinated by ministries of science and tech, agriculture, and higher education, with incentives for private sector R&amp;D collaborations.</p>

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention
	<p>technologies to MSMEs, particularly those related to sustainable practices, food safety, and energy efficiency.</p> <p><b>Innovation hubs:</b> Establishing innovation hubs or incubators to support MSMEs in developing new products, improving processes, and adopting digital technologies.</p>	
<p><b>Gender disparities and under-representation of marginalised groups</b></p>	<ul style="list-style-type: none"> <li>• Women-owned agri-food MSMEs often face barriers in accessing land, credit, training, and technology due to discriminatory laws, cultural norms, or lack of legal protection.</li> <li>• Even when women are active in food production and processing, they may not have ownership or decision-making power.</li> <li>• Youth and marginalised groups are often underrepresented in agri-food MSMEs, particularly in leadership or formal ownership roles in enterprises.</li> </ul> <p><b>Targeted support for women and youth:</b> Ensuring that MSMEs led by women, youth, and marginalised groups in the agri-food sector receive specific attention and support. This can include mentorship, financial incentives, and access to markets.</p> <p><b>Inclusive business models:</b> Promoting inclusive business practices that provide opportunities for underserved groups, improving their access to resources, skills, and markets.</p>	<p><b>Inclusive MSME growth policy,</b> co-developed by ministries of gender, youth, agriculture, and finance, to mainstream gender and inclusion targets across funding, training, and procurement programmes.</p>

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention
<p><b>Vulnerability to climate change and shocks</b></p>	<ul style="list-style-type: none"> <li>Exposure to droughts, floods, pests, and other climate-related risks.</li> <li>Inadequate risk management tools like crop insurance or early warning systems.</li> </ul> <p><b>Sustainable agricultural practices:</b> Encouraging MSMEs to adopt environmentally sustainable farming and food processing practices. This can include incentives for organic farming, water-efficient technologies, and waste reduction techniques.</p> <p><b>Climate resilience:</b> Supporting MSMEs in building climate resilience through access to climate-smart agriculture practices, insurance products, and disaster relief mechanisms.</p>	<p><b>National climate resilience framework for MSMEs,</b> coordinated by ministries of environment, agriculture, disaster management, and insurance regulators, integrating early warning systems, adaptation finance, and climate-smart extension services.</p>
<p><b>Lack of monitoring, evaluation, and feedback mechanisms</b></p>	<ul style="list-style-type: none"> <li>Monitoring, evaluation, and feedback mechanisms are inadequate in many countries, or they are not designed with MSMEs in mind, especially those in rural areas with limited connectivity or literacy.</li> <li>Without proper records, it becomes difficult to measure productivity, traceability, or profitability, limiting opportunities for improvement or support.</li> </ul> <p><b>Performance monitoring:</b> Establishing a system for monitoring the progress of MSME development programmes, measuring their impact on the sector, and ensuring that objectives are being met.</p> <p><b>Feedback loops:</b> Creating mechanisms for MSMEs to provide feedback on policies and support programmes, ensuring that government initiatives remain responsive to the evolving needs of the sector.</p> <p><b>Data-driven decision making:</b> Using data and analytics to guide policy decisions and improve the</p>	<p><b>Inter-agency MSME data and evaluation platform,</b> linking agriculture, trade, statistics agencies, and planning ministries to ensure standardised indicators, real-time data, and participatory feedback loops.</p>

Challenges MSMEs in the agri-food sector face	Government interventions	Possible WoG intervention
<p><b>Burdensome registration and regulatory processes</b></p>	<p>targeting and effectiveness of government interventions in the agri-food MSME sector.</p> <p><b>Streamline business registration:</b> Create one-stop shops, online portals, or mobile apps that reduce paperwork, time, and travel.</p> <p><b>Lower registration costs:</b> Eliminate or subsidise fees for small and micro enterprises, especially in rural areas.</p> <p><b>Tailor regulations:</b> Adapt rules to the realities of agri-food MSMEs, considering seasonal work, perishable goods, and small-scale operations.</p>	<p><b>Coordinate between ministries of trade, agriculture, ICT, and local government</b> to develop unified digital platforms, harmonise regulations, and co-deliver services through shared physical and digital infrastructure.</p>
<p><b>Limited awareness of formalisation benefits</b></p>	<p><b>Access to finance and subsidies:</b> Link formal status with eligibility for grants, low-interest loans, or input subsidies.</p> <p><b>Tax benefits:</b> Introduce tax holidays or reduced tax rates for newly formalised MSMEs.</p> <p><b>Market access:</b> Prioritise formal MSMEs in public procurement, school feeding programmes, or institutional food purchasing schemes.</p>	<p><b>Establish inter-ministerial incentive schemes</b> combining finance (Ministry of Finance), agriculture (MoA), and procurement (Education, Health, Local Government), with joint eligibility criteria and outreach through shared databases.</p>

Challenges MSMEs in the agri-food sector face		Government interventions	Possible WoG intervention
<b>Low trust in public institutions</b>	<ul style="list-style-type: none"> <li>• Lack of knowledge of formalisation benefits.</li> <li>• Fear of bureaucracy.</li> </ul>	<p><b>Run public campaigns:</b> Educate entrepreneurs on the benefits of formalisation, such as legal protection, access to credit, and support services.</p> <p><b>Engage local leaders and cooperatives:</b> Work with trusted intermediaries to spread messages and build trust in formal institutions.</p> <p><b>Provide tailored business advice:</b> Offer free or low-cost legal and business advisory services to guide MSMEs through formalisation.</p>	<p><b>Develop a coordinated communications strategy</b> led by Ministries of Information and Trade, with implementation through local governments, extension services, and partnerships with cooperatives and NGOs.</p>
<b>Rigid or exclusionary legal frameworks</b>	<ul style="list-style-type: none"> <li>• Regulatory burden.</li> <li>• Rigid tax and labour laws.</li> <li>• Exclusion of informal groups and family enterprises.</li> </ul>	<p><b>Design progressive formalisation pathways:</b> Allow microenterprises to gradually meet regulatory requirements through tiered systems.</p> <p><b>Recognise diverse business models:</b> Acknowledge informal groups, cooperatives, and family-run enterprises within legal frameworks.</p> <p><b>Reform labour and tax laws:</b> Ensure that these regulations are not overly rigid or punitive for small enterprises transitioning into formality.</p>	<p><b>Coordinate legal reform</b> across Ministries of Justice, Labour, Finance, and Agriculture to draft inclusive MSME legislation, with input from MSME associations, cooperatives, and civil society platforms.</p>

Challenges MSMEs in the agri-food sector face		Government interventions	Possible WoG intervention
<b>Unfair competition and weak enforcement</b>	<ul style="list-style-type: none"> <li>• Widespread informality creates unfair competition,</li> <li>• Corruption</li> <li>• Lack of reliable data,</li> </ul>	<p><b>Address unfair competition:</b> Ensure formal enterprises are not disadvantaged by widespread informality.</p> <p><b>Improve monitoring:</b> Use data and digital tools to map informal enterprises and track progress toward formalisation goals.</p> <p><b>Combat corruption:</b> Make interactions with government officials transparent and accountable to reduce informal “fees” or gatekeeping.</p>	<p><b>Establish joint enforcement and monitoring units,</b> drawing on finance, trade and anti-corruption agencies, that use interoperable data systems and coordinated inspection protocols at national and local levels.</p>

The challenges and responses outlined in the table above reflect a broader shift in agri-MSME governance toward more coordinated, WoG approaches. The table shows how key constraints are linked to policy responses that require joint action across ministries and agencies. It illustrates the need to move beyond siloed interventions toward integrated, multi-agency strategies that improve coherence, efficiency, and impact.

Research shows that governments are increasingly deploying a mix of policies, programmes, regulatory mechanisms, and partners to support agri-enterprises,<sup>62</sup> a trend that reflects recognition of the limitations of siloed interventions and the importance of more coherent, coordinated approaches to address complex constraints faced by agri-MSMEs. This perspective is reinforced by feedback from the stakeholders consulted in this research.

There are several commendable examples where more coordinated action is emerging. In India, for example, the Ministry of Food Processing Industries (MoFPI) launched the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) scheme in June 2020 under the Atmanirbhar Bharat Abhiyan ('self-reliant India' initiative). The PMFME scheme represents a nationwide effort to formalise and upgrade micro food

<sup>62</sup> Barbosa, M. W. (2024). [Government support mechanisms for sustainable agriculture: A systematic literature review and future research agenda](#). Sustainability, 16(5), Article 2185.

enterprises through integrated support across finance, training, and market linkages (Box 2.). In Chile, long-standing public-private coordination has enabled an integrated support ecosystem for the wine sector, combining innovation, export promotion, and territorial development (Box 3). In Ghana, a more targeted but strategic approach is being used to develop the mango value chain, aligning smallholder production with processing investment and export markets (Box 4.).

These agri-MSME initiatives demonstrate the willingness of governments to adopt elements of a WoG approach, such as inter-ministerial coordination, stakeholder engagement, shared capacity building, and integrated financing, in response to complex development challenges. In Ghana and India in particular, these programmes are anchored in longer-term, sustained WoG strategies. In Ghana, the government established a dedicated agency for MSME development under a targeted MSME law, the Ghana Enterprises Agency (GEA) Act, 2020 (Act 1043), which defines the role of the GEA and the functions of government partners in supporting Ghanaian MSMEs. In India, MSME development has been elevated to a government priority through the creation of the Ministry of Micro, Small and Medium Enterprises (MSME), with the Micro, Small and Medium Enterprises Development (MSMED) Act of 2006 providing the overarching legal framework.

## Box 2: India's "Pradhan Mantri Formalisation of Micro Food Processing Enterprise Scheme" (PMFME)

India's Ministry of Food Processing Industries (MoFPI) launched the Pradhan Mantri Formalisation of Micro Food Processing Enterprises (PMFME) scheme in June 2020 under the Atmanirbhar Bharat Abhiyan ('self-reliant India' initiative). The programme was set up to address the challenges faced by India's vast unorganised food processing sector. With more than 2.5 million micro food processing units employing nearly three-fourths of the workforce in the sector, most operating informally with outdated technology, limited access to credit, weak market linkages, and high post-harvest losses, there was a pressing need for formalisation and modernisation. The scheme was introduced to improve competitiveness, reduce inefficiencies, enhance value addition, and create rural employment, while also supporting the government's broader goals of doubling farmers' income and promoting "Vocal for Local" self-reliance. With a total allocation of ₹10,000 crore (approximately US\$1.3 billion) over the 2020–2025 period, the scheme aims to formalise 200,000 micro units and strengthen their integration into organised markets. Special emphasis is placed on supporting Farmer-Producer Organisations (FPOs), Self-Help Groups (SHG), and Producer Cooperatives across the agri-food value chain.<sup>63</sup>

Key interventions include a 35% credit-linked capital subsidy (up to ₹10 lakh per unit) for individual entrepreneurs, seed capital of ₹40,000 per SHG member for working capital and small tools, a 35% credit-linked grant for capital investment for FPOs, SHGs, and cooperatives, and support for marketing, branding, and common infrastructure. The scheme also provides capacity-building and training programmes to upgrade skills and enhance enterprise performance, particularly in rural and semi-

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<sup>63</sup> Ministry of Food Processing and Industries of India, 2025. [Pradhan Mantri Formalisation of Micro Food Processing Enterprises Scheme](#).

urban areas, aiming to boost farmer incomes, encourage sustainable practices, and foster scalable food processing enterprises.<sup>64</sup>

### Impact on Indian micro food processors

As of December 2024, over 108,000 micro food processing enterprises have been approved for assistance under the PMFME Scheme. The scheme has facilitated the formalisation of numerous micro enterprises, providing them with access to credit, technology, and market linkages. Additionally, the One District One Product (ODOP) approach has been implemented, promoting local specialities and enhancing product branding and marketing.<sup>65</sup>

Through its integrated and collaborative framework, the PMFME Scheme has contributed to the growth and formalisation of micro food processing enterprises in India, thereby fostering economic development, employment generation in the sector, and more stable incomes for participating SHGs. However, formalisation remains slow, with many micro enterprises still operating outside the organised system due to low awareness, delayed credit, and weak market linkages.<sup>66</sup>

### Extent of WoG integration

The PMFME Scheme represents several elements of a WoG approach aimed at transforming the micro food processing sector. Although MoFPI is the leading ministry, the programme is designed to work in close coordination with multiple government bodies at both the national and state levels. Banks and cooperative credit structures are involved in extending subsidised credit to beneficiaries, skill development and training institutions support capacity building and entrepreneurship development, while other ministries and departments (such as Agriculture, Rural Development, MSME, and Skill Development) intersect with PMFME objectives, particularly in cluster-based development, farmer linkages, and rural employment. At the national level, an Inter-Ministerial Empowered Committee (IMEC), chaired by the Minister for Food Processing Industries, oversees the scheme,<sup>67</sup> while State Level Committees, chaired by Chief Secretaries, manage implementation at the regional level. Regular review meetings with states, banks and State Level Bankers' Committees, together with a dedicated Management Information System (MIS), are used to monitor applications, fund utilisation and implementation progress,<sup>68</sup> strengthening transparency and institutional accountability.

Furthermore, the scheme fosters convergence with other government initiatives to provide comprehensive support to food processing entrepreneurs. A convergence portal has been launched between the PMFME Scheme, the Agriculture Infrastructure Fund (AIF), and the Pradhan Mantri Kisan

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<sup>64</sup> India Brand Equity Foundation, 2025. [Pradhan Mantri Formalisation of Micro food Processing Enterprises \(PMFME\) Scheme](#).

<sup>65</sup> Article from the Food Tech News India, 2025. [Over 100,000 Micro Food Processing Enterprises Benefit from the PMFME Scheme](#).

<sup>66</sup> Impact and Policy Research Institute, 2025. [Pradhan Mantri Formalisation of Micro Food Processing Enterprises \(PMFME\) Scheme – 2020](#).

<sup>67</sup> Ministry of Food Processing Industries of India, 2024. [PMFME Scheme Implementation](#).

<sup>68</sup> Knowledge and News Network India, 2026. [PMFME Scheme Expands Credit, Market Access Support For Micro Food Enterprises](#).

Sampada Yojana (PMKSY). This portal facilitates the integration of benefits from these schemes, allowing eligible beneficiaries to avail themselves of additional support, such as interest subvention, thereby enhancing the overall impact on micro-food-processing units.<sup>69</sup>

### Box 3: Government support for Chile's small-scale wine producers

Chile's wine industry is predominantly composed of small and medium-sized producers who operate across the country's diverse regions. The sector has experienced significant growth and development through targeted government initiatives that adopt elements of a WoG approach. These efforts have not only enhanced the competitiveness of these wineries but also promoted sustainable and inclusive development. Since the 1990s, Chile's wine industry has benefited from a comprehensive set of industrial policy measures, with a strong focus on trade facilitation, incentives for workforce training, support for research and development, and international marketing.

A major factor behind the effectiveness of these policies has been the high degree of industry collaboration, with stakeholders across the sector closely aligned and actively working together on shared priorities.<sup>70</sup> Besides the Ministry of Economy, Development and Tourism, key stakeholders include government institutions such as CORFO (Chile's Economic Development and Production Corporation), the National Agriculture and Livestock Agency (SAG), the Foundation for Agrarian Innovation (FIA), and ProChile, the country's export promotion agency. In addition, the industry association Wines of Chile and local research universities have played crucial roles in implementing and supporting these initiatives. Historical examples include meetings and alliance initiatives between ProChile and Wines of Chile, where public export officials and private industry leaders jointly strategise on internationalisation, showing how institutional coordination is operationalised through dialogue and shared planning.<sup>71</sup> Together, these coordinated efforts have significantly contributed to the industry's growth, improving both production and export efficiency.<sup>72</sup>

Since taking office in March 2022, Chile's administration has prioritised rural development, small-scale family farming, climate and water emergencies, sustainability, food security and sovereignty, and international cooperation. To advance these goals, the government, through the National Agricultural Development Institute (INDAP), has implemented various programmes to support small-scale wine producers.<sup>73</sup> These initiatives include subsidies for inputs such as seeds and fertilisers, technical

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<sup>69</sup> Ministry of Food Processing Industries of India. [Pradhan Mantri Formalisation of Micro food processing Enterprises scheme \(PMFME\)](#).

<sup>70</sup> Fernandez-Stark, K. and Bamber, P., 2015. „Wine Industry in Chile. In [Services in Global Value Chains: Manufacturing-Related Services](#), APEC Policy Support Unit.

<sup>71</sup> Pro Chile, Ministerio de Relaciones Exteriores, 2014. [ProChile y Wines of Chile se reúnen para fortalecer alianzas en pos de la internacionalización del sector vitivinícola](#).

<sup>72</sup> Centre for Latin American Research and Documentation, 2008. [The Global Wine Industry. How Small Chilean Wineries Should Compete](#).

<sup>73</sup> In November 2024, Chile announced a new Strategic Development Plan for MSMEs, emphasising the importance of accelerating growth and formalisation within the MSME sector. The plan aims to enhance the role of MSMEs and

assistance, and support for infrastructure development like irrigation systems and storage facilities. In 2022, INDAP allocated substantial funds to these programmes, demonstrating a strong commitment to enhancing the capabilities of smallholders.<sup>74</sup>

Additionally, the Productive Alliance Programme (PAP) fosters partnerships between smallholders and larger companies, providing training and facilitating market access. This programme has been instrumental in integrating small-scale wine producers into broader supply chains, enhancing their productivity and income stability.

### Impact on Chile's small-scale wine producers

These coordinated government interventions have resulted in several notable benefits for small-scale wine producers in Chile.

- First, they have led to **improved productivity** and wine quality. With access to technical assistance and modern agricultural practices, smallholders have enhanced their cultivation methods, enabling them to produce higher-quality wines that are better suited to both domestic and international markets.<sup>75</sup>
- Second, **market access and income stability** have improved. Programs such as the Agricultural Partnerships Program (*Programa de Alianzas Productivas*, or PAP) have helped producers forge direct commercial relationships with larger wine companies. This has reduced their dependence on intermediaries and provided more predictable income streams.<sup>76</sup>
- Third, the promotion of **sustainable practices** has been a key achievement. Government incentives have supported the transition to environmentally friendly farming techniques, which not only preserve natural resources but also help producers meet international sustainability standards required by export markets.<sup>77</sup>
- Fourth, **social inclusion** has been strengthened. Targeted initiatives, such as the partnership between VSPT Wine Group and indigenous Mapuche families in the Malleco province, have empowered marginalised groups. These programmes provide training, resources, and access to commercial networks, thereby promoting both economic independence and social equity.<sup>78</sup>

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cooperatives in Chile's economy, focusing on improving productivity, expanding market access, and fostering innovation. A key component of the strategy is the promotion of digital transformation and the integration of MSMEs into the green economy. The new Strategy is the result of a joint effort, developed collaboratively between the Ministry of Economy and the Advisory Council for Smaller Enterprises (Consejo Consultivo de Empresas de Menor Tamaño). This council brings together representatives from a wide range of sectoral organisations and business associations that represent MSME (MiPymes) and cooperatives in the country. [Source: Ministerio de Economía, Fomento, y Turismo, 2024. Ministro de Economía lanza Plan de Desarrollo Estratégico para MiPymes de Chile.](#)

<sup>74</sup> OECD, 2023. [Agricultural Policy Monitoring and Evaluation 2023. Adapting Agriculture to Climate Change.](#)

<sup>75</sup> Fernandez-Stark, K. and Bamber, P., 2015. „[Wine Industry in Chile.](#) In [Services in Global Value Chains: Manufacturing-Related Services](#), APEC Policy Support Unit.

<sup>76</sup> Frontiers in Sustainable Food Systems, 2022. [Public policies, sustainability, and smallholder producers' access to the market. The Productive Alliance Programme in Chile: A case study.](#)

<sup>77</sup> Fernandez-Stark, K. and Bamber, P., 2015. „[Wine Industry in Chile.](#) In [Services in Global Value Chains: Manufacturing-Related Services](#), APEC Policy Support Unit.

<sup>78</sup> Article in The Drink Business, 2024. [VSPT supports Mapuche families to become independent growers.](#)

## Extent of WoG integration

Chile's support for small-scale wine producers demonstrates several strong WoG elements. There is clear multi-agency involvement, with SAG regulating and certifying, ProChile promoting exports, CORFO funding innovation and wine tourism, and research/extension agencies such as FIA providing technical support. This ensures that small producers receive backing not just in one area, but across regulation, marketing, capacity building, and innovation. The presence of public-private partnerships, particularly through associations like Wines of Chile or the movement of Independent Winemakers (MOVI), also reflects an inclusive governance model, where government and industry jointly shape policy and promotion. Another WoG feature is the policy coherence between agriculture and trade, where support for niche grape varieties or sustainability standards is matched with export promotion efforts, aligning different parts of government toward a common economic development goal. At the same time, some WoG elements are less developed or absent. There is no evidence of a single central coordinating authority that brings together all relevant ministries under a unified, small-producer-focused strategy. Instead, support appears fragmented across agencies. Furthermore, the breadth of ministry involvement is limited: while agriculture, trade, and innovation bodies are active, there is less clarity on whether finance, infrastructure, taxation, or rural development ministries are fully aligned to support small producers' specific needs.

## Box 4: Public support for Ghana's mango value chain

Ghana has achieved notable economic growth over the past decade. However, its economy has traditionally relied on a limited set of commodity exports, primarily gold, cocoa, minerals, and, more recently, oil. To reduce this dependency and broaden its export base, the government has shifted focus toward promoting non-traditional agricultural exports through strategic policy interventions. These efforts include strengthening partnerships among value chain actors and support institutions.

Among the targeted value chains, mango has received particular attention due to rising global demand and Ghana's unique advantages, such as two annual harvest seasons and a dynamic processing sector. As a result, Ghana's mango industry has experienced significant growth, bolstered by a coordinated approach that has enhanced the competitiveness of MSMEs in the agri-food sector and boosted the country's export revenues.

More specifically, the Ghanaian government has implemented several initiatives to support the mango industry:

- The Ghana Export Promotion Authority (GEPA) has conducted needs assessments for over 1,000 MSMEs across 112 districts. These assessments aim to enhance **technical and human resource capacities**, enabling these enterprises to become exporters in the short to medium term. Collaborations with agencies like the Ghana Standards Authority, Food and Drugs Authority, and the Ghana Enterprises Agency have been instrumental in promoting compliance with international

standards and improving competitiveness. Additionally, the SME Banking Forum facilitates tailored financial packages to help MSMEs expand their reach and build resilience.<sup>79</sup>

- In partnership with the German Development Cooperation (GIZ), the Ministry of Food and Agriculture (MoFA), and the Tamale Technical University, training programmes have been established to **equip youth with skills** in mango value chain production.<sup>80</sup> These programmes focus on practical skills such as pruning and spraying techniques, aiming to enhance agricultural knowledge and encourage youth participation in the sector.
- The "**One District, One Factory**" (1D1F) initiative has led to the establishment of processing facilities like Ekumfi Fruits & Juices Limited, specialising in mango juice production. This factory has created approximately 5,000 direct jobs, contributing to local economic development and providing a platform for value-added mango products.<sup>81</sup>

### Impact on Ghana's mango industry and export revenues

Ghana's integrated approach to supporting the mango industry has strengthened the capacity of MSMEs, facilitated job creation, and enhanced the country's position in the global mango export market. In the one year from 2020-2021 alone, Ghana's mango exports increased by 28%, reaching a value of \$64.6 million.<sup>82</sup>

### Extent of WoG integration

Ghana's support to MSMEs in the mango sector demonstrates several elements of a WoG approach, with multiple agencies involved in regulation, input supply, pricing, financing, and export promotion. Key actors include MoFA, the Tree Crops Development Authority, local governments, and the Ghana Enterprises Agency (GEA), which provides MSMEs with financial access, capacity building, formalisation support, and market linkages. These efforts are complemented by international programmes that enhance quality standards and market access. However, the approach remains fragmented: there is no evidence of a single central coordinating body to align all ministries under a unified mango development strategy, infrastructure and climate-adaptation policies are not fully integrated, and support often favours larger producers who can meet export standards, leaving smaller farmers with gaps in access and post-harvest infrastructure. Thus, while GEA and other agencies provide important support, Ghana's current efforts reflect only a partially realised WoG model.

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<sup>79</sup> Article from the Ghana News Agency, 2024. Over 1k SMEs Assessed For Technical Support To Export In Short And Medium Terms.

<sup>80</sup> Article from B&FT Online, 2021. 50 youth undergo training in mango value chain production at Tamale.

<sup>81</sup> Article from the Ghana Report, 2019. [1D1F: Ekumfi juice factory to process 300m packs of juice yearly.](#)

<sup>82</sup> Article in the Ghanaian Times, 2022. [Ghana's mango export grows 28% to hit \\$64.6m in 2021.](#)

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# 3. Kenya: MSME development in the agri-food sector

## 3.1 Overview of the MSME landscape in Kenya's agri-food sector

Kenya has emerged as one of the fastest growing economies in Africa and is now classified as a lower-middle income country by the World Bank. The country is home to over 7.4 million MSMEs, employing more than 14.4 million people across various sectors.<sup>83</sup> According to a national survey on MSME activities conducted by the Kenya National Bureau of Statistics (KNBS) in 2016, these enterprises contributed approximately 33.8% to the national GDP. More recent reports estimate that MSMEs' contribution to the national GDP since increased to almost 40%. Of the total, 1.56 million were formal businesses while 5.84 million operated informally.<sup>84</sup> Specific data on the agri-food sector were not available.

Kenya defines MSMEs using five key parameters: the number of employees, annual turnover, financial investment, asset base, and capital employed. Of these, three criteria - number of employees, annual turnover, and capital employed - are explicitly outlined in the Micro and Small Enterprises (MSE) Act of 2012, providing a legal basis for classification. The remaining two criteria - capital investment and asset base - are left to the discretion of the Cabinet Secretary responsible for industrialisation, allowing for some flexibility in interpretation and application (Table 2). It is important to note, however, that until this year, Kenya did not have an official classification for medium-sized enterprises, creating a gap in the policy framework that hindered targeted support and oversight for this important segment of the MSME ecosystem. The Micro and Small Enterprises (Amendment) Act, 2025 includes medium-sized enterprises in the regulatory framework for the first time.<sup>85</sup>

The size distribution of MSMEs is heavily skewed toward micro-enterprises. According to the KNBS data, 92.2% of licensed businesses are micro-sized, employing between 1 and 9 people, while all unlicensed businesses fall into this category as well.<sup>86</sup> In contrast, small and medium enterprises represent just 7.1% and 0.7% respectively, illustrating the challenge of the 'missing middle.' This indicates that many enterprises encounter significant barriers that hinder their growth and transition into medium-sized businesses.

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<sup>83</sup> Kenya National Bureau of Statistics (KNBS), 2016. [2016 Micro Small And Medium Enterprises Survey Highlights Of Basic Report - Micro Small and Medium Enterprises Survey.](#)

<sup>84</sup> [Strategic Plan \(2023-2027\)](#) for the State Department for Micro, Small and Medium Enterprises (MSMEs) Development.

<sup>85</sup> [Kenya Micro and Small Enterprises \(Amendment\) Bill, 2025.](#)

<sup>86</sup> [Draft MSME Policy 2025.](#)

**Table 2: Criteria used for MSME classification in Kenya**

MSME type	No. employees	Annual turnover	Financial investment	Asset base	Capital employed	
					Agriculture and services	Manufacturing
Micro	0-9	<1m KSh	To be determined by CS	To be determined by CS	<5m	<10m
Small	10-50	1m <5m KSh			5m <20m	10m <50m
Medium	51-100	5m < 25m KSh			20m <50m	50m <100m

Source: Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSMEs) Development. The table was updated by the author based on the new definitions stipulated in the Micro and Small Enterprises (Amendment) Act, 2025. Values in Kenyan Shilling (KSh).

Despite the high level of informality, the sector remains a major source of employment, creating an estimated 800,000 jobs each year.<sup>87</sup> MSMEs play a crucial role in absorbing segments of the labour force that are often economically marginalised, including youth, women, persons with disabilities, and those with limited education. These enterprises span all sectors of the economy, with a high concentration in wholesale and retail trade, food services, and manufacturing.

In the agri-food sector, most MSMEs operate in informal or semi-formal settings. These include smallholder farmers, agro-processors, traders, transporters, and retailers who collectively form a complex and dynamic value chain. The majority of agricultural produce in Kenya, ranging from maize and vegetables to dairy, meat, or tea, passes through MSMEs' hands at multiple stages before reaching consumers. Their contributions are especially vital in rural areas, where agriculture is the primary livelihood source.

As in many parts of the world, MSMEs in Kenya's agri-food sector face persistent challenges such as limited access to credit, inadequate infrastructure, regulatory bottlenecks, and vulnerability to climate change. Financing remains a major constraint, as many MSMEs lack the collateral or financial history required by formal lenders. Furthermore, poor roads, cold storage facilities, and unreliable electricity hinder efficiency, especially in perishable value chains like fruits, vegetables, and dairy. The policy and regulatory environment, while evolving, often presents complex and costly compliance requirements that small businesses struggle to meet.

On the other hand, opportunities for growth have been emerging. Increasing urbanisation and demand for processed and packaged foods have opened new markets for agri-food MSMEs. Innovations in digital finance, mobile-based agricultural services, and e-commerce platforms are also helping these businesses improve productivity and market access. Programs led by the government and development partners, such as value chain development initiatives, agri-tech incubators, and access-to-market schemes, are gradually strengthening the ecosystem.

<sup>87</sup> [Strategic Plan \(2023-2027\)](#) for the State Department for Micro, Small and Medium Enterprises (MSMEs) Development.

## 3.2 Opportunities for agri-MSME development in Kenya

There are several promising opportunities for the development of MSMEs in Kenya, particularly within the agri-food sector, driven by structural reforms, market potential, and policy support. Key opportunities include:

**Growing Domestic and Regional Demand:** Kenya's expanding population and increasing urbanisation are fueling higher demand for processed and value-added food products. The African Continental Free Trade Area (AfCFTA) also opens regional export opportunities for agri-food MSMEs.<sup>88</sup> The government promotes initiatives such as the "Buy Kenyan, Build Kenya" campaign to encourage local consumption. Investment in trade infrastructure, including roads, storage facilities, and efficient border systems, would enhance market access, especially under the AfCFTA. Simplifying cross-border trade procedures and supporting MSMEs' participation in regional trade fairs can also expand their market reach.

**Agri-Value Chain Integration:** MSMEs benefit from increasing government and donor investment in agricultural value chains, including horticulture, dairy, cereals, poultry, and fisheries. MSMEs can engage in input supply, aggregation, processing, packaging, logistics, and distribution.<sup>89</sup> The government can play a catalytic role by mapping and developing high-potential value chains, supporting logistics and cold chain systems, and offering matching grants or concessional loans to MSMEs investing in value addition. Encouraging private sector investments in rural processing hubs and industrial parks further strengthens value chain development.

**Digital and Mobile Technologies:** The rise of mobile platforms for e-commerce, digital payments, market information, and extension services (e.g., DigiFarm, M-Farm)<sup>90</sup> offers MSMEs tools to reach markets, reduce costs, and improve efficiency. Government support for the development and subsidization of digital platforms that provide market information, e-extension services, and financial solutions can boost digital inclusion. Investing in rural internet infrastructure and digital literacy programmes, while partnering with telecom and fintech firms, would scale up effective tech-driven solutions.

**Access to Finance Innovations:** Financing instruments, such as the Hustler Fund, Kenya's Warehouse Receipt System, and agri-MSME-targeted credit schemes by development finance institutions, are improving access to working capital and equipment financing. The government can expand credit guarantee schemes, such as the **Credit Guarantee Scheme (CGS)**, to de-risk lending to agri-food MSMEs and tailor public funds like the Hustler Fund or Uwezo Fund to suit sector-specific financing needs going into the agri-food sector. Moreover, promoting alternative financing models such as Savings and Credit Cooperative Organisations (SACCOs), leasing, blended finance, and crowdfunding would broaden access to capital.

**Government Procurement and Local Content:** Public procurement policies that reserve a portion of tenders for MSMEs (including youth- and women-led businesses)<sup>91</sup> provide stable demand and entry into

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<sup>88</sup> [World Bank Country Report for Kenya](#), 2025. World Bank.

<sup>89</sup> Ministry of Agriculture and Livestock Development (MoALD), 2024. [National Agricultural Value Chain Development Project \(NAVCDP\)](#).

<sup>90</sup> Kenya Livestock Producers Association. [DigiFarm: A digital platform for farmers](#).

<sup>91</sup> United States International Trade Administration, 2024. [Kenya Country Commercial Guide](#).

formal markets for agri-food entrepreneurs. Simplifying procurement registration and offering training on bidding and compliance would make public contracts more accessible. Framework contracts for local food sourcing in public institutions like schools and hospitals could also be introduced to sustain demand for MSME products.

**Supportive Institutional Framework:** The creation of the Ministry of Co-operatives and MSME Development and institutions like MSEA seek to align and coordinate support programmes, reduce duplication, and tailor interventions to sector-specific needs. Further empowering the Ministry to lead a coherent national strategy, alongside strengthening MSEA with adequate resources, would improve programme delivery and oversight. The integration of MSME data across ministries can further enable evidence-based planning and monitoring.

**Green and Climate-Resilient Agriculture:** Agri-MSMEs that invest in sustainable farming practices, climate-smart technologies, or renewable energy solutions (e.g., solar dryers, irrigation) can access climate financing<sup>92</sup> and meet growing demand for eco-friendly products. The government can encourage adoption of climate-smart practices through tax incentives, facilitate access to climate finance and carbon markets, and provide training in sustainable agricultural technologies.

**Skills Development and Innovation Hubs:** Partnerships with Technical and Vocational Education and Training institutions, incubation centres, and institutions like the Kenya Institute of Business Training (KIBT) are helping MSMEs access business skills, mentoring, and innovation support. Investing in these institutions and innovation hubs with a focus on agri-food entrepreneurship would enhance MSME capacity. Collaborations with universities and the private sector to deliver mentorship, R&D, and incubation services, along with the creation of regional enterprise centres bundling business services, would ensure holistic support for MSMEs across the country.

### 3.3 Government policies, agencies, and initiatives supporting MSMEs in the agri-food sector

In recognition of MSMEs' importance and contribution to the national economy, the Government of Kenya, in collaboration with key stakeholders, developed a robust legal and policy framework and implemented programmes to support the development of MSMEs. Key instruments include:

- **The Micro and Small Enterprises (MSE) Act of 2012** serves as the foundational policy for guiding the growth and regulation of the MSME sector in Kenya. It provides a framework for creating an enabling environment through improved access to finance, markets, skills development, and technology, while also promoting the formalisation of informal businesses.<sup>93</sup> The Act led to the establishment of the Micro and Small Enterprises Authority (MSEA), tasked with coordinating national MSE programmes and policy implementation. It also sought to simplify business licensing and registration processes to support formal sector growth. However, while the Act laid important groundwork, it was limited in scope, focusing only on micro and small enterprises and overlooking critical emerging issues such as digital transformation, globalisation, the African Continental Free Trade Area (AfCFTA), gender equity, and social inclusion. As a result, more recent policy efforts have aimed to bridge these gaps and strengthen the MSME support

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<sup>92</sup> Kenya National Treasury, 2016. [National Policy on Climate Finance](#).

<sup>93</sup> [Micro and Small Enterprises Act, 2012](#).

ecosystem. The **Micro and Small Enterprises (Amendment) Act, 2025** addresses critical gaps by expanding its scope to include medium-sized enterprises, acknowledging that they face unique challenges but also hold significant potential for value creation, job generation, and economic growth. The Bill mandates the establishment of a dedicated fund to provide affordable loans to MSMEs, facilitating easier access to credit and supporting business expansion. Efforts to encourage the formalisation of informal businesses are also strengthened, including simplified registration processes and incentives for compliance with regulatory standards. The amendment further emphasises the need for capacity building through training programmes and the integration of technology to improve business operations and competitiveness. Lastly, the Bill advocates for the creation of a conducive regulatory environment at both national and county levels, ensuring that policies are aligned with the needs of MSMEs and promote sustainable growth.<sup>94</sup>

- **The Sessional Paper No. 05 of 2020 on Kenya Micro and Small Enterprises Policy for Promoting Micro and Small Enterprises (MSEs) for Wealth and Employment Creation** provides a comprehensive framework with ten key objectives aimed at advancing MSME development. These include promoting an entrepreneurial mindset, improving access to local and international markets, expanding the availability of diverse financial products, and enhancing infrastructure to support business growth. It also emphasises the formalisation of informal enterprises, reducing vulnerability to external shocks, and fostering a supportive regulatory environment at both national and county levels.<sup>95</sup>
- **The Draft MSME Policy 2025**,<sup>96</sup> currently under review, is an update of the initial Policy from 2020 and aims to create a more enabling environment for the growth and development of MSMEs by addressing long-standing structural barriers. A key focus of the Policy is to enhance access to affordable finance through mechanisms such as grants and credit guarantees, particularly via the Credit Guarantee Scheme (CGS) that seeks to unlock private sector lending. The policy also emphasises reducing regulatory burdens, streamlining business registration, and harmonising requirements across counties to facilitate formalisation. In addition, it supports infrastructure upgrades, promotes market access by helping MSMEs meet international standards, and strengthens export competitiveness. Recognising the importance of inclusivity, the policy specifically targets youth- and women-owned enterprises with tailored interventions and aims to boost financial literacy and business management capacity. It also prioritises resilience-building in response to vulnerabilities exposed by the COVID-19 pandemic and climate change. The policy development process has included broad stakeholder engagement through public participation forums and validation workshops, to ensure it reflects the real needs and aspirations of MSMEs across the country. The new Policy has been commented by interviewed stakeholders as a significant step forward in fostering innovation, competitiveness, and sustainable growth within the sector.
- **The Strategic Plan (2023-2027) for the State Department for Micro, Small and Medium Enterprises (MSMEs) Development**<sup>97</sup> serves as another pivotal framework for fostering MSME growth. Aligned with the Bottom-Up Economic Transformation Agenda (BETA) and Kenya Vision 2030, the plan emphasises the MSME sector's critical role in job creation, poverty alleviation, and economic diversification. The strategic objectives focus on enhancing access to finance, promoting formalisation, improving business

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<sup>94</sup> [Micro and Small Enterprises \(Amendment\) Act, 2025](#).

<sup>95</sup> [Kenya Micro and Small Enterprises Policy, 2020](#).

<sup>96</sup> [Draft MSME Policy 2025](#).

<sup>97</sup> [Strategic Plan \(2023-2027\)](#) for the State Department for Micro, Small and Medium Enterprises (MSMEs) Development.

development services, and fostering innovation. A key component is the establishment of MSME Centres of Excellence across the counties, aimed at providing affordable infrastructure, training, and market linkages to support enterprise growth. The plan also seeks to integrate MSMEs into value chains, particularly in agriculture, but also other sectors such as housing, healthcare, digital economy, and creative industries, thereby contributing to the realisation of BETA's core pillars. Through this comprehensive approach, the Strategic Plan aspires to transform Kenya's MSME sector into an engine of economic development, ensuring equitable opportunities for all segments of the population, including youth, women, and persons with disabilities.

- **Kenya's Medium Term Plan IV (MTP IV) for the period 2023–2027** outlines the country's national development agenda and is closely aligned with the government's Bottom-Up Economic Transformation Agenda (BETA), which adopts a value chain approach aimed at enhancing production, value addition, and market access. Within this framework, the Finance and Production Pillar of MTP IV emphasises the promotion of the MSME economy as a key driver of job creation and income generation. The plan outlines several initiatives to support this objective, including the provision of business development support, improved trade and market access, and tailored financing for MSMEs. It also calls for the establishment of industrial parks and incubation centres in every Technical and Vocational Education and Training (TVET) institution to promote value addition. Additionally, the plan proposes the creation of business development centres in every ward across the country, the development of product standards for MSMEs, and the enhancement of market access.
- **The Start-up Act, 2024**,<sup>98</sup> passed by the Senate in early 2025, is a legislative framework designed to support and promote innovation, entrepreneurship, and the growth of startups in Kenya. The Act establishes structured support for startups through incentives, regulatory facilitation, access to funding, and incubation infrastructure. The Act introduces a range of fiscal (tax breaks, exemptions, and preferential access to public procurement) and non-fiscal incentives to enhance the viability and growth of startups, including mentorship, technical assistance, incubation programmes, and access to startup-focused training. The Kenya National Innovation Agency (KeNIA) will be responsible for implementing the Act, overseeing startup registration, accreditation of incubators, and coordination of support mechanisms, while the Startup Registrar will maintain a national database of recognised startups and track compliance with eligibility criteria. The Act has been welcomed by the stakeholders interviewed for this report as a significant step toward nurturing a vibrant innovation ecosystem in the country. Despite its promising intentions, however, the Act has faced criticism on several fronts. One major concern is the requirement that eligible startups be fully Kenyan-owned, a provision that effectively excludes foreign-owned or foreign-funded ventures from accessing government support. This could potentially deter international investment and limit opportunities for global collaboration. Additionally, the stipulation that startups allocate at least 15% of their expenditure to research and development has raised concerns, as it may impose an unrealistic financial burden on early-stage enterprises still grappling with foundational operational challenges.
- **The National Financial Inclusion Strategy (NFIS) 2025–2028** was launched in December 2025. It was developed with broad stakeholder input to align policy, products, and regulatory reform. The NFIS is supported by a National Financial Inclusion Council chaired by the Principal Secretary of the National Treasury with participation from the Governor of the Central Bank and other relevant ministries and agencies, aiming to minimise duplication and ensure coherent implementation of financial inclusion

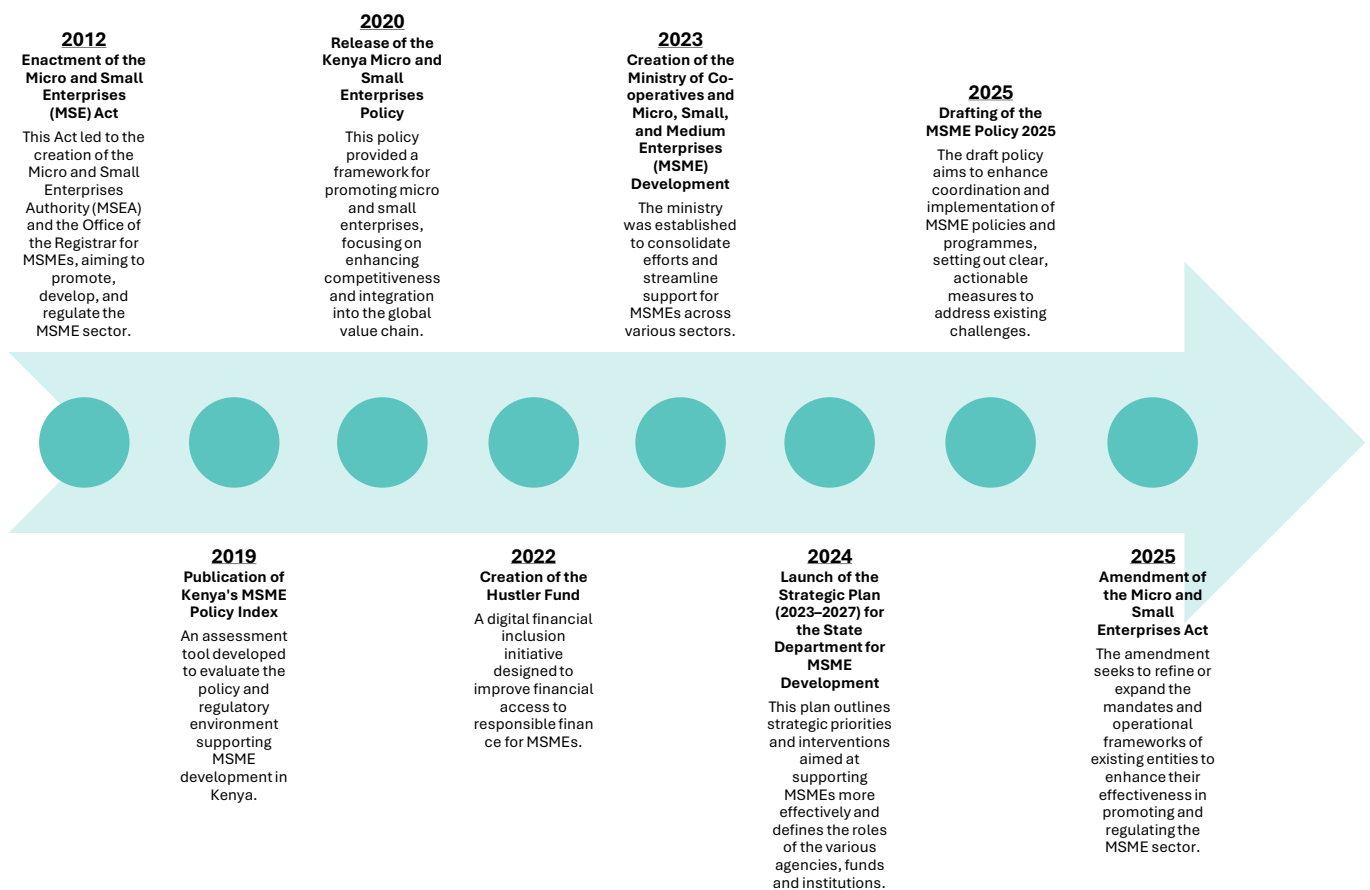
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<sup>98</sup> [Kenya Start-up Act 2024](#).

initiatives that cover credit, rural/agriculture finance, and MSMEs. including the Central Bank of Kenya, the National Treasury, financial regulators, and relevant government departments. The strategy is explicitly designed to promote coordinated financial inclusion action for underserved groups, including MSMEs and rural/agricultural finance, and provides a platform for collaboration across institutions While not specifically branded only for MSMEs, this NFIS framework is an integrated effort that brings together finance authorities, regulatory bodies, and government stakeholders to align financial products and reforms, including support for rural agriculture finance and MSMEs, and is implemented through coordinated mechanisms rather than isolated agency actions.<sup>99</sup>

The following figure illustrates the Kenyan government's progressive key efforts to support and develop the MSME sector through policy formulation, institutional establishment, and strategic planning.

**Figure 1: Timeline of key government interventions in Kenya's MSME sector**

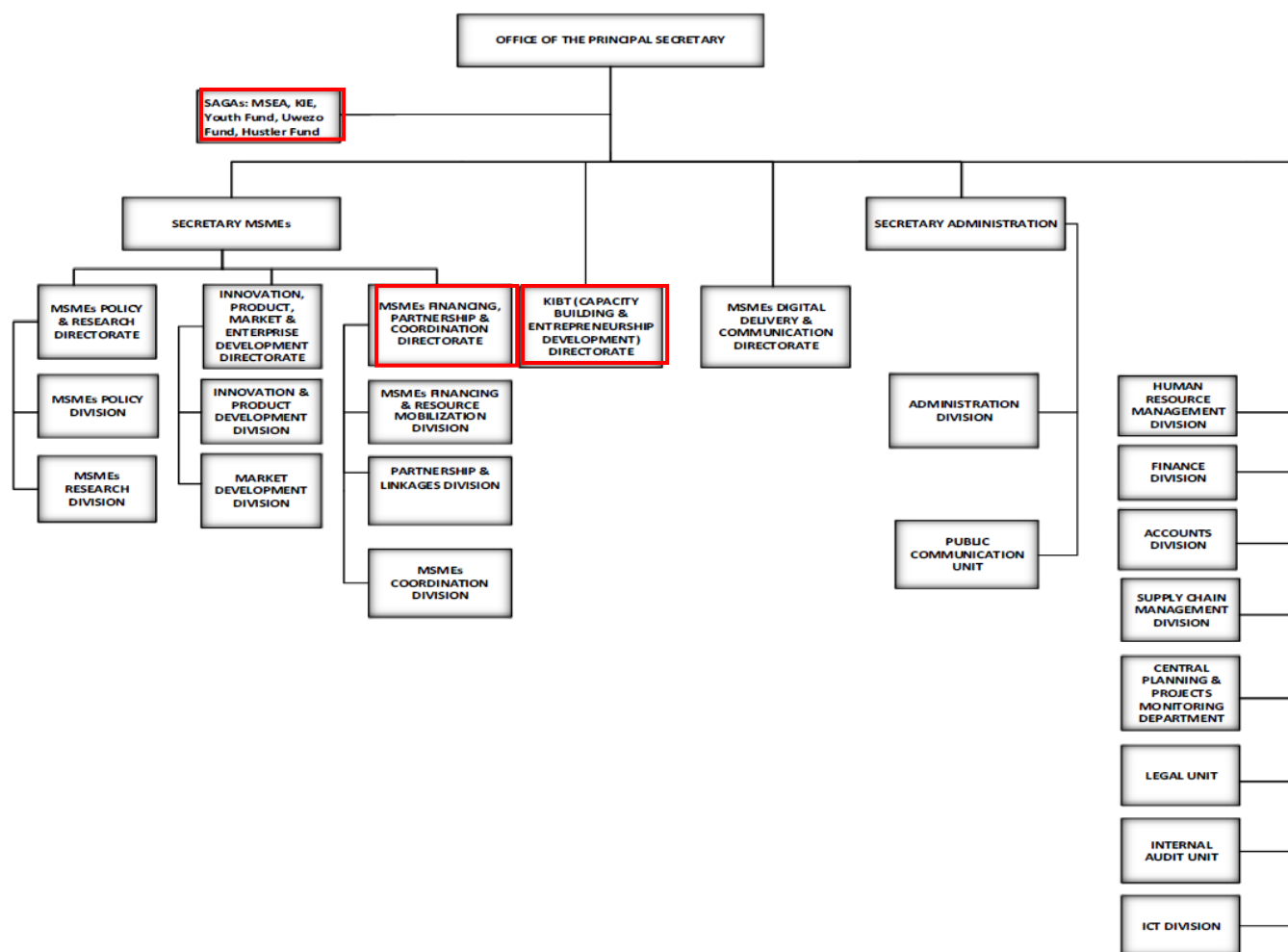


Source: Author's elaboration based on interviews and material provided by experts at the Ministry of Co-Operatives and MSME Development.

Several government ministries, agencies, funds, and private sector-led initiatives all contribute to MSME development in Kenya, creating a multifaceted support ecosystem aimed at fostering entrepreneurship, enhancing productivity, and driving inclusive economic growth.

<sup>99</sup> Business Quest Kenya, 2025. [CBK launches NFIS 2025-2028, MTP IV for Financial Services.](#)

Figure 2: Structure of Kenya's State Department for MSME development



Source: Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSMEs) Development

The key institutions include:

- The **Ministry of Co-Operatives and Micro, Small, and Medium Enterprises (MSME) Development** was established by Executive Orders No. 1 of 2023 and No. 2 of 2023. The Orders, issued by President William Ruto in January 2023, reorganised the structure of the national government following the August 2022 general elections. It created the Ministry by consolidating functions related to cooperatives and MSME development under one umbrella. The Ministry comprises two State Departments: the State Department for Co-operatives and the State Department for Micro, Small, and Medium Enterprises (MSME) Development. The Ministry is tasked with creating an enabling policy and regulatory environment, fostering access to finance, and enhancing entrepreneurial capacity. It oversees the implementation of key initiatives such as the **MSME Policy Index** and the **Strategic Plan 2023–2027**, both aimed at improving the business environment for small enterprises and strengthening institutional coordination. By working closely with stakeholders across government, the private sector, and development partners, the Ministry seeks to formalise informal businesses, promote innovation, and unlock the potential of Kenya's cooperative and MSME sectors in job creation, poverty reduction, and sustainable development. The State Department for MSME Development comprises of six directorates: i) Innovation, Product, Market and Enterprise Development Directorate, ii) MSME Policy and Research Directorate, iii) MSME

Digital Delivery and Communication Directorate, iv) MSMEs Financing, Partnership and Co-ordination Directorate; v) Capacity Building and Entrepreneurship Directorate; and vi) Kenya Institute of Business Training. It also oversees the functions of the Semi-Autonomous Government Agencies (SAGAs), including the Micro and Small Enterprises Authority (MSEA), Kenya Industrial Estates (KIE), as well as several financial inclusion funds.

- The **Micro and Small Enterprises Authority (MSEA)** is a state corporation under the Ministry of Co-operatives and MSME Development, established by the Micro and Small Enterprises Act of 2012, and is tasked with implementing policies and delivering direct support services to MSMEs. Its functions include registering and regulating these enterprises, providing business development services such as training and capacity building, supporting market access, technology adoption, and infrastructure development, including incubation centres and industrial parks, collecting and managing data on micro and small enterprises, and implementing on-the-ground programmes while engaging directly with MSMEs.
- The **Kenya Institute of Business Training (KIBT)** is a government institution established in 1966 to provide business training and advisory services. It operates under the Ministry of Co-operatives and MSME Development, focusing on enhancing entrepreneurial skills and promoting business growth. KIBT offers training in business management and entrepreneurial skills to MSMEs. Its mandate includes capacity building, developing business plans, conducting research, and supporting small businesses with practical knowledge to boost economic development and sustainability.
- **Financial Inclusion Funds** are government-backed and development partner-supported financial programmes designed to enhance access to affordable financial services for underserved populations, particularly small businesses, women, youth, and marginalised communities. These funds aim to bridge the financing gap that prevents many Kenyans, especially in rural areas and informal sectors, from participating fully in the economy. The Hustler Fund is a flagship initiative under the Bottom-up Economic Transformation Agenda (BETA). The Fund provides low-interest, collateral-free digital loans to individuals and MSMEs to foster their financial inclusion. It is integrated with mobile money platforms for accessibility and aims to support financial literacy and savings. The Fund is built on five pillars: affordable credit, competitive savings and pension products, comprehensive insurance solutions, access to affordable housing, and market linkages and financial literacy. The Credit Guarantee Scheme (CGS) further supports MSMEs by reducing loan risks and increasing accessible funds through partnerships with banks and international organisations. The CGS has achieved a leverage ratio of Ksh. 2.32, meaning that every one shilling committed by the government has mobilised Ksh. 2.32 in private sector credit for MSMEs, making it a cost-effective mechanism for enhancing MSMEs' access to finance. However, a significant proportion of MSMEs remain excluded from benefiting due to high levels of informality and limited financial literacy, which render them ineligible under the provisions of the Public Finance Management and CGS Regulations. Another key financial inclusion fund, the Uwezo Fund, seeks to expand access to loans for the promotion of youth and women's businesses and enterprises at the constituency level and thereby enhance economic growth towards the realisation of the goals of Vision 2030, to generate gainful self-employment for youth and women. The Women Enterprise Fund is a semi-autonomous government agency under the Ministry of Public Service, Youth & Gender Affairs. It provides accessible and affordable credit to support women to start or expand their businesses for wealth and employment creation. Another Fund, the Youth Enterprise Development Fund, provides financial support and business development services to youth-owned enterprises. Several stakeholders reported that the Fund will be replaced by a new Youth Fund focused on innovation and livelihoods. It will also provide for the establishment of a Youth Registrar, which will empower the authority to more effectively streamline, organise, and coordinate youth activities and support them more effectively. The MSME Financing

Gateway, hosted by KEPSA, allows users to access financing instruments, business, and sustainable development services available in a county, filter, analyse, and match their needs, and then link directly to providers at no cost.

- **Kenya Industrial Estates (KIE)** is a state corporation established in 1967 to promote industrial development by supporting MSMEs across the country. Operating under the Ministry of Investments, Trade and Industry, KIE provides a range of services, including affordable industrial workspace, financial credit, and business development support to entrepreneurs and manufacturers. Through its network of industrial parks and business incubation centres spread across Kenya, KIE facilitates the decentralisation of industrial growth beyond major urban centres, thereby fostering regional development and job creation. Its strategic focus lies in nurturing local value addition, technology transfer, and enterprise competitiveness, particularly in the manufacturing sector. Despite facing funding and infrastructure challenges, KIE remains a vital institution in Kenya's effort to industrialise and empower grassroots entrepreneurs.
- **The MSME Policy Index** was launched in 2019 by the Kenya Private Sector Alliance (KEPSA)<sup>100</sup> to provide policymakers and market stakeholders with a tool to track and assess the progress of policies aimed at supporting MSMEs. As the first index of its kind in Africa, it draws on good practices from ASEAN countries. The Index aims to integrate MSME policy concerns into broader business environment reforms, ensuring that improvements in Kenya's World Bank *Business Ready* ranking benefit enterprises of all sizes nationwide. Organised around eight key policy dimensions, it offers crucial recommendations across legislation, regulations, programmes, and support systems for MSMEs. The Index is designed to help the government set clear targets and identify strategic priorities to enhance the business environment and drive growth within the MSME sector and the wider economy. The Index is based on 75 indicators, which are used to assess how supportive each of the following eight policy dimensions is toward MSMEs:<sup>101</sup>
  - Enabling governance and business regulatory environment
  - Reliable infrastructure and access to inputs
  - Human capital and entrepreneurial skills development
  - Access to MSME financing
  - Effectiveness of MSME representation
  - Supportiveness of the framework for business development
  - Market linkages and expansion initiatives
  - Innovation, information and communications technologies (ICT) adoption and technology transfer

### 3.4 MSME Formalisation Efforts and Impact

The Kenyan government has recognised that formalisation is essential for MSMEs to unlock growth opportunities and gain access to critical government support services, legal protections, and financial systems. The MSEA estimates that there are about 8.5 million informal MSMEs in Kenya, with approximately 30%, or about 2.9 million, having the potential for growth (estimation from May 2025). Of these, nearly 1.3 million are part of around 2,000 registered and operational sectoral associations across all 47 counties. As of early 2025, the MSEA has registered over 56,000 associations and groups. This collective organisation into

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<sup>100</sup> Business Daily Africa, 2019. [KEPSA launches index to assess MSMEs policy framework](#).

<sup>101</sup> United Nations Department of Economic and Social Affairs, 2019. [Best Practices: Formalization of Micro, Small, and Medium-Sized Enterprises \(MSMEs\) in Africa](#).

groups, associations, and cooperatives represents a strategic pathway not only for formalising informal MSMEs but also for effectively mobilising domestic financial resources, fostering enterprise development, and strengthening financial inclusion.

The Ministry operationalised the Office of the Registrar, as stipulated in Section 4 of the MSME Act of 2012. The primary mandate of this office is to register MSMEs and maintain a comprehensive database of registered entities, as part of efforts to formalise the MSME sector. The Authority seeks to systematically document key information on MSMEs across Kenya, including their biodata, demographics, sectors, and economic activities. To streamline formalisation, the application process for registering MSMEs, MSME Associations, and MSE Umbrella Organisations follows a structured approach. The Registrar prepares the necessary application forms and requires that applications be submitted within 28 days of the MSME's formation. Upon receiving a compliant application, the Authority is mandated to issue a certificate of registration within 60 days. Applications that do not meet compliance requirements are rejected, with applicants receiving guidance on necessary corrections. The Authority also holds the power to cancel or suspend the registration of MSMEs, associations, and umbrella organisations when warranted, and is responsible for resolving disputes that may arise within or among these entities. The MSME Registrar's main office is based in Nairobi, with satellite offices situated in County locations, operating from the offices of the County Commissioners.

The Office of the Registrar provides real-time data on the structure and distribution of the MSME sector, which in turn informs government policy and strategic direction. Formalisation also facilitates MSME access to government support and interventions, such as the Hustler Fund, by enabling clearer linkages. Moreover, it allows for sector-based aggregation of enterprises, improving their access to business services, formal markets, and essential resources like capital. Finally, formalisation plays a vital role in enhancing the welfare of marginalised groups operating in the informal economy by affirming their rights and enabling them to participate more fully in economic opportunities.

In 2021, MSEA launched a nationwide registration drive aimed at formalising at least 15 million unlicensed MSMEs in Kenya. This initiative included the development of an online platform to streamline the registration process and the creation of a comprehensive database for MSMEs. At the time of the drive's launch, MSEA had reported that approximately 7.1 million MSMEs were on record with the Registrar's Office, out of an estimated 14.1 million in operation at that time.

To accelerate the formalisation of MSMEs, the MSEA has developed a set of strategies to support this goal. These strategies are designed to address the key barriers that prevent businesses from formalising, promote the benefits of formal registration, and create a more supportive and enabling environment for MSMEs to thrive within the formal economy (Table 3).

**Table 3: Micro and Small Enterprises Authority (MSEA) strategy to enhance formalisation**

Strategy area	Key interventions
Simplify formal registration processes	<ul style="list-style-type: none"> <li>• <b>One-stop digital platform:</b> Streamline registration by integrating all regulatory bodies (tax, licensing, social security).</li> <li>• <b>Mobile-based registration:</b> Enable mobile registration to reach remote MSMEs.</li> </ul>

<p><b>Provide incentives for formalisation</b></p>	<ul style="list-style-type: none"> <li>• <b>Waive registration fees:</b> Reduce or eliminate initial fees to encourage startups and youth entrepreneurs.</li> <li>• <b>Tax incentives:</b> Introduce tax holidays or graduated rates for newly formalised businesses.</li> <li>• <b>Access to financial services:</b> Partner with banks to offer loans and insurance to formalised entities.</li> <li>• <b>Training programmes:</b> Offer subsidised training on business, finance, and digital skills.</li> </ul>
<p><b>Implement a supportive regulatory environment</b></p>	<ul style="list-style-type: none"> <li>• <b>Simplified tax regime:</b> Reduce complexity with predictable rates and quarterly reporting.</li> <li>• <b>Compliance reform:</b> Make inspections less punitive and more supportive.</li> <li>• <b>Awareness campaigns:</b> Educate MSMEs on the benefits of formalisation and support services.</li> </ul>
<p><b>Engage local stakeholders and community-based organisations</b></p>	<ul style="list-style-type: none"> <li>• <b>Community engagement:</b> Work with cooperatives, local leaders, and associations to promote formalisation.</li> <li>• <b>Public-private partnerships (PPPs):</b> Develop PPPs to fund and support formalisation, including grants and subsidies.</li> </ul>
<p><b>Develop effective monitoring and evaluation (M&amp;E) systems</b></p>	<ul style="list-style-type: none"> <li>• <b>Track progress:</b> Monitor formalisation trends and adjust policies accordingly.</li> <li>• <b>Data collection:</b> Use surveys and community feedback to understand barriers.</li> <li>• <b>Impact assessments:</b> Evaluate the effectiveness of incentives and programmes.</li> </ul>
<p><b>Strengthen market access and business linkages</b></p>	<ul style="list-style-type: none"> <li>• <b>Preferential procurement:</b> Offer incentives to purchase from newly formalised MSMEs.</li> <li>• <b>Linkages with large firms:</b> Create mentorships and supply chain opportunities.</li> <li>• <b>E-commerce integration:</b> Partner with platforms to expand digital market access.</li> </ul>

Source: Interviews with experts at the Micro and Small Enterprises Authority (MSEA), supplemented with MSEA's Strategy from 2024 available online: "[Country-led, Country-owned: National Perspectives on Building MSME Resilience and Formalization](#)".

### 3.5 WoG Approaches to MSME Development in Kenya

Before the establishment of the Ministry of Co-operatives and Micro, Small, and Medium Enterprises (MSME) Development, responsibilities related to MSMEs in Kenya were fragmented across multiple ministries and agencies. Interviewed stakeholders reported that this fragmentation led to a duplication of efforts, inefficient resource use, and limited impact. There was no centralised coordination, making it difficult for MSMEs to navigate government services or benefit from cohesive support systems. Recognising this gap, the government has taken deliberate steps to streamline and organise MSME-related activities. This effort aims to bring "all hands on deck" by aligning various actors and institutions around a shared vision for MSME development.

Central to this agenda is the Strategic Plan (2023–2027) for the State Department for MSME Development (discussed on page 40), which outlines a structured collaboration framework with key sector stakeholders. These stakeholders include several groups that play distinct but complementary roles. Government agencies remain essential partners, particularly those implementing parts of the MSME agenda across different sectors. Non-governmental organisations (NGOs), such as GROOTS Kenya, also contribute significantly, especially in providing training, improving access to finance, and delivering business development services, functions that extend the government’s reach and enhance service diversity. Development partners, including international organisations and donors, bring crucial financial resources and technical expertise that strengthen local capacity. Business Membership Organizations, such as the Kenya National Chamber of Commerce and Industry (KNCCI) and the MSME Alliance of Kenya, provide a direct line to MSMEs, helping the State Department stay informed about emerging needs and advocate for sector reforms. Financial institutions, including banks and microfinance organisations, are instrumental in improving MSMEs’ access to affordable and appropriate financing. Academic and research institutions contribute through data, evidence-based insights, and innovation, enabling the government to adopt good practices and monitor sector trends.<sup>102</sup>

To facilitate the effective implementation of Key Result Areas (KRAs) under the Strategic Plan discussed above, the State Department has established the Directorate of Financing, Partnership, and Coordination. This body is responsible for orchestrating partnerships with Ministries, Departments, and Agencies (MDAs), umbrella business associations, financial institutions, MSME networks, and other critical internal and external stakeholders. A key pillar in advancing financial inclusion is the integration of programmes like the Hustler Fund, Kenya Industrial Estates (KIE), Uwezo Fund, and the Micro and Small Enterprises Authority (MSEA), all semi-autonomous government agencies (SAGAs) operating under the State Department. Together, these institutions are working to create a more organised, responsive, and – according to interviewed experts – impactful support system for MSMEs, aimed at fostering job creation, improving productivity and competitiveness, enhancing resilience, and expanding market access for MSMEs.

Additionally, the draft MSME Policy 2025 (discussed on page 39) devotes an entire chapter to outlining how the government intends to enhance the coordination and implementation of MSME policies and programmes moving forward. It sets out clear, actionable measures aimed at addressing existing challenges in coordination and improving the effectiveness of support for the sector. According to the Policy, MSEA, in collaboration with the Ministry of Co-Operatives and MSME Development, will carry out several key actions. These include establishing a multi-stakeholder forum chaired by the Principal Secretary to meet quarterly and hosting an annual roundtable on MSMEs. The Authority intends to also develop a national coordination framework to guide effective policy execution, promote joint planning through thematic working groups, and build a database of MSME support services and institutions. In addition, MSEA aims to foster collaboration among stakeholders, monitor the business environment, and support evidence-based policymaking through regular research and five-year surveys. In March 2025, the Ministry of Cooperatives and MSME Development launched the Kenya Public-Private Sector MSMEs Dialogue (“MSMEs Connect”) to provide a platform for dialogue, engagement, and actionable solutions.

Furthermore, under the new Policy, the government plans to more systematically assess the efficiency, effectiveness, and impact of MSME-related policies and programmes and strengthen M&E across MSME

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<sup>102</sup> [Strategic Plan \(2023-2027\)](#) for the State Department for Micro, Small and Medium Enterprises (MSMEs) Development.

agencies and institutions. Currently, the absence of an integrated database hinders effective policymaking, planning, credit allocation, and support services. This makes it difficult to assess the sector's true size, growth trends, and challenges. Data management gaps persist, with no clear framework for collection, analysis, or sharing. Infrastructural and institutional barriers further limit data use at both national and county levels. Establishing an integrated data management framework is therefore essential for improving coordination and collaboration across the MSME ecosystem. The proposed enhanced M&E system (as outlined in Chapter 5 of the Policy) is designed to support evidence-based decision-making by delivering timely, accurate data to monitor performance and inform future interventions.<sup>103</sup>

During the interviews for this report, the following key challenges were commonly highlighted in relation to establishing, implementing, and sustaining WoG approaches for the development of MSMEs:

- **Political leadership is uneven and time-bound.** Stakeholders observed that new institutional initiatives (e.g., new MSME Policy, Agricultural Transformation Office, ATO, and food-systems action planning) show intent, but sustained, cross-government political commitment to MSME formalisation and long-term MSME development planning is inconsistent.
- **Coordination bodies exist but lack teeth and resources.** Interviewees stated that multi-stakeholder platforms and coordination units to support MSMEs more effectively have been created, but are often under-resourced, unclear in authority, and struggle to move from planning to implementation. This still produces fragmented programming across national ministries and county governments.
- **Insufficient, unpredictable financing for MSME support that links to agri value chains.** Short project cycles and fragmented funding impede sustained service delivery (training, standards compliance, processing equipment).
- **Data gaps undermine targeting and monitoring.** Practitioners reported that there is no well-functioning single, shared registry for agri-MSMEs and weak interoperability between agency data systems, which hampers subsidy targeting, extension planning, credit uptake, tracking of formalisation outcomes, and growth trajectories.

The upcoming MSME Policy 2025 is expected to tackle many of these challenges. Although the document is still being reviewed by different stakeholders, its real impact will depend on how well the proposed measures are implemented. Nevertheless, the government deserves credit for its commitment to a deliberate WoG approach and setting clear, measurable targets aimed at strengthening support for MSMEs.

## 3.6 Effectiveness of WoG Approaches vis-à-vis Sector Outcomes

An analysis was conducted to explore trends in Kenya's MSME sector in relation to major policy milestones, including the 2012 Micro and Small Enterprises Act, the 2023–2027 Strategic Plan, and the draft 2025 MSME Policy. While the State Department for MSME Development indicated that it maintains structured performance records, comprehensive and reliable data for formal impact assessment were not available during the interviews and follow-ups. The analysis, therefore, compared the timing of key policy milestones with secondary data from the World Bank's Entrepreneurship Database and UN Comtrade, supplemented

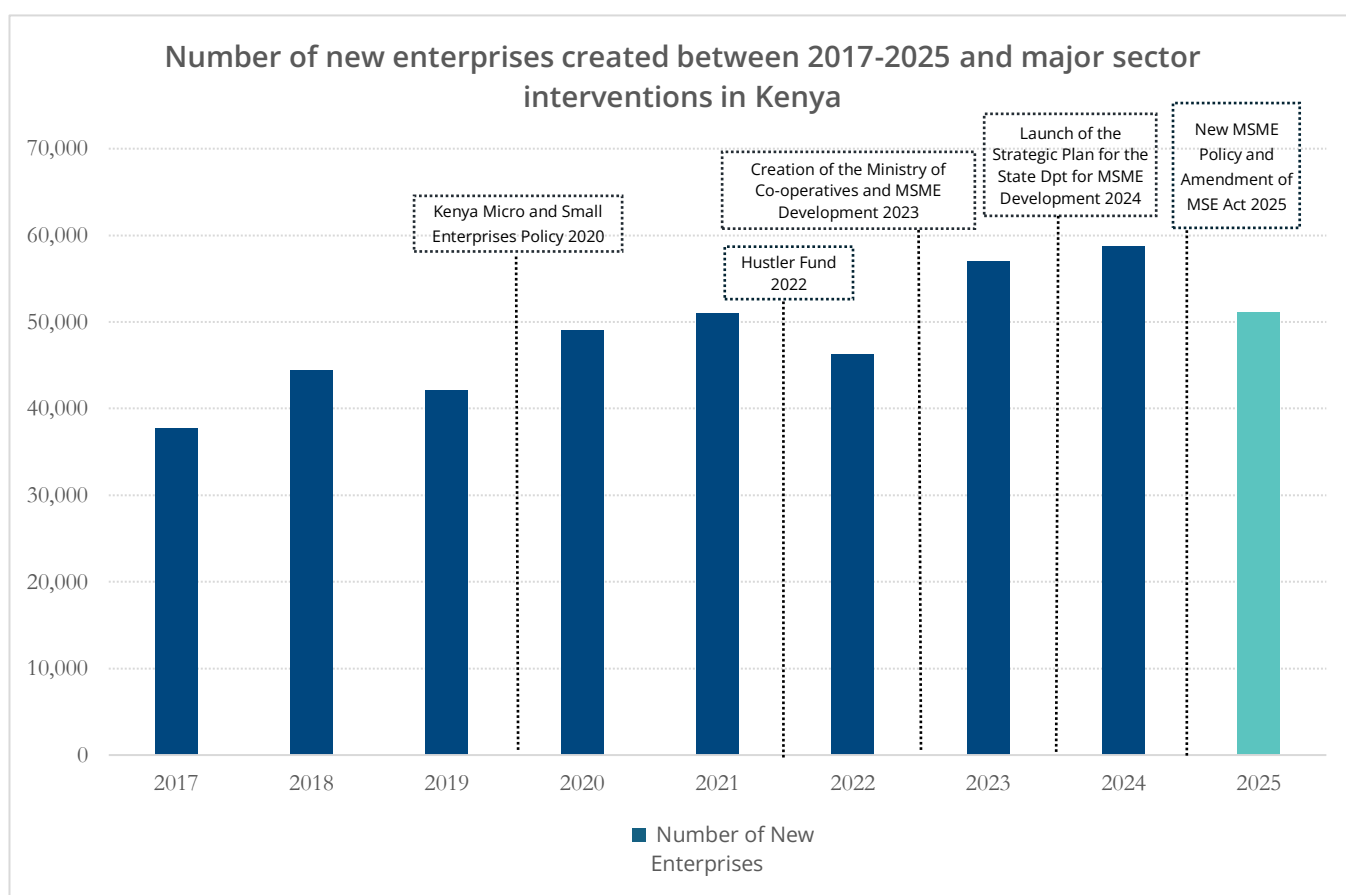
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<sup>103</sup> [Draft MSME Policy 2025](#).

with data from Kenya's Business Registration Service to observe broad trends in enterprise creation and export value over time.

The following graph illustrates the annual number of new enterprises registered in Kenya from 2017 to 2025, alongside key sectoral policy and institutional developments targeting MSMEs. Between 2017 and 2021, enterprise registrations increased from approximately 38,000 per annum to over 50,000 per annum. In 2022, the number of new enterprises declined slightly to around 47,000 per annum, followed by an increase in 2023. These trends occurred alongside the introduction of sectoral policies and institutional changes, but no conclusions about causality can be drawn from this descriptive comparison.

**Figure 3: Number of new enterprises created between 2017-2025 and major MSME sector interventions in Kenya**



Source: Author's elaboration based on data from the World Bank Entrepreneurship Database (<https://www.worldbank.org/en/programmes/entrepreneurship>) for the years 2017 to 2020. For the period 2021 to 2025, data were sourced from Kenya's Business Registration Service (<https://brs.go.ke/companies-registry-statistics/>). Please note that the 2025 data are current as of May 2025, so the number of newly registered enterprises for that year will likely increase above the previous 2 years by the end of 2025. Specific data on newly registered agriculture enterprises as a distinct category were unavailable.

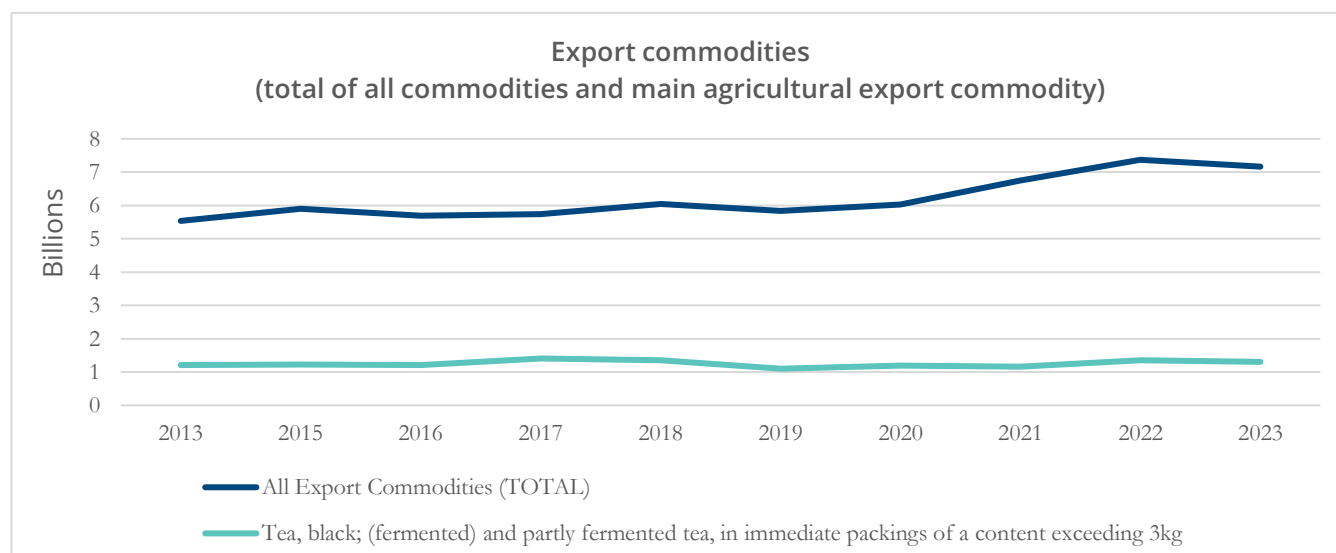
The highest levels of new enterprise creation were observed in 2023 and 2024, with approximately 60,000 new businesses registered, respectively. These peaks occurred during the period in which the Strategic Plan for the State Department for MSME Development was introduced. While this temporal overlap may be noted, it does not allow for conclusions about causal effects and should be interpreted as a descriptive association.

rather than evidence of policy impact. As of May 2025, around 52,000 new enterprises have been registered. 2025 has also seen the rollout of a new MSME Policy and amendments to the MSE Act, which may be relevant for future trends, though their effects cannot yet be assessed.

Overall, the data points to broad patterns in enterprise creation that coincide with periods of policy activity. However, these observations serve only as indicative proxies and do not constitute an impact assessment. Enterprise dynamics are shaped by multiple economic, institutional, and external factors, such as economic and trade patterns and the relationships observed here should therefore be interpreted with caution.

Looking at Kenya’s export value between 2013 and 2023, total exports increased from approximately \$5.54 billion to \$7.16 billion, indicating moderate growth in the country’s overall trade performance. Black tea exports (HS code 090240), the most exported agri-food commodity in Kenya according to UN Comtrade data, and one of Kenya’s largest foreign exchange earners, showed relatively stable performance. Tea export values rose from \$1.2 billion in 2013 to a peak of around \$1.41 billion in 2017, and subsequently fluctuated within the range of approximately USD 1.2–1.35 billion. During this period, several policy and institutional developments relevant to MSMEs were introduced, including the 2020 Kenya Micro and Small Enterprises (MSE) Policy and the 2022 establishment of the Ministry of Co-operatives and MSME Development, as well as the Hustler Fund. These initiatives were intended to support MSMEs, including those engaged in agricultural production and trade. However, the stability of export values over this timeframe should be interpreted as a descriptive trend only. While the timing of these policies overlaps with continued export performance, no causal relationship can be inferred, as export outcomes are influenced by a wide range of domestic and global factors beyond policy interventions.

**Figure 4: Export commodities**



Source: Author’s elaboration based on [UN Comtrade data](#).

Overall, the export data provides a broad proxy for sector performance, but does not constitute evidence of policy impact on MSME outcomes.

## 3.7 Key findings and lessons from Kenya

**Kenya's WoG approach to MSME development emerged primarily as a response to long-standing institutional fragmentation, duplication of mandates, and weak coordination across public institutions.** For many years, MSME-related responsibilities were dispersed across multiple ministries and agencies, resulting in overlapping interventions, inefficient resource use, and limited policy coherence. A major catalyst for change was the 2022 adoption of the Bottom-Up Economic Transformation Agenda (BETA), which elevated MSMEs to a central role in national development, job creation, and inclusive growth strategies.

**Several government ministries, agencies, funds, and private sector-led initiatives all contribute to MSME development and formalisation in Kenya, creating a multifaceted support system aimed at fostering entrepreneurship, enhancing productivity, and driving inclusive economic growth.** Key government actors include the Ministry of Co-operatives and Micro, Small, and Medium Enterprises (MSME) Development, which provides policy direction and coordination, the Micro and Small Enterprises Authority (MSEA), which implements capacity-building and market linkage programmes, and financial support institutions like the Women Enterprise Fund, Youth Enterprise Development Fund, and Hustler and Uwezo Funds. Additionally, institutions such as the Kenya Industrial Estates (KIE) and the Kenya Institute of Business Training (KIBT) offer infrastructure, business advisory, and incubation services. These institutions are complemented by structured engagement with private sector organisations, business associations, development partners, and NGOs, which provide financing, technical assistance, innovation support, and research.

**The establishment of the Ministry of Co-operatives and MSME Development in 2023 created a formal institutional hub for coordination and marked a structural turning point in Kenya's governance of the MSME sector.** This was further reinforced by the Strategic Plan (2023–2027) for the State Department for MSME Development, which serves as the main unifying policy framework around which multiple actors are expected to align. The plan articulates shared objectives related to access to finance, enterprise formalisation, market access, business development services, and value chain integration, with a strong emphasis on agriculture and other labour-intensive sectors. Kenya's WoG model relies on a combination of centralised leadership and decentralised implementation. Core leadership is provided by the Ministry and State Department, while delivery functions are carried out by semi-autonomous agencies such as MSEA, KIE, and financial inclusion funds.

**Despite this wide array of stakeholders, coordination challenges remain, underscoring the importance of WoG approaches to align interventions, eliminate overlaps, and ensure more effective delivery of services to MSMEs across the country.** Several stakeholders interviewed for this report stated that coordination in the MSME sector has been hampered by too many actors pursuing separate agendas, which resulted in duplication, policy gaps, and inefficient use of resources. While coordination platforms and dedicated units now exist, their authority, resources, and operational reach remain uneven. Competing initiatives among government bodies, NGOs, academia, and private actors undermined collaboration, stifled innovation, and hindered the commercialisation of research. Strengthening operational linkages and financial support across these stakeholders would streamline efforts, enhance policy coherence, and foster a more conducive environment for sector growth.

**The government has recognised the existing gaps in coordination and is actively addressing them by introducing new policy directions.** The Strategic Plan (2023–2027) for the State Department for MSME Development and the new MSME Policy 2025 clearly define the roles and responsibilities of various stakeholders within the MSME ecosystem and establish a structured framework for enhanced collaboration moving forward, along with tangible targets.

**Kenya’s MSME sector remains predominantly informal, with an estimated 8.5 million unregistered operators, about 30% of whom (2.9 million) have growth potential.** Yet formalisation rates remain low despite concerted efforts by the Office of the Registrar of MSMEs which enforces a 28-day application and 60-day certification process, building a nationwide database of MSMEs to inform policy and unlock MSMEs access to legal protections, finance, and government programmes. However, barriers such as limited awareness, procedural bottlenecks, and uneven stakeholder coordination continue to impede widespread formalisation and full integration of MSMEs into Kenya’s formal economy.

**Overall, Kenya is in the process of establishing key components of a WoG framework for MSME development.** Leadership structures, policy planning instruments, stakeholder engagement mechanisms, financing tools, and institutional mandates are all being strengthened. However, full institutional coherence, shared data systems, integrated financing models, robust coordination structures, and systematic accountability frameworks remain only partially realised (Table 4). The draft MSME Policy 2025 and the Strategic Plan explicitly recognise these shortcomings and propose the development of integrated databases, harmonised M&E systems, and stronger coordination platforms.

**Table 4: Implementation status of WoG framework in Kenya**

WoG framework element	Level of implementation in Kenya
Strategic vision and 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 and info systems	Minimal, early-stage digital tools
Capacity building and shared learning	Present in projects, not system-wide
Accountability and performance measurement	In development, not fully integrated
Stakeholder engagement and communication	Moderately developed
Legal and regulatory frameworks	Active reforms, pending legal adoption

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

**Table 5: Key features of Kenya’s WoG approach to MSME development**

Feature	Kenya
Main drivers	Fragmented MSME governance, high informality, unemployment pressures, political priority under Bottom-Up Economic Transformation Agenda (BETA)
Policy focus that triggered the WoG approach	BETA, Strategic Plan 2023–2027
Institutional leader	Ministry of Co-operatives and MSME Development, State Department for MSME Development
Key coordinating hub	Directorate of Financing, Partnerships and Coordination
Main policy engines	MSE Act (2012, amended 2025), MSME Policy 2020 & Draft 2025, Strategic Plan 2023–2027
Other facilitating instruments	Hustler Fund, Credit Guarantee Scheme; MSME Registrar, MSME Policy Index, MSMEs Connect platform
Accountability mechanisms	Emerging, programme-level M&E, proposed integrated system under MSME Policy 2025
Other success factors	Political visibility, dedicated ministry, strong stakeholder engagement, and multiple financing tools
Problems & limitations	Weak data integration, under-resourced coordination bodies, fragmented funding, limited WoG performance metrics, and uneven county-level implementation.

Overall, Kenya’s WoG model can be characterised as politically driven, institutionally consolidated, and strategically articulated, but operationally incomplete. It reflects a genuine shift toward cross-government coordination, yet still faces structural constraints related to data, financing integration, sustained leadership, and system-wide accountability.

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# 4. Costa Rica: MSME development in the agri-food sector

## 4.1 Overview of the MSME landscape in Costa Rica's agri-food sector

Costa Rica, an upper middle-income country and OECD member since 2021, has demonstrated steady economic growth, averaging 3.4% over the past decade, with rates of 5.1% in 2023 and 4.3% in 2024.<sup>104</sup> This growth has been fuelled by an outward-looking economic strategy focused on attracting foreign investment and promoting trade liberalisation, complemented by stronger domestic consumption and increased private investment. These macroeconomic advances have fostered a supportive environment for MSME development. However, despite this growth, high inequality (GINI 49.2), persistent poverty (20.3% in 2024), and limited financial inclusion continue to hinder inclusive economic participation. Although poverty reduction has recently gained pace, and a long-awaited financial inclusion strategy is being developed,<sup>105</sup> structural challenges, especially in underserved areas, remain.

MSMEs make up 97.4% of all businesses in Costa Rica, according to the Ministry of Economy, Industry, and Commerce (MEIC). They also contribute over 36% of the country's GDP and generate more than 33% of private sector employment, based on data from the Latin American Centre for Innovation and Entrepreneurship (Celiem). 62.2% of MSMEs are run by women and 37.8% by men. Costa Rica ranks second among Latin American countries with the highest number of entrepreneurs over 55 years of age, almost 30% of the entire entrepreneurial population belongs to this group. Microenterprises constitute the vast majority of businesses, accounting for over 64% of the total. These enterprises are frequently informal and family-run, with most operating in sectors such as agriculture, trade, and basic services. A significant number are one-person operations or rely on minimal staffing, and many do not have formal registration with social security systems. Small enterprises (32%), in contrast, tend to be more formalised. They generally feature defined organisational structures, have some access to credit, and conduct operations that may extend beyond their immediate locality to regional markets. Medium enterprises (3%) are characterised by more developed operational capacities. They typically maintain formal management systems, enjoy broader access to financing, and are often integrated into national or international supply chains. These businesses are commonly found in sectors such as manufacturing, tourism, technology, and other areas that offer higher value-added opportunities.<sup>106</sup>

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<sup>104</sup> World Bank, 2025. [Costa Rica Country Brief](#).

<sup>105</sup> Alliance for Financial Inclusion (AFI), 2024. [Aiming to leave no one behind: Costa Rica's National Financial Inclusion Strategy takes shape](#).

<sup>106</sup> Alegria, 2024. [Latinoamérica Emprende: Un análisis de las MiPymes en la región](#).

MSMEs (*Micro, Pequeña y Mediana Empresa, or MIPYME*) in Costa Rica are officially classified and structured based on a combination of criteria, primarily the number of employees and gross annual sales. These classifications are defined by the Ministry of Economy, Industry, and Commerce (MEIC) and are used to determine eligibility for support programmes, tax treatment, and development initiatives.

**Table 6: Criteria used for MSME Classification in Costa Rica**

MSME Type	No. of Employees	Annual Sales (CRC)	Annual Sales (USD equivalent) (approx.)
Micro	0-5	< ₡150m	< \$210,000
Small	6-30	₡150m < ₡500m	~\$210,000 to ~\$910,000
Medium	31-100	₡500m < ₡2,300m	~\$910,000 to ~\$4.4m

Source: Ministry of Economy, Industry, and Commerce (MEIC)

(Values in colón (CRC) are periodically updated by MEIC based on inflation and economic conditions.)

According to the National Household Microenterprise Survey (*Encuesta Nacional de Microempresas de los Hogares, ENAMEH*) conducted by the National Institute of Statistics and Census (INEC) in 2021, Costa Rica is home to approximately 455,000 microenterprises. Among these, the agriculture, forestry, and fishing sectors collectively account for 13% of all productive ventures,<sup>107</sup> making them the third most prominent area of microenterprise activity, following commerce and services. These microenterprises are a significant source of employment across the country, generating around 740,000 jobs, which represents 37% of the national workforce. The survey also reveals that agri-food microenterprises tend to be small in scale and often family-run. Specifically, 38% are operated by a single individual, 21% by two people, and the remaining 40% by teams of three or more. Women represent 33% of those involved in these ventures, with an average age of 45. Many of these women reported entering the agricultural sector primarily due to family-related economic needs.<sup>108</sup>

While there is an established definition for MSMEs/MIPYME, Small and Medium-Sized Agricultural Producers (*Pequeños y Medianos Productores Agropecuarios, or PYMPA*) are categorised and defined through a distinct framework. This separate classification acknowledges the unique characteristics, economic conditions, and operational needs of agricultural producers, which differ significantly from those of general businesses in other sectors. Unlike the MSME/MIPYME definition, the PYMPA designation takes into account criteria specific to the agricultural sector, such as the size of land holdings, the type of agricultural activity, and the proportion of income derived from primary production. The Ministry of Agriculture and Livestock (MAG) is responsible

<sup>107</sup> INEC Costa Rica, 2021. [Encuesta Nacional de Microempresas de los Hogares 2021, Resultados generales.](#)

<sup>108</sup> Universidad de Costa Rica, 2022. [Las microempresas agrícolas son fuente de ingreso familiar.](#)

for overseeing the PYMPA system,<sup>109</sup> which includes a formal certification process to ensure that only qualified producers receive the associated legal recognition and support. This differentiation allows the government to tailor policies, subsidies, and development programmes more effectively, ensuring that small and medium agricultural producers receive targeted assistance that aligns with their specific realities, such as vulnerability to climate change, market access limitations, and rural development challenges. The PYMPA classification is part of a national strategy to support the agricultural sector, ensuring that producers who meet certain criteria can benefit from government programmes, tax incentives, and legal protections.

Despite these efforts to classify and support producers and MSMEs more precisely, microenterprises, particularly those within the agri-food sector, continue to face systemic barriers that hinder their stability and growth. Chief among these are difficulties accessing productive credit, a lack of adequate training and technical support, and burdensome bureaucratic procedures that complicate business operations. The INEC further notes that the sector is marked by high levels of informality, 57% of individuals engaged in independent agricultural work do so only occasionally, reflecting a fragile and inconsistent labour structure. Among youth-owned microenterprises, 84.4% were not registered with the National Registry, lacked formal accounting records, and did not provide social security coverage for the owner. These findings emphasise the ongoing need for targeted policies to support formalisation, financial inclusion, and technological adoption among microenterprises in Costa Rica.

In response to these challenges, the Costa Rican government, in collaboration with various institutions, has implemented numerous initiatives to support MSMEs. These efforts include providing access to financing, offering business development services, and promoting formalisation and digitalisation among enterprises. Such measures are essential for fostering a more inclusive and sustainable economic environment for MSMEs in Costa Rica.

## 4.2 Opportunities for agri-MSME development in Costa Rica

Thanks to the ongoing support of national policies, international cooperation, and rising consumer demand for healthy, traceable, and eco-friendly products,<sup>110</sup> MSMEs in Costa Rica's agri-food sector have several significant and growing opportunities, especially in areas aligned with sustainability, value addition, and market diversification. Below are the key areas:

**Sustainable agriculture:** Costa Rica's strong global reputation for environmental sustainability<sup>111</sup> gives MSMEs a competitive edge in organic farming, agroecology, and low-emission production. Programs supporting the green transition, such as carbon-neutral certifications and climate-smart agriculture, provide funding and technical assistance. The country's National Decarbonization Plan (PND 2018–2050) promotes climate-smart agriculture and low-emission farming practices<sup>112</sup>, and offers incentives and technical assistance for sustainable production, especially for MSMEs in rural areas. The National Organic Agriculture

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<sup>109</sup> Sistema Costarricense de Información Jurídica (SCIJ), 2013. [Sistema de Registro del Ministerio de Agricultura y Ganadería, para Certificar la condición de pequeño y mediano productor agropecuario \(PYMPA\)](#)

<sup>110</sup> International Institute for Sustainable Development (IISD), 2020. [Event Showcases Costa Rica's Efforts in Achieving Sustainable Economic Recovery from COVID-19.](#)

<sup>111</sup> UNEP, 2019. [Costa Rica: the 'living Eden' designing a template for a cleaner, carbon-free world.](#)

<sup>112</sup> Government of Costa Rica, 2019. [National Decarbonization Plan 2018-2050.](#)

Program (PNAO), facilitated by the MAG, supports MSMEs through certification, training, and access to organic markets. Complementing these efforts, the Green Growth Program, led by the Export Promotion Agency (PROCOMER), helps MSMEs transition to green business models by providing seed funding and technical support, including market insights, product differentiation, and sustainable production upgrades to boost innovation, competitiveness, and environmental efficiency. Costa Rica is currently aligning its agricultural regulations with the EU Green Deal, especially through its pioneering deforestation-free coffee initiative, preparation for the Deforestation-free Products Regulation, and the EU's recognition of Costa Rica as a low-risk producer.

**Value-added food processing:** There is strong potential for MSMEs to move beyond raw production into processing and packaging, such as fruit drying, artisanal cheeses, sauces, or snacks, which increases product value and opens up niche domestic and export markets. MAG provides capacity-building programmes to strengthen agro-industrial MSMEs by improving food processing, packaging, and marketing capabilities, and offers business development services and technical training to enhance value addition. INA, the National Learning Institute (*Instituto Nacional de Aprendizaje*) also provides capacity building and vocational training in food transformation, HACCP standards, and value-added product development.

**Export and market access:** Costa Rica has multiple trade agreements and is supported by PROCOMER, which offers training, matchmaking, and export readiness programmes tailored for agri-food MSMEs. High-value markets for products like coffee, cocoa, tropical fruits, and speciality foods are key targets. PROCOMER also offers tailored training for MSMEs, including the "*Creando Exportadores*" (Creating Exporters) and "*Descubre*", which equip agri-food MSMEs with market intelligence, training, and opportunities to participate in international trade fairs and e-commerce platforms.

**Innovation and digitalisation:** New technologies in agri-tech, such as precision farming, digital marketplaces, and blockchain for traceability, present opportunities to improve productivity and transparency. Public-private initiatives encourage digital inclusion of rural producers and cooperatives. The Digital Transformation Strategy for Agriculture, designed by the Inter-American Institute for Cooperation on Agriculture (IICA) and the MAG promotes the adoption of precision agriculture, digital farm management tools, and rural internet access. Another programme, "*Banca para el Desarrollo*" (Banking for Development), provides funding and guarantees for innovation-oriented agri-MSMEs.

**Rural and territorial development programmes:** National strategies, such as PRONAE (the National Employment Program) and regional development plans, support MSMEs in rural zones with training, funding, and technical support to integrate into value chains and reduce regional inequality. Through the Law for Regional Development (Ley No. 10.096), the country took a decisive step to reduce territorial imbalances<sup>113</sup> and support integrated value chain development for MSMEs in rural areas. Projects by the Rural Development Institute (*Instituto de Desarrollo Rural*, INDER) focus on territorial MSME clusters, productive infrastructure, and access to land and services.

**Gender and youth empowerment:** Targeted programmes support women- and youth-led MSMEs in agriculture through seed capital, business incubation, and training. This includes partnerships with INAMU

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<sup>113</sup> Mideplan, 2024. [Mideplan avanza en el cumplimiento de la ley 10096 para impulsar el desarrollo regional en Costa Rica.](#)

(Women's Institute) and international donors. The INAMU's National Program for Businesswomen (*Programa Nacional de Mujeres Empresarias*), for instance, supports women-led MSMEs in agriculture with seed funding, training, and market access and coordinates with the MEIC and INA for training and formalisation. Another programme by MAG and INDER specifically targeting young rural entrepreneurs provides training, mentoring, and startup support to youth-led agri-food MSMEs in rural zones.

**Tourism linkages:** MSMEs in the agri-food sector can tap into the growing agrotourism and gastronomic tourism markets, offering farm stays, local food experiences, and direct-to-consumer sales in tourist hubs. Programs such as the Certification for Sustainable Tourism, the National Tourism Development Plan, and the National Plan for Sustainable and Healthy Gastronomy encourage linkages between agri-food MSMEs and tourism.

### 4.3 Government policies, agencies, and initiatives supporting MSMEs in the agri-food sector

MSME development in Costa Rica is guided and regulated by a comprehensive and robust framework of laws, policy instruments, and strategic plans established over the past two decades to promote entrepreneurship, facilitate access to finance, encourage formalisation, and enhance the competitiveness of MSMEs across the country. Key instruments include:

- **Law No. 8262, 2002 – Law for the Strengthening of Small and Medium Enterprises (*Ley de Fortalecimiento de las Pequeñas y Medianas Empresas*):** This foundational legislation establishes the official definitions for MSMEs based on employment and annual sales and mandates the creation of national and regional support mechanisms. It also provides for the establishment of the *Registro PYME*, the official registry for MSMEs, and promotes access to technical assistance, financing, training, and market opportunities. When the operational regulations for Law 8262 took effect in 2012, several mechanisms were implemented to facilitate formalisation, including an MSME Registry, credit and guarantee schemes, technical assistance programmes, and mechanisms to improve SME participation in public procurement. MEIC regularly updates MSME classifications and implementation details through executive decrees, including the parameters (sales and employment) used to define MSMEs.
- **Law No. 8634, 2008 – Law on the Development Banking System (*Ley del Sistema de Banca para el Desarrollo, SBD*):** This Law created the Development Banking System (*Sistema de Banca para el Desarrollo*, or SBD) and serves as a key financial instrument to support micro and small enterprises by facilitating access to credit, guarantees, seed capital, technical assistance, and venture capital, particularly targeting entrepreneurs who have historically been excluded from traditional financial systems, such as women, youth, and those in rural areas.
- **National Entrepreneurship Policy 2030 (*Política Nacional de Empresariedad 2030*):** The Policy was launched in **2020** to strengthen the country's MSME and entrepreneurship ecosystem. This policy outlines strategic objectives, concrete actions, and governance mechanisms that align with and support the broader goals of the National Development Plan. Grounded in the Law for the Strengthening of Small and Medium Enterprises (Law No. 8262, adopted in 2002), the policy was developed by the Directorate General for SMEs within MEIC, with technical and financial support from the Inter-American Development Bank (IDB). The policy provides a detailed assessment of the strengths and challenges facing Costa Rica's entrepreneurial and MSME landscape and uses this analysis as the foundation for setting six strategic goals for 2030, guided by nine core principles. It reinforces the institutional framework established under

Law No. 8262, particularly highlighting the roles of MEIC and the Mixed Advisory Council on SMEs (*Consejo Asesor Mixto de la PYME*) in policy coordination and stakeholder engagement. Importantly, the policy also includes mechanisms for monitoring and evaluation, ensuring that its implementation remains transparent, results-oriented, and responsive to the evolving needs of the entrepreneurial sector.<sup>114</sup>

- **Law No. 10,512 (formerly No. 23.197) – Law of Incentives for the Formalisation and Development of MSMEs in Costa Rica (*Incentivos para la Formalización y Desarrollo de las MIPYMES en Costa Rica*):** The Law was approved by the Legislative Assembly in October 2023 with the aim to reduce informality and strengthen the competitiveness of MSMEs. The law introduces reforms to the simplified tax regime, offering tax benefits and reduced social security contributions to encourage informal businesses to register and formalise their operations.<sup>115</sup> It also enhances MSMEs' access to financing and technical assistance, enabling them to scale and integrate into broader value chains. Additionally, the legislation provides incentives to promote innovation within MSMEs, aiming to increase their productivity and competitiveness both domestically and internationally. Stakeholders interviewed for this report commented on this new legislation as a significant advance in creating a more inclusive and enabling environment for MSMEs in Costa Rica by addressing persistent barriers such as informality, limited financing, and constrained growth potential.<sup>116</sup>

Other notable policies, laws, and regulations include:

- **Law No. 9246, 2014 - Movable Asset Guarantees Law (*Ley de Garantías Mobiliarias*):** The Law modernizes the country's secured transactions framework by introducing a unified system for using movable assets as collateral. By broadening the types of acceptable collateral, the law facilitates access to formal credit, lowers transaction costs through a streamlined electronic registry, and increases legal certainty for lenders.<sup>117</sup> This encourages greater lending to MSMEs, especially to women, youth, and rural entrepreneurs, who are less likely to own immovable property.
- **Law No. 8220, 2002 – Law on Protecting Citizens from Excessive Red Tape (*Protección al Ciudadano del Exceso de Requisitos y Trámites Administrativos*):** This Law is aimed at protecting citizens from excessive bureaucracy and red tape by guaranteeing their right to information, fair treatment, and efficient public services. The law seeks to prevent administrative inefficiency and corruption, promote coordination among public entities, and ensure the efficient use of state resources, ultimately providing legal certainty to citizens. Amendments made in 2011 and operational regulations issued in 2012 strengthened the law by establishing the obligation of all public entities to provide clear and accessible information about their procedures, requirements, and processes, facilitating citizen compliance. Under the law, public institutions are prohibited from asking applicants to resubmit information already provided, whether for the same or a different procedure. Additionally, any legal obligation imposed on business owners must be based on a valid legal source, such as a law, executive decree, or regulation, and must be published in the Official Gazette, along with the detailed procedure. The law also reinforces

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<sup>114</sup> OECD, 2021. [SME and entrepreneurship policy frameworks across OECD countries: An OECD Strategy for SMEs and Entrepreneurship](#), OECD SME and Entrepreneurship Papers, No. 29, OECD Publishing, Paris.

<sup>115</sup> Article from Lavia, 2024. [Diputados aprueban ley que combate informalidad en MiPymes.](#)

<sup>116</sup> Asamblea Legislativa República de Costa Rica, 2025. [Estado del Proyecto de Ley 23.197.](#)

<sup>117</sup> Sistema Costarricense de Información Jurídica (SCIJ), 2018. [Régimen jurídico que tutela la garantía mobiliaria y su correspondiente publicidad mediante el Sistema de Garantías Mobiliarias, administrado por el Registro de Bienes Muebles.](#)

inter-agency coordination by requiring that if a public agency needs information that is held by another agency, it must obtain it directly from that agency rather than asking the applicant to provide it again.<sup>118</sup>

- **National Development and Public Investment Plan (PNDIP) 2023-2026:** The PNDIP includes MSMEs as a cross-cutting pillar in achieving inclusive economic growth. It aligns with national goals related to poverty reduction, employment, and regional development.
- **Public Procurement Law (*Ley de Contratación Pública*, No. 9986, 2021):** This law encourages the participation of MSMEs in public procurement processes by offering simplified procedures and quotas for small suppliers.
- **Financial Inclusion Strategy:** A financial inclusion strategy is currently being developed to enhance access to and usage of financial services across the country, with a particular focus on underserved groups such as microenterprises, women, youth, and the elderly. The strategy is a collaborative effort involving key institutions, including the General Superintendence of Financial Institutions (SUGEF), the Central Bank of Costa Rica (BCCR), and the MEIC. These entities are working together to establish a governance framework for the NFIS and to ensure its effective implementation. As of May 2025, the NFIS is in the early stages of implementation, with ongoing efforts to develop policies and programmes that promote financial inclusion and address existing gaps in the financial sector.<sup>119</sup>

In Costa Rica, several government institutions play key roles in supporting MSMEs through policy, funding, training, and technical assistance. The main institutions include:

- **Ministry of Economy, Industry, and Commerce, MEIC (*Ministerio de Economía, Industria y Comercio*):** MEIC is the principal public body responsible for formulating and coordinating MSME policies. It manages the SME Registry (*Registro PYME*), defines MSME classifications, and oversees programmes that support business development, formalisation, and competitiveness. The SME Registry allows MSMEs to register and access government programmes, financing, and training. While MEIC oversees MSME policies and business development, the **General Directorate for SME Support, DIGEPYME (*Dirección General de Apoyo a la Pequeña y Mediana Empresa*)** implements these policies.
- **Costa Rican Business Information System, SIEC (*Sistema de Información Empresarial Costarricense*):** SIEC is a centralised digital platform managed by MEIC, serving as the country's official business registry. Its main purpose is to centralise key data on businesses and entrepreneurs to support their growth and development, especially for MSMEs. Businesses can register through the SIEC website and access benefits designed for MSMEs, streamlining procedures and improving access to government support. The SIEC seeks to simplify administrative processes, enhance transparency, and provide reliable data for decision-making.<sup>120</sup>
- **Regional Centres for Support to Small and Medium Enterprises, CREAPYMES (*Centros Regionales de Apoyo a la Pequeña y Mediana Empresa*):** CREAPYMES are specialised support centres aimed at assisting MSMEs across the country. These centres provide guidance, resources, and services that help businesses integrate into national and international markets. Operating under the support and coordination of MEIC and in partnership with other public and private institutions, CREAPYMES serve as a critical part of the

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<sup>118</sup> ILO, 2014. [Policies for the formalisation of micro and small enterprises in Costa Rica](#).

<sup>119</sup> Alliance for Financial Inclusion (AFI), 2024. [Aiming to leave no one behind: Costa Rica's National Financial Inclusion Strategy takes shape](#).

<sup>120</sup> Sistema Costarricense de Información Jurídica (SCIJ), 2014. [Decreto Ejecutivo: 38733. Estímulo a la empresariedad para el fortalecimiento social y económico de las mujeres](#), Artículo 3.

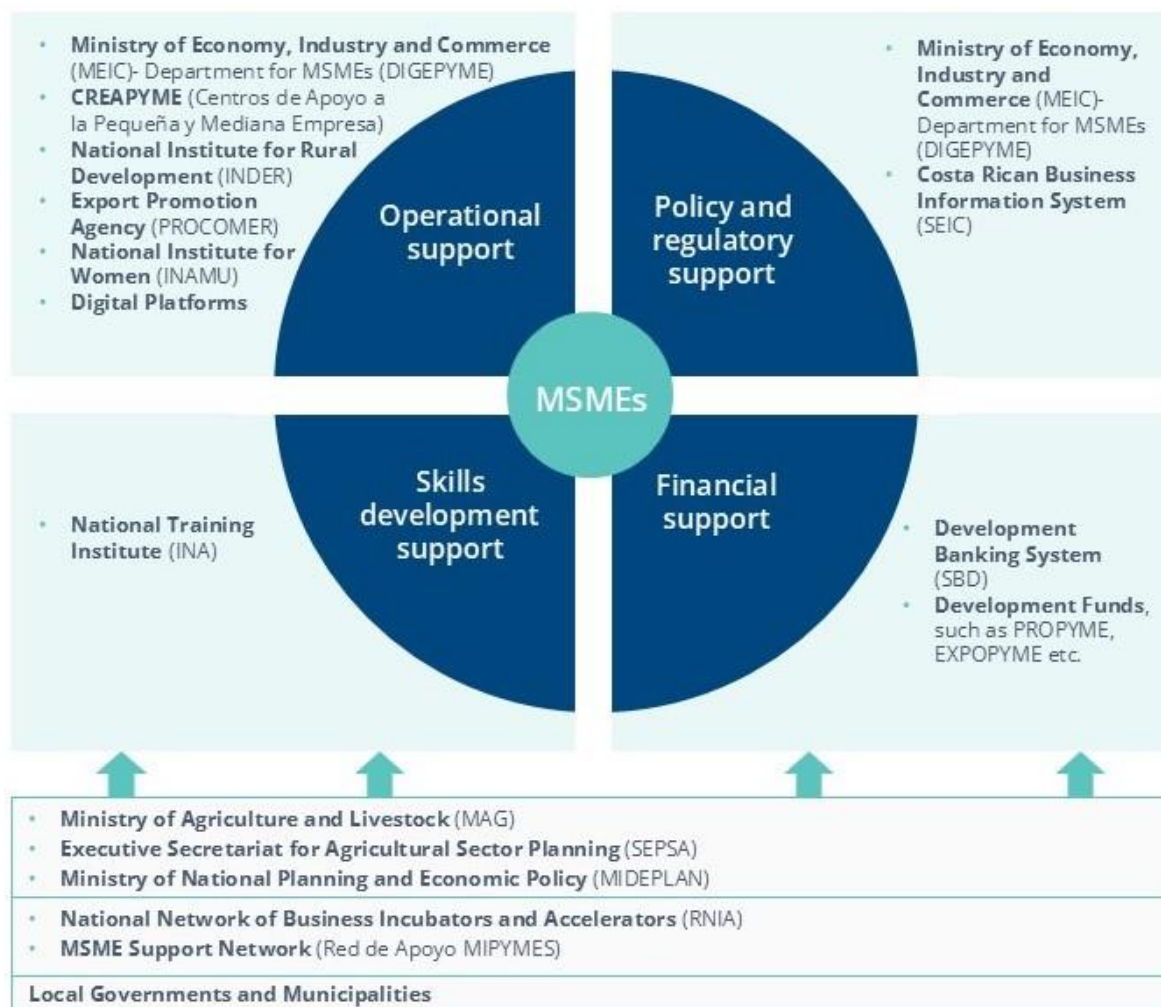
entrepreneurial ecosystem. There are four types of CREAPYMEs in Costa Rica, each serving different functions depending on their institutional base. Interinstitutional CREAPYMEs represent collaborative efforts involving several government agencies such as MEIC, the Ministry of Science, Technology and Telecommunications (MICITT), the National Learning Institute (INA), the Development Banking System (SBD), and the Foreign Trade Promoter (PROCOMER).

- **Development Banking System, SBD (*Sistema de Banca para el Desarrollo*):** SBD is a state-managed financial mechanism that facilitates access to credit and financial services for MSMEs, particularly those that are underserved by traditional banks. It works through a network of public and private financial institutions.
- **National Training Institute, INA (*Instituto Nacional de Aprendizaje*):** INA provides technical training and capacity-building programmes for entrepreneurs and MSME workers. It offers courses in business administration, marketing, accounting, and sector-specific skills, aiming to improve productivity and employability.
- **National Women's Institute, INAMU (*Instituto Nacional de las Mujeres*):** INAMU supports women-led MSMEs, especially in vulnerable areas, through gender-sensitive business training, seed capital programmes, and alliances with other state institutions.
- **Foreign Trade Promotion Agency, PROCOMER (*Promotora del Comercio Exterior de Costa Rica*):** PROCOMER assists export-ready MSMEs in accessing international markets through training, trade missions, export financing programmes, and technical support.
- **Ministry of Agriculture and Livestock, MAG (*Ministerio de Agricultura y Ganadería*):** MAG supports agricultural MSMEs and cooperatives, especially in rural areas, through technical assistance, innovation programmes, and access to markets. It also oversees the PYMPA (Small and Medium-Sized Agricultural Producers) system.
- **Rural Development Institute, INDER (*Instituto de Desarrollo Rural*):** INDER is a specialised technical body within the MAG and promotes the development of rural MSMEs through funding, land access programmes, and coordination with other institutions for integrated territorial development.
- **Executive Secretariat for Agricultural Sector Planning, SEPSA (*Secretaría Ejecutiva de Planificación Sectorial Agropecuaria*):** SEPSA is another specialised technical body within the MAG. Its primary responsibility is the planning and policy coordination of the country's agricultural and agri-food sector. Its main functions include formulating sectoral policies and action plans, coordinating efforts among public institutions, and monitoring the effectiveness of agricultural programmes. SEPSA also facilitates national and international collaboration, produces agro-economic analysis to inform decision-making, and supports rural development through the design and evaluation of public investment strategies.
- **The National Network of Business Incubators and Accelerators, RNIA (*Red Nacional de Incubadoras y Aceleradoras*):** RNIA is an initiative led by the MEIC. Its main responsibility is to strengthen the country's entrepreneurial ecosystem by coordinating and supporting a network of officially registered incubators and accelerators. RNIA provides comprehensive support to entrepreneurs and small businesses throughout the stages of business creation, development, and consolidation. This includes both financial and non-financial services such as training, mentorship, technical assistance, and access to networks and markets. The network also works to standardise and improve incubation and acceleration practices across the country, promoting the adoption of best practices among its members. Additionally, RNIA plays a key role in promoting the formalisation of businesses and helping entrepreneurs access national and international markets.

- Development Funds:** Several Funds have been implemented to promote access to credit and financial services for MSMEs. MEIC, together with the Development Banking System, provides a range of funds to support certified MSMEs in the country. Among these is the **PROPYME Fund** (*Programa de Apoyo a la Pequeña y Mediana Empresa*), which targets early-stage companies by offering seed capital for activities such as prototype development, market testing, and research. For businesses aiming to expand internationally, the **EXOPYME Fund** (*Exposición de Pequeñas y Medianas Empresas*) provides financing to MSMEs for participating in international trade fairs, adapting products for export, and enhancing export logistics. It is part of a broader strategy to integrate MSMEs into global value chains and foster their competitiveness in international markets. **FODEAGRO Fund** (*Fondo de Desarrollo Agropecuario*) provides financial assistance and promotes sustainable agricultural practices to small and medium-sized producers, thereby enhancing productivity and competitiveness within the sector. In addition to these, there are other specialised funds such as **the Innovation Fund, the Women Entrepreneurs Support Fund, and the Seed Capital for Sustainable Development**. These are specifically designed to support companies that integrate technology, sustainability, and diversity into their operational models.

These institutions often work collaboratively through national strategies or sectoral programmes to strengthen the MSME ecosystem and improve the formalisation of MSMEs (Figure 5).

Figure 5: Ecosystem of public institutions supporting agri-MSMEs in Costa Rica



Source: Author's elaboration based on interviews with experts at the Inter-American Development Bank and the Ministry of Economy, Industry, and Commerce (MEIC).

## 4.4 MSME formalisation efforts and impact

Costa Rica has implemented an effective policy framework that has successfully brought informality down to levels lower than those seen in most countries in Latin America and the Caribbean.<sup>121</sup> The country's approach centres on enhancing the competitiveness of MSMEs, encouraging them to formalise by lowering the barriers and costs associated with formal status. It also includes efforts to educate entrepreneurs about administrative procedures and support them in complying with legal requirements.

The "Law of Incentives for the Formalization and Development of MSMEs in Costa Rica" from 2023 is the first piece of legislation specifically aimed at promoting the formalisation of MSMEs. However, prior to its enactment, various policies and regulations already incorporated measures and incentives to support formalisation efforts. This broader policy framework laid important groundwork by fostering an environment in which MSMEs were increasingly informed about their obligations and equipped to meet administrative, labour, and tax requirements.

Obtaining MSME certification in Costa Rica provides a range of fiscal, operational, and financial benefits designed to promote the growth of these enterprises. One of the main advantages is access to tax incentives. Established under Law No. 9428, micro and small businesses benefit from an exemption from the annual corporate tax, significantly easing their financial obligations. Additionally, Law No. 9635 grants these businesses an exemption from value-added tax (VAT) on rental payments that fall below 1.5 times the minimum wage, helping to lower the cost of maintaining a workspace. In terms of income tax, newly established SMEs benefit from a graduated tax scheme designed to reduce the financial burden during their early stages. In their first year of operation, they pay 0% income tax, followed by 25% in the second year and 50% in the third year. Microenterprises also enjoy reduced fees for complying with health regulations. They pay only \$20 for health permits and receive discounts on health-related registrations, making regulatory compliance more accessible. To further support employment, the Costa Rican Social Security Fund (CCSS) allows microenterprises to pay a reduced rate of social security contributions during their first four years of operation. These contributions increase progressively each year, easing the transition into full compliance while encouraging formal hiring practices.<sup>122</sup>

Certified MSMEs also gain access to preferential financing options through the Development Banking System (*Sistema de Banca para el Desarrollo*). This includes eligibility for loans and seed capital programmes like Propyme and Expopyme, which are specifically designed to support innovation and the internationalisation of small businesses. In addition, certified MSMEs can access consulting, mentoring, and training services offered by MEIC and other partner institutions. These services cover key business areas such as administration, finance, marketing, and digitalisation, all aimed at supporting sustainable growth and strengthening business capacity.

To register the enterprise, the owner must fulfil a series of administrative and tax-related steps. The first requirement is registering with the Costa Rican Business Information System (SIEC) and maintaining active

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<sup>121</sup> Ferraro, C., Rojo, S., 2018. [Las MIPYMES en América Latina y el Caribe. Una agenda integrada para promover la productividad y la formalización](#). International Labour Organization (ILO), Oficina de la ILO para el Cono Sur de América Latina.

<sup>122</sup> J Gutierrez Consultores, 2024. PYME en Costa Rica: Requisitos, Beneficios y Procedimientos.

status in the SME Registry. This registration must be updated annually to ensure the certification remains valid. Since 2018, companies can submit their certification request online. The request must include the company's name, legal identification number, and the type of certification sought, whether as an MSME, entrepreneur, or national production entity.<sup>123</sup> Once the request is submitted, the MEIC processes the application and issues the certification within three business days. To retain access to the associated benefits, the certification must be renewed every four years and kept up to date. Once an MSME obtains certification, it is also eligible to participate in government contracts and public procurement processes. Registration forms are also accessible through the MEIC website.

A broad array of services is available to MSMEs and their business owners by providing essential information on formalisation processes and the various support programmes offered by public and private institutions. One key initiative was the website PYME.go.cr, a collaborative project between the MEIC and INA, with the backing of institutions that make up the MSME Support Network (*Red de Apoyo PYME*). This platform served as a central hub where entrepreneurs could access a wide range of programmes, tools, and services to help them launch or strengthen their businesses. It also provided critical information on administrative, labour, and tax obligations, including how to register a business, obtain an MSME certification, secure health permits, and register with both the national social security system (*Caja Costarricense de Seguro Social*) and the tax authority. As of the time of drafting this report, the website PYME.go.cr appeared to be inactive, and its contents could not be verified. The current official platform for MSME-related services and registration is hosted by the MEIC at meic.go.cr and SIEC.

The CREAPYME network (*Centros de Atención a la Pequeña y Mediana Empresa*) further complements these services by offering in-person support through a network of specialised business service centres across the country. With locations in regions such as Central, Brunca, Chorotega, Huetar Atlántica, Norte, and Central Pacific, CREAPYME operates about 25 service points. These centres assist entrepreneurs with formalisation processes and provide support in accessing financing, market opportunities, import and export procedures, production-related associations, and services related to technology, innovation, and business development.

The process of registration for Small and Medium-Sized Agricultural Producers (*Pequeños y Medianos Productores Agropecuarios*, or PYMPA) is slightly different. To qualify as a PYMPA, an individual or legal entity must be engaged in primary agricultural or livestock production activities. Additionally, they must own or use agricultural land that falls within specific size limits set by MAG. For example, in cattle farming using natural pasture, a small producer is one who works on up to 75 hectares, while a medium-sized producer may manage between 75 and 200 hectares. Another key requirement is that at least 60% of the producer's income must come from primary agricultural activities, and this must be declared under oath. The process to become a certified PYMPA involves registering through the official MAG website, completing an online form, and verifying the information at a local Agricultural Services Agency or Regional Directorate.<sup>124</sup> After receiving a confirmation code by text message or email, the applicant must sign the required sworn declaration. The certification is valid for one year and must be renewed annually to remain active. Being recognised as a PYMPA provides several benefits. These include tax relief, particularly through reduced property taxes on agricultural land, access to government support programmes aimed at improving productivity and

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<sup>123</sup> Sistema de Información Empresarial Costarricense (SIEC) website, 2025 available here: <https://www.siec.go.cr/DIGEPYME/>

<sup>124</sup> Ministerio de Agricultura y Ganadería, 2025. [Consulta Pública del Estado de Registro Persona Productora Agropecuario.](#)

sustainability, and legal protections under specific national laws.<sup>125</sup> The overall goal of the PYMPA classification is to strengthen the country's agricultural base by offering targeted support to small and medium producers who play a vital role in rural development and food security.

## 4.5 WoG approaches to MSME development in Costa Rica

Costa Rica's approach to MSME development lies in its comprehensive WoG strategy that integrates a wide range of laws, policies, and institutions. A notable aspect of Costa Rica's approach is its emphasis on inter-institutional coordination. The system involves multiple government bodies, such as the Ministry of Economy, Industry, and Commerce (MEIC) which leads the policy direction and coordination, primarily through its Directorate for Small and Medium Enterprises (DIGEPYME). MEIC designs and implements the National Entrepreneurship Policy, aligning it with the National Development Plan. DIGEPYME provides business development services, technical assistance, access to financing, and facilitates market entry. The Development Banking System (SBD) plays a key role by channelling funds and financial instruments through banks to MSMEs. Additional support comes from institutions like the National Learning Institute (INA) and the National Women's Institute (INAMU), which focus on capacity building and gender-sensitive support. PROCOMER helps MSMEs integrate into export markets and links them with global value chains. Through a range of development funds, including PROPYME and EXPOPYME, the government also ensures that MSMEs receive targeted support, from seed capital for startups to export promotion. Public universities and private organisations, including chambers of commerce and incubators, also participate in MSME development. Digital platforms such as "Yo Emprendedor" and "Impulso PYME" enable entrepreneurs to access resources and training online. Special programmes from INAMU ensure gender inclusion in MSME support. Coordination is facilitated through inter-agency committees and regular roundtables, often organised by MEIC, while a centralised MSME registry helps guide decision-making and resource allocation.

Inter-agency collaboration and coordination for the development of MSMEs is explicitly mandated by several policy and regulatory instruments. These frameworks are designed to avoid duplication of efforts, maximise resource efficiency, and streamline expenditures. One of the primary legal instruments is Law No. 8262, which puts special emphasis on inter-agency collaboration. The General Regulation to the Law further operationalises this mandate by establishing the "*Red de Apoyo a la PYME y al Emprendimiento (RED)*" (SME Support Network). This network serves as an inter-institutional coordination mechanism involving institutions or organisations represented in the Mixed Advisory Council for MSMEs, as well as all public institutions or private organisations that develop actions, programmes, and projects aimed at improving the ecosystem for MSMEs.<sup>126</sup>

The RED is mandated to coordinate intra- and inter-institutional actions for PYME support, assist MEIC in policy design, implementation, monitoring and evaluation, align financial and non-financial services with enterprise needs, serve as a technical consultation forum, share information for joint planning and evaluation, and formalise annual information reporting by all network members,<sup>127</sup> making it one of the country's main institutional mechanisms for breaking down policy silos in SME development.

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<sup>125</sup> Instituto Nacional de Aprendizaje, 2025. [Beneficios de acreditarse como un productor PYMPA](#).

<sup>126</sup> [Reglamento General a la Ley No. 8262 de Fortalecimiento de las Pequeñas y Medianas Empresas](#), 2006.

<sup>127</sup> Law No. 8262, 2002. [Law for Strengthening Small and Medium Enterprises \(Ley de Fortalecimiento de las Pequeñas y Medianas Empresas\)](#).

The National Development and Public Investment Plan (PNDIP) for 2023–2026 also plays a key role in promoting coordination. It includes cross-cutting strategies for MSME support and explicitly calls for joint action among key ministries such as the MEIC, the Ministry of Labour and Social Security (MTSS), the Ministry of Science, Innovation, Technology and Telecommunications (MICITT), and INA. The plan emphasises the importance of avoiding service overlap in areas such as training, financing, and entrepreneurship development.<sup>128</sup>

Additionally, Law No. 8634, which created the Development Banking System in 2008, is another key legal instrument. It focuses on facilitating access to credit and development funding for MSMEs and requires coordination between public banks, financial intermediaries, and non-financial institutions. The law emphasises inter-agency cooperation in the allocation and oversight of development funds targeting small business growth.<sup>129</sup>

Finally, Costa Rica participates in regional efforts to bolster MSME development. For instance, the country is involved in the initiatives led by the Regional Centre for the Promotion of MSMEs (Cenpromype) under the Central American Integration System (SICA). In April 2024, countries in the SICA region, including Costa Rica, convened the first meeting of an inter-institutional committee to support rural MSMEs. This committee focuses on intersectoral collaboration to enhance the resilience and growth of rural micro and small enterprises across Central America.<sup>130</sup>

## 4.6 Effectiveness of WoG approaches vis-à-vis sector outcomes

The MEIC plays an active role in monitoring the effectiveness of policies, laws, and regulations related to MSME development. This responsibility is part of the Ministry's broader mission to ensure that the country's institutional and regulatory frameworks effectively support the growth and sustainability of MSMEs. Through platforms such as the SIEC, the ministry collects quantitative insights into various aspects of MSME performance, including access to financing, levels of formalisation, innovation, and export potential. In addition to data analysis, MEIC engages in direct consultations with business chambers, academic institutions, and civil society. These participatory mechanisms, such as roundtables and working groups, allow the ministry to gather on-the-ground perspectives about the real-world impact of regulations and support programmes.

Monitoring and evaluation are carried out through quarterly, semi-annual, and annual reports requested by MIDEPLAN and the Ministry of Finance. These reports assess sectoral targets and outcomes of public interventions using methods such as videoconferences and document analysis. Additionally, the National Employment Agency (ANE), coordinated by MIDEPLAN, identifies strategic public interventions to be evaluated during the PNDIP period, including MSME programmes, ensuring systematic assessment of their

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<sup>128</sup> Ministerio de Planificación Nacional y Política Económica (MIDEPLAN), 2023. [Plan Nacional de Desarrollo e Inversión Pública 2023-2026](#).

<sup>129</sup> Ley No. 8634, 2008. [Sistema de Banca Para el Desarrollo](#)

<sup>130</sup> [Regional Center for the Promotion of MSMEs \(Cenpromype\)](#), 2025.

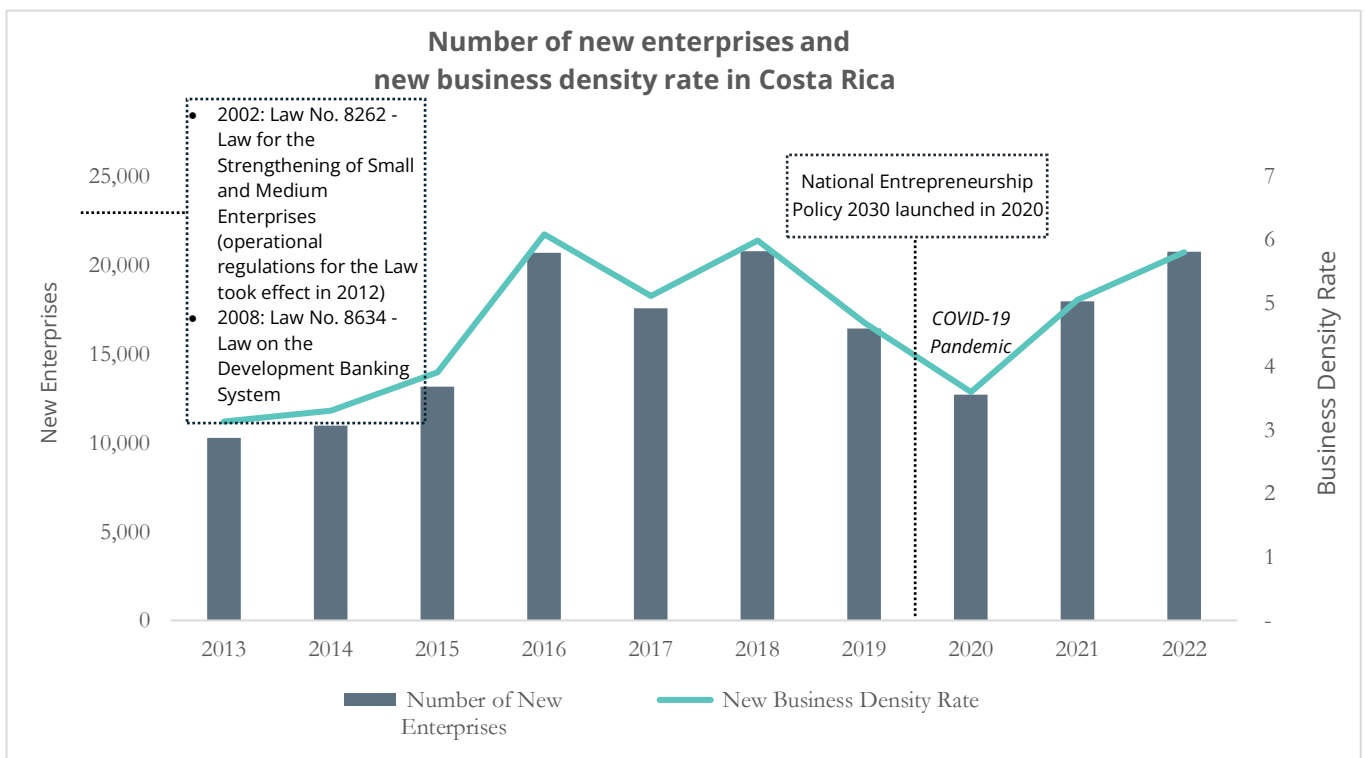
effectiveness. Other monitoring mechanisms include inter-institutional committees, institutional monitoring systems, internal tracking platforms, and databases.

According to a 2024 MEIC report, 27,552 MSMEs benefited from business support measures such as tax exemptions, staggered payments, discounts, training, preferential financing, and participation in trade fairs and business rounds. Access to these benefits requires MEIC MSME certification. In the same year, average formal employment reached 60.61%. Data from the Ministry of Labour and Social Security (MTSS) indicate a positive economic recovery, with higher employment and reduced unemployment and underemployment compared to the previous year. Underemployment fell from 4.1% to 3.4%, representing 144,057 fewer underemployed workers since 2022, while approximately 93% of job seekers found employment. In 2023, 11,958 individuals entered full-time employment. The country also surpassed its target for annual labour productivity per employed person, achieving 19.41 million colones versus a target of 19.29 million, reflecting improved labour efficiency, enhanced production, and better resource utilisation, driven by technological advances, process optimisation, and higher value-added output.

Data on the impact of government interventions targeting MSMEs on other sector outcomes, such as the number of new MSMEs registered in the agri-food sector (ideally before and after the rollout of specific programmes), MSME survival rates, and productivity improvements, were not made available. As a result, the author relied on available secondary data to draw indicative conclusions regarding the effectiveness of WoG interventions on sector performance.

The graph below presents the annual number of newly registered enterprises in Costa Rica from 2013 to 2022, using data from the World Bank Entrepreneurship Database. It is shown alongside major sectoral policy and institutional measures aimed at supporting MSMEs in the country.

**Figure 6: Number of new enterprises and business density in Costa Rica**



Source: Author's elaboration based on data from the [World Bank Entrepreneurship Database](#). Specific data on newly registered agriculture enterprises as a distinct category were unavailable. New business density in the World Bank Entrepreneurship Database is calculated by dividing the number of newly registered firms with limited liability by the country's working-age population (ages 15-64) per calendar year and then multiplying by 1,000.

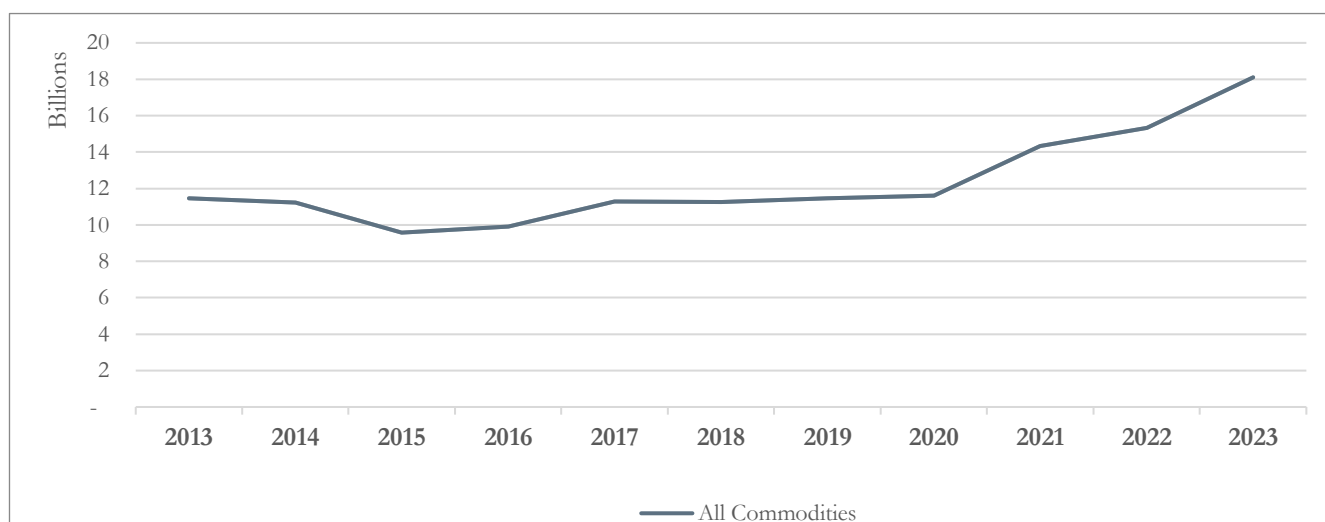
Between 2013 and 2022, Costa Rica experienced notable fluctuations in the number of registered businesses, with figures rising from 10,273 in 2013 to a peak of 20,758 in 2018, followed by a decline to 12,686 in 2020 and a subsequent recovery to 20,733 in 2022. These trends can be interpreted in the context of various policy, legal, and programmatic interventions aimed at supporting MSMEs. The implementation of Law No. 8262 in 2002 laid the foundation for MSME support by establishing official definitions and creating mechanisms such as the *Registro PYME*. The operationalisation of this law in 2012, including the introduction of credit schemes and technical assistance programmes, may have contributed to the initial increase in business registrations observed up to 2016. The enactment of Law No. 8634 in 2008, which established the Development Banking System (SBD), provided financial instruments to facilitate access to credit and technical assistance for MSMEs. This support may have further encouraged business creation, as reflected in the growth of registered enterprises during this period.

The National Entrepreneurship Policy 2030, launched in 2020, aimed to strengthen the MSME ecosystem through strategic objectives and governance mechanisms. Although the policy's introduction coincided with a decline in business registrations in 2020, this downturn can be attributed to the broader economic impact of the COVID-19 pandemic. The subsequent recovery in registrations by 2022 could be interpreted as a positive response to the policy's implementation and other supportive measures, but it may also simply reflect a return to normal levels as part of a broader business cycle, with registrations roughly back to 2016 levels.

The more recent reforms to the MSME policy landscape, such as Law No. 10,512 - Law of Incentives for the Formalisation and Development of MSMEs in Costa Rica, or the new Financial Inclusion Strategy, may lead to higher rates of formalisation and growth among MSMEs if they are implemented effectively. Law No. 10,512 introduces tax and social security incentives that lower the cost of formalisation, making it more attractive for informal businesses to register. It also enhances access to financing and promotes innovation, which may help small agri-food enterprises and other MSMEs grow and integrate into value chains. The new Financial Inclusion Strategy aims to improve access to financial services for traditionally excluded groups, such as rural entrepreneurs and women-led businesses. This could increase business viability and encourage more start-ups.

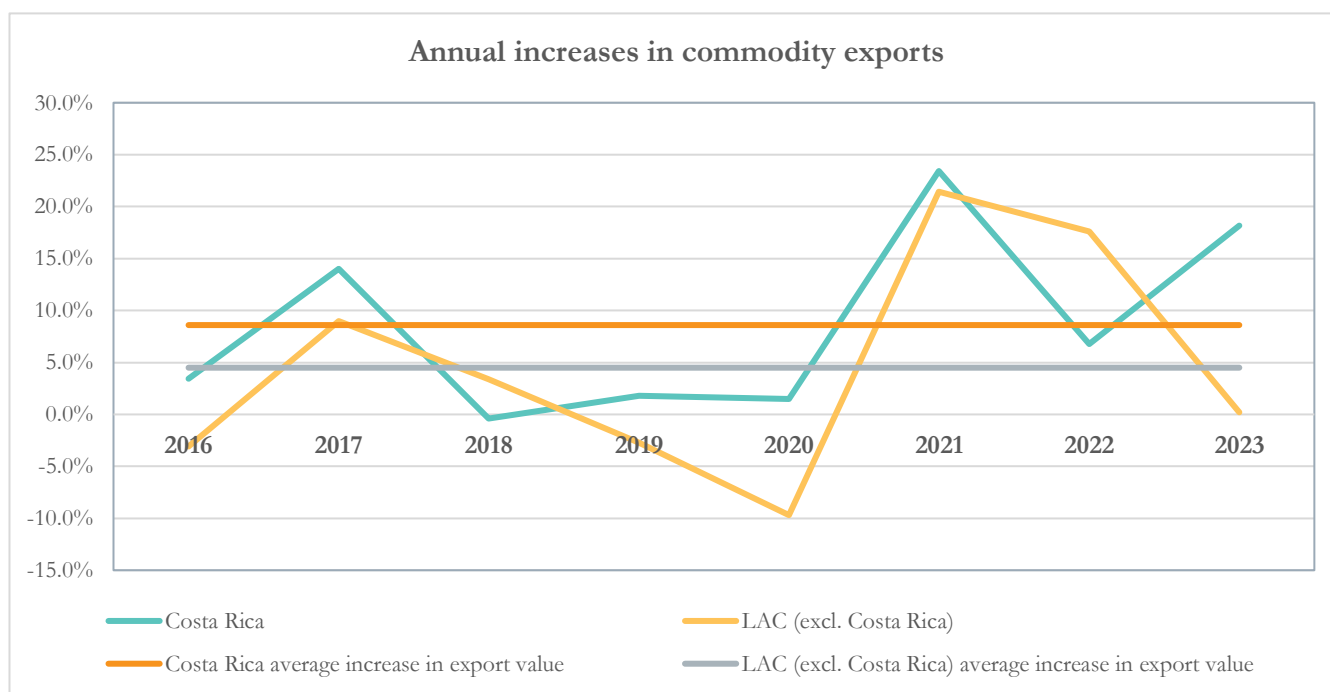
Figure 7 analyses Costa Rica's total export value of all commodities from 2013 to 2023. Over this period, the total value of all exports increased substantially, especially after 2019, rising from around \$12 billion to \$18 billion in 2023. This reflects a strong upward trend in the country's overall export performance. During the years 2016-2023, exports in Costa Rica grew by 8.6%, a rate that significantly outpaces the average export growth of just 4.5% in the rest of the Latin America and Caribbean (LAC) region, according to UN Comtrade data (Figure 8). This suggests a relatively strong performance by Costa Rica in expanding its export base compared to regional peers.

**Figure 7: Value of all export commodities in Costa Rica**



Source: Author's elaboration based on [UN Comtrade data](#).

**Figure 8: Annual commodity export increases in Costa Rica and the LAC region**



Source: Author's elaboration based on [UN Comtrade data](#).

This pattern can be better understood in the context of Costa Rica's policies and institutional interventions aimed at strengthening MSMEs, particularly those with export potential. Costa Rica promotes export diversification and value addition through strategic programmes delivered by institutions such as PROCOMER. Programs like "Creando Exportadores" and "Descubre" have supported agri-food and other MSMEs in developing export capacity, accessing international markets, and participating in trade fairs and e-commerce platforms.

According to government officials and IADB experts, these initiatives have enabled MSMEs to enter higher-value and niche markets, particularly in coffee, cocoa, tropical fruits, and speciality foods. Taking a closer look at exports of bananas (HS Code: 0803), other tropical fruits (HS Code: 0804), and coffee (HS Code: 0901), Costa Rica's top three agricultural export commodities, the data shows that these products have seen relatively stable export levels with only modest growth. At the same time, the overall export value of Costa Rica's products has increased substantially between 2013 and 2023, rising from around \$12 billion to \$18 billion. This indicates that diversification into higher-value and niche products by MSMEs is contributing to a broader expansion of the export base, complementing traditional commodities. Overall, Costa Rica's focus on value addition, capacity-building, financing, and export readiness has supported a more dynamic and diversified export economy, highlighting the impact of its holistic MSME development strategy and its commitment to building a more inclusive and competitive trade environment.

In sum, the data suggest that the establishment and enhancement of legal and financial frameworks supporting MSMEs may have played a role in accelerating new enterprise registrations and exports in Costa Rica. However, as described in the previous chapters, attributing sector outcomes directly to specific policy or regulatory measures is inherently challenging. The interplay of multiple policies, external economic factors, and broader institutional dynamics makes it difficult to isolate the impact of any single measure on MSME development. Additionally, there is often a time lag between policy implementation and observable outcomes, and policies may be influenced by or overlap with other reforms or programmes. As a result, while correlations can be observed, establishing clear causal relationships requires rigorous, long-term evaluation and data analysis.

## 4.7 Key findings and lessons from Costa Rica

**MSMEs are a cornerstone of Costa Rica's economy, accounting for over 97% of all businesses and contributing significantly to employment.** In the agri-food sector, MSMEs are vital to rural development and employment, yet many operate informally and face persistent barriers, including limited access to credit, training, and markets. To address these challenges, Costa Rica has established a strong policy and regulatory framework that promotes financial inclusion, capacity building, formalisation, and innovation. Notably, the 2023 Law on Incentives for MSME Formalisation and Development seeks to reduce informality and strengthen competitiveness.

**Targeted initiatives support agri-MSMEs in key areas, including sustainable agriculture, value-added processing, digital transformation, export readiness, and rural development.** Institutions such as PROCOMER, INA, INDER, and INAMU work in close coordination with MEIC and MAG to provide training, market access, and financial support tailored to the needs of these enterprises. While significant progress has been made, ongoing challenges, including informality, financing gaps, and limited technical capacity, underscore the need for sustained, inclusive policy action.

**Costa Rica demonstrates several core elements of a WoG approach in supporting MSMEs, particularly in strategic vision, strong institutional coordination, shared data systems, robust stakeholder engagement, and accountability mechanisms.** A notable feature is the institutionalisation of coordination through mechanisms such as the Red de Apoyo a la PYME y al Emprendimiento (RED), which formalises collaboration across public institutions and private actors. This networked approach, anchored in MEIC and

supported by advisory councils and inter-agency platforms, facilitates joint planning, information sharing, and policy implementation, highlighting the importance of legally mandated coordination structures.

**Another key strength lies in the use of unified certification systems, such as MIPYME and PYMPA, which create a common framework for identifying and supporting MSMEs across government programmes.** These systems enable different institutions to target the same enterprises using shared criteria, improving coordination in the delivery of incentives, finance, training, and regulatory services.

Similarly, Costa Rica’s approach to export promotion reflects a high degree of functional integration, aligning trade policy (through PROCOMER), agricultural development (MAG), enterprise support (MEIC), and skills training (INA) to support MSMEs in accessing international markets.

**Digitalisation also plays an important role in enhancing policy coherence and reducing administrative burdens.** Integrated platforms such as the Business Information System (SIEC) and the Single Window for Foreign Trade (VUCE) streamline procedures across multiple agencies, demonstrating how coordinated digital tools can simplify processes and improve MSME access to services.

**At the same time, some elements of the WoG approach remain only partially developed.** Financial integration across institutions is still limited, with funding streams often managed separately despite existing coordination frameworks. Similarly, capacity-building efforts for public sector staff and shared learning mechanisms tend to be programme-based rather than system-wide, and data systems, while relatively advanced, are not yet fully interoperable. Persistent challenges, including informality, financing gaps, and capacity constraints in rural areas, highlight the need for continued efforts to strengthen these areas.

Overall, Costa Rica’s experience shows that an effective WoG approach relies on a combination of strong legal foundations, institutionalised coordination, integrated service delivery mechanisms, and continuous stakeholder engagement. While important building blocks are firmly in place, further progress in integrating financial systems, strengthening cross-government learning, and enhancing data interoperability will be key to consolidating a fully comprehensive WoG model. These lessons offer valuable insights for other countries seeking to design more coherent, inclusive, and effective MSME support systems, particularly in the agri-food sector.

**Table 7: Implementation status of WoG framework in Costa Rica**

WoG framework element	Level of implementation in Costa Rica
Strategic vision and 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

<b>Shared data and info systems</b>	Moderately implemented; centralised platforms like SIEC and MEIC systems are in use but not fully integrated
<b>Capacity building and shared learning</b>	Present in projects, not system-wide
<b>Accountability and performance measurement</b>	Integrated into national M&E systems, led by MIDEPLAN
<b>Stakeholder engagement and communication</b>	Strong, regular consultation with private sector, academia, and civil society
<b>Legal and regulatory frameworks</b>	Comprehensive and actively updated, key laws support WoG and MSME development

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

**Table 8: Key features of Costa Rica's WoG approach to MSME development**

<b>Feature</b>	<b>Kenya</b>
<b>Main drivers</b>	High MSME informality, inequality and rural poverty, limited financial inclusion, need to improve productivity and competitiveness, especially in agri-food MSMEs.
<b>Policy focus that triggered WoG</b>	National Entrepreneurship Policy 2030, Law No. 8262 (Strengthening of SMEs), integration of MSMEs as a cross-cutting pillar in the National Development and Public Investment Plan (PNDIP 2023–2026).
<b>Institutional leader</b>	Ministry of Economy, Industry and Commerce (MEIC), Directorate for SME Support (DIGEPYME)
<b>Key coordinating hub</b>	Red de Apoyo a la PYME y al Emprendimiento (RED), Mixed Advisory Council on SMEs.
<b>Main policy engines</b>	Law No. 8262 (SMEs Law), Law No. 8634 (Development Banking System), National Entrepreneurship Policy 2030, Law No. 10,512 (Formalisation Law, 2023), National Development and Public Investment Plan (PNDIP).

<b>Accountability mechanisms</b>	National M&E system led by MIDEPLAN, quarterly and annual reporting, institutional monitoring platforms, SIEC registry; inter-agency committees.
<b>Other success factors</b>	Strong legal framework, institutionalised coordination, centralised MSME registry (SIEC), unified certification systems (MIPYME & PYMPA), robust export promotion (PROCOMER), strong stakeholder engagement.
<b>Problems and limitations</b>	Fragmented financial integration, limited shared learning systems, uneven interoperability of data platforms, persistent informality in microenterprises, capacity gaps in rural areas

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## 5. Recommendations

MSMEs are the backbone of economies worldwide, playing a critical role in driving innovation, generating employment, fostering inclusive growth, and supporting resilience across sectors, particularly in low- and middle-income countries. In the agri-food sector, MSMEs play critical roles in production, processing, distribution, and retail. However, many face systemic challenges, including limited access to finance, markets, infrastructure, and skills development opportunities. Moreover, a significant proportion operate informally, outside legal and regulatory frameworks, which restricts their growth and access to public support.

Tackling these challenges requires more than fragmented or one-off policy measures. Through a WoG approach, governments can align efforts across ministries, agencies, and levels of government. This means harmonising policies, streamlining regulatory procedures, and integrating financial, technical, and institutional support systems to create a more enabling environment for MSMEs. By fostering greater inter-agency collaboration and policy coherence, a WoG strategy can unlock the full potential of agri-food MSMEs, promoting formalisation, stimulating innovation, enhancing resilience, and ultimately driving inclusive and sustainable food system transformation.

Based on the findings of this research, insights from literature reviews, and lessons from stakeholder consultations in Kenya and Costa Rica, the following strategies are proposed to strengthen support for agri-food MSMEs through a WoG approach:

### **1. Establish a clear strategic vision, strong political leadership, and central coordination:**

Governments may define a clear, long-term strategic vision for MSME development in the agri-food sector and seek to ensure it is supported by political leadership at the highest level. A formal mandate from senior leadership (such as a minister, head of government, or cabinet) may help prioritise this agenda across relevant institutions. This vision may be operationalised through a central coordinating body or inter-ministerial committee tasked with aligning policies, facilitating collaboration, avoiding duplication, and encouraging all actors to work toward shared goals. The strategic vision may integrate agriculture, trade, finance, industry, education, environment, and research, and be linked to national plans for food security, nutrition, climate change, rural development, and sustainable growth.

Experiences from Kenya and Costa Rica illustrate how such a vision can be institutionalised. In Kenya, elevating MSMEs within national development, through the creation of a dedicated ministry and alignment with Vision 2030 and broader economic transformation agendas, has helped position the sector as a central pillar of growth. Similarly, Costa Rica's National Entrepreneurship Policy 2030, grounded in its MSME legal framework, provides a long-term strategic direction while positioning the Ministry of Economy, Industry, and Commerce as a central coordinating authority across sectors.

- ### **2. Strengthen institutional coordination mechanisms:**
- Governments may establish or reinforce inter-agency coordination mechanisms, such as steering committees, task forces, or working groups, supported by clear mandates and division of responsibilities. Coordination may take place both horizontally (across ministries and agencies) and vertically (between national, regional, and local governments). Decentralised authorities may be empowered to implement MSME programmes, supported by trained local staff such as agricultural extension officers and business advisors, to enhance

responsiveness to local realities and rural needs. For instance, a policy or programme that promotes innovation in crop production, food processing, and supply chain management, specifically tailored to MSMEs' needs, might involve the Ministry of Agriculture, Trade, Commerce and Industry, Economic Development, Education, and Environment, and is possibly developed in collaboration with MSME associations or agri-food industry associations that meet regularly to collaborate on shared outcomes. Collaboration and coordination across agencies can be challenging when ministries have different priorities, agendas, and ways of working.<sup>131</sup> Clearly defined roles and responsibilities are therefore important to avoid duplication or conflicting mandates.

Country experiences highlight both progress and remaining challenges. In Kenya, coordination has historically been fragmented, but is gradually becoming more structured through formal platforms that bring together ministries, regulators, and private-sector actors, alongside dedicated coordination functions within the MSME administration. In contrast, Costa Rica has institutionalised coordination more formally through mechanisms such as its SME Support Network, established in law, which convenes multiple public institutions and private stakeholders for joint planning, consultation, and implementation.

- 3. Streamline, pool, and coordinate financial resources:** Governments may promote pooled and coordinated funding mechanisms to encourage agencies to co-finance shared initiatives. Program-based and results-based budgeting may help link financial resources to cross-cutting outcomes rather than isolated agency outputs. Financial systems may also provide flexibility to reallocate resources in response to shocks, such as climate events, food crises, or market disruptions.

In practice, however, achieving this level of financial integration remains challenging. In both Kenya and Costa Rica, public financing for MSME development is still largely managed through separate institutional channels, with limited pooling of resources or joint budgeting across agencies. While mechanisms exist to mobilise and channel funding, coordination tends to occur more at the policy level than through fully integrated financing structures. This can lead to parallel interventions and reduce the overall coherence of support. These experiences suggest that, although important building blocks are in place, more systematic approaches to aligning budgets and co-financing programmes are needed to fully realise a WoG approach.

- 4. Develop shared data and information systems:** Governments may invest in integrated, interoperable data platforms shared across ministries and levels of government. A unified MSME database may help track firm characteristics, needs, service uptake, and programme impacts. Real-time data collection and analysis may support evidence-based policymaking, early identification of emerging challenges, and adaptive policy responses. Common data standards, data-sharing agreements, and privacy safeguards may further strengthen trust and the effective use of information.

While many countries still face challenges in this area, emerging practices highlight the importance of centralised systems. Also, Kenya and Costa Rica demonstrate different stages of progress in this area. Kenya is strengthening its MSME data infrastructure through national registration systems and policy monitoring tools, although challenges remain in interoperability and system integration. Costa Rica, by contrast, has developed a more consolidated approach through centralised digital platforms and an

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<sup>131</sup> UNDP, 2024. [Food Systems Transformation: A Whole of Government Approach to Drive Change](#).

official SME registry, which streamlines access to services while providing policymakers with reliable, real-time data for planning and resource allocation.

- 5. Invest in capacity building and shared learning:** Governments may strengthen institutional capacity through cross-training, joint learning activities, and knowledge-sharing platforms. Capacity-building efforts may focus on both individual skills (e.g., data analysis, digital tools, programme design) and institutional capabilities, including new procedures, guidelines, and delivery models that support WoG implementation.

In practice, however, these efforts are often not systematised. In both Kenya and Costa Rica, training and technical support for public officials exist, but they are typically fragmented and programme-based, rather than designed to build sustained, cross-government capabilities. While important building blocks are in place, both countries would benefit from more institutionalised approaches to joint learning, including continuous cross-agency training and knowledge-sharing platforms.

- 6. Enhance accountability and performance measurement:** Governments may establish joint monitoring and evaluation frameworks with shared indicators and integrated dashboards to track progress toward common outcomes, such as MSME growth, productivity, innovation, market access, formalisation, and sustainability. Incentive structures and binding mechanisms - such as performance contracts, budget incentives, or legal mandates - may be used to encourage institutions to remain focused on results.

Country experiences suggest that embedding accountability within policy frameworks is critical. In Kenya, progress has been made through policy indices, national development plans, and emerging monitoring systems, although further integration is still needed. Costa Rica has embedded monitoring and evaluation more systematically within its national entrepreneurship policy and development planning framework, supported by data systems that enable continuous tracking of MSME performance and policy outcomes.

- 7. Promote inclusive stakeholder engagement and local participation:** Governments may actively engage MSMEs, farmers, processors, cooperatives, business associations, agri-tech startups, civil society, development partners, and private investors throughout policy design and implementation. Regular consultations and feedback mechanisms may be institutionalised, and subnational governments may play an important role in ensuring that programmes reflect local needs and constraints.

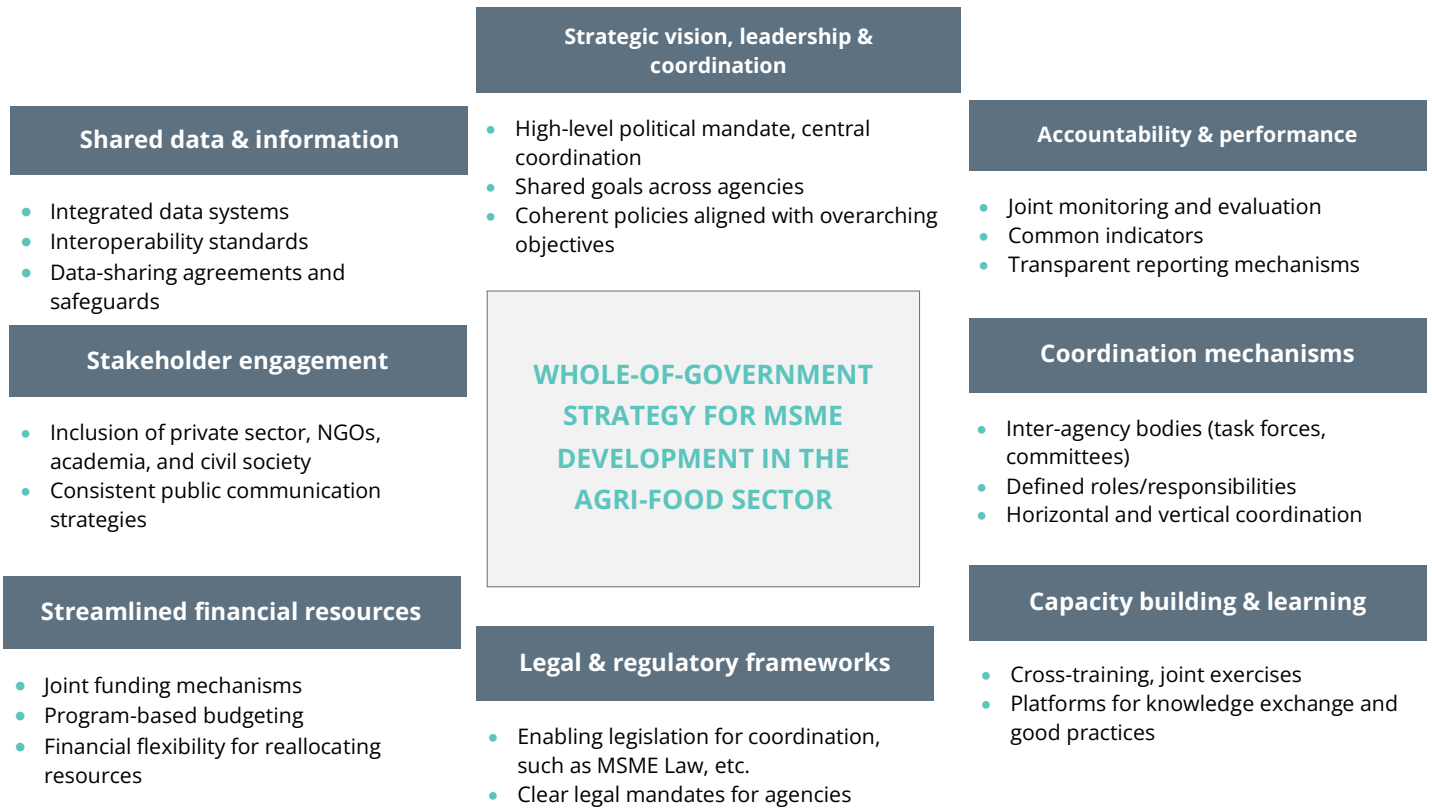
Both Kenya and Costa Rica highlight the importance of structured engagement. In Kenya, stakeholder participation has been strengthened through public-private dialogue platforms, policy consultations, and collaboration with business associations and county governments. In Costa Rica, engagement is more formally embedded within the institutional framework, with advisory councils, regional support centres, and digital platforms facilitating continuous interaction between MSMEs and public institutions.

- 8. Strengthen legal and regulatory frameworks:** Finally, governments may establish or update legal frameworks - such as an MSME law and accompanying regulations for its implementation, digital governance policies, and inter-agency regulations - that enable collaboration, data sharing, and joint financing. These frameworks may clarify mandates, roles, data governance arrangements, and accountability mechanisms, providing a supportive legal basis for WoG approaches. (Figure 9).

Kenya and Costa Rica underscore the importance of a strong legal foundation. Kenya has progressively updated its MSME framework to expand coverage, promote formalisation, and support innovation, alongside newer initiatives on startups and financial inclusion, some of which are still under development

or are pending legal adoption. Costa Rica, in contrast, has established a more comprehensive and consolidated legal ecosystem, combining its core MSME law with legislation on development banking, formalisation incentives, administrative simplification, and access to credit. Together, these frameworks help reduce barriers, enhance coordination, and support the long-term development of MSMEs.

**Figure 9: Key elements of a whole-of-government approach**



Source: Author's elaboration

Ultimately, a WoG approach is not merely about coordination, avoiding duplication, or streamlining financing. Rather, it is a comprehensive strategy that brings together strategic vision, institutional mechanisms, financial systems, data sharing, capacity building, accountability, stakeholder engagement, and enabling legal frameworks. It entails active, joint efforts by government entities to co-design, co-implement, and co-own initiatives, programmes, and policies. Success requires more than structural alignment; it demands a shift in institutional culture, appropriate incentives, and sustained political will and leadership. When backed by strong institutions, adequate resources, and an outcomes-oriented mindset, a WoG approach becomes a powerful tool for holistically addressing the complex challenges faced by MSMEs in the agri-food sector.

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