

Understanding models of technical assistance

November 2019



A FRAMEWORK TO ANALYSE THE OBJECTIVES, APPROACHES, AND VALUE OF TA FACILITIES SUPPORTING AGRICULTURAL INVESTMENT FUNDS IN AFRICA

CONTEXT

Technical assistance (TA) is a valuable tool that can benefit investors, companies, producers and consumers alike. However, quantifying and comparing the value of TA is notoriously difficult as it comprises of different models, approaches and types of projects, each with different methodologies for tracking costs and measuring impact.

In early 2019, CDC commissioned TechnoServe to conduct a study on a small sample of peer technical assistance facilities linked to agriculture investment funds operating in sub-Saharan Africa [1]. The research sample included 10 post-investment TA facilities together deploying over \$100M in TA funding. This small sample was selected for the purposes of an internal peer review of approaches, costs and impact, and representative of a mix of different types of TA provision.

TechnoServe used a combination of primary and secondary research and held a final workshop in April 2019 to present findings. While the limited sample implies that further data collection is required to present a more comprehensive discussion about value for money, the analysis did yield a framework for classifying TA approaches that will facilitate this follow-on work.



This study was commissioned by CDC Plus, with funding from UK's Department for International Development (DFID). CDC Plus is CDC's technical and support facility, which aims to make a lasting difference to the lives of under-served groups.



ABOVE: A worker conducting soil tests for an agro-inputs company in Malawi that received inclusive business support from the African Agriculture Fund TA Facility (TechnoServe)

FINDINGS

TA FACILITY COST STRUCTURES

In the sample, TA funding represented about 4-7% of the overall size of the agriculture investment funds, meaning a \$50M fund might have a TA facility of \$2M to \$3.5M. Currently, TA facilities often do not delineate between TA management costs vs. TA delivery or track the costs of different TA project types [2]. By deliberately parsing out the costs, this study found that to date 45% of total TA spend is allocated to core business development services (BDS), and 55% to inclusive development TA aimed to improve Bottom of the Pyramid (BoP) [3] livelihoods related to the business (Figure 2). Furthermore, on average, TA management costs accounted for just over 20% of the total TA facility spend.

- (1) The sample of this study consists of a) Core business facilities: Acumen, Africa Agriculture & Trade Investment Fund (secondary research only), Fund for Agricultural Finance in Nigeria, AgDevco and Injaro Agricultural Capital Holdings, b) Inclusive business facilities: AgDevCo's Smallholder Development Unit, and c) Hybrid facilities: IDH Farmfit, Incofin Farmer Access Fund, 2SCALE, African Agriculture Fund TAF, and IDH Land Degradation Neutrality Fund TAF.
- (2) TA management costs included scoping and programme design, project oversight and reporting, operational costs, monitoring and evaluation, communication and learning, audits and financial management. TA delivery costs consisted of diagnostics and project design, ongoing advisory (either in-house or via external consultants), TA implementation projects (either in-house or via external consultants), and learning projects.

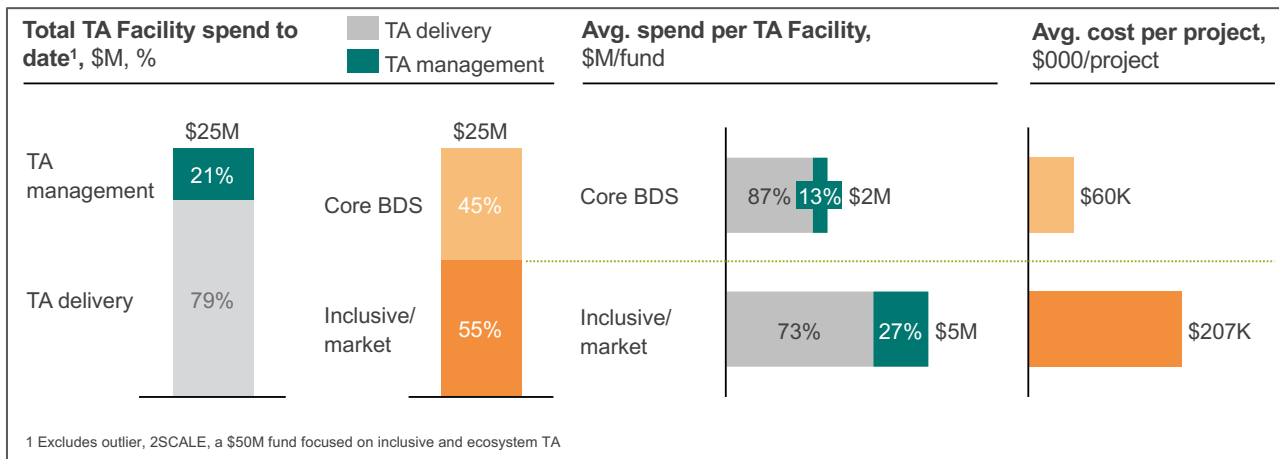


Figure 1. Cost structure by TA type

As highlighted in the figure above, our findings showed that core BDS facilities are typically smaller at an average of \$2 million per fund, and have a lower cost per project and a lower management fee. Inclusive and value chain development TA facilities are often larger at an average of \$5 million per fund, and have higher costs per project and higher management fees. Interview respondents cited that TA management costs included scoping and programme design, project oversight and reporting, operational costs, monitoring and evaluation, communication and learning, audits and financial management.

TA FACILITY IMPACT MEASUREMENT Output/ Intermediary Outcome level

Most TA facilities in the sample track a set of output-level indicators such as **participants reached** (i.e. number of people in a TA programme), **revenue generated** as a result, and/or **costs reduced** for these participants.

From the small sample we found that total revenue generated from inclusive TA support to the BoP is higher than the core BDS TA given the higher number of participants. However, when counting for the average revenue *per* participant, core BDS TA yields a higher return [4]. The reason for this is simply because an SME's baseline revenue is already much higher than a BoP participant. Additionally, revenue increases for inclusive TA participants can take longer to materialise and be harder and more expensive to measure.

Assessing the value for money of TA facilities at the output level is difficult because costs and output indicators are not typically disaggregated by target beneficiary group; currently, most TA facilities in the

sample do not disaggregate costs by TA type (i.e. inclusive vs. core BDS). Given the findings related to the justifiable difference between SME and BoP uplift, it is important that these are reported and compared separately [5].

Outcome/ Impact level

Ideally, TA facilities should also measure a consistent set of outcome-level economic indicators including **beneficiaries reached** (i.e. those experiencing financial benefits) and the **incremental net income achieved** from the TA intervention (i.e. revenue minus input costs, compared before and after the intervention).

Currently, only three of the TA facilities in the sample tracked SME or BoP incremental net incomes generated—and only one TA facility had tracked attributable impact (i.e. impact directly associated with TA provided). This limitation prevented the study from comparing benefits across TA facilities at outcome level and also highlighted the major challenge TA managers face in measuring and reporting this level of data.

REFLECTIONS

While many players acknowledge the need to more accurately and transparently capture the economic value of TA facilities, it is difficult to do so without comparable TA project types and alignment on associated cost and impact metrics. Many of the TA facilities participating in the sample are still in progress—and some are just starting — so it is a good time for TA facilities, donors, and investors to think critically about how to establish and improve systems to assess relative impact.

- (3) The BoP is defined as those people that earn less than \$8 per day. They can be consumers, entrepreneurs or producers. Because they are largely excluded from formal markets, there is a strong demand for innovative products, services and technologies that provide access to basic needs.
- (4) 'Participants' refer to any employee or farmer being supported directly by the investment and TA, whether they are financially benefited or not.
- (5) An uplift for SME is defined as an enterprise level positive change in income, (i.e. additional sales revenues, cost reduction), whereas for BoP, an uplift is described as increased individual income (i.e. additional sales revenues, cost reduction), as a result of investment linkages and/or technical assistance.

RECOMMENDATIONS

1. Harmonised TA project classification, in conjunction with clearer accounting and M&E, can generate better assessments of value for money for different TA approaches. The first step to achieve this is to differentiate between different types of TA and then disaggregate costs and impact metrics accordingly.

As an outcome of this study, TechnoServe has proposed a TA typology to categorise the primary aims and target beneficiaries of different projects. The four types of TA are shown in the diagram below. This categorisation is designed in such a way that it could be useful for adoption by TA practitioners and the industry moving forward – enabling more meaningful comparison of ‘like-for-like’ TA and associated impact and cost.

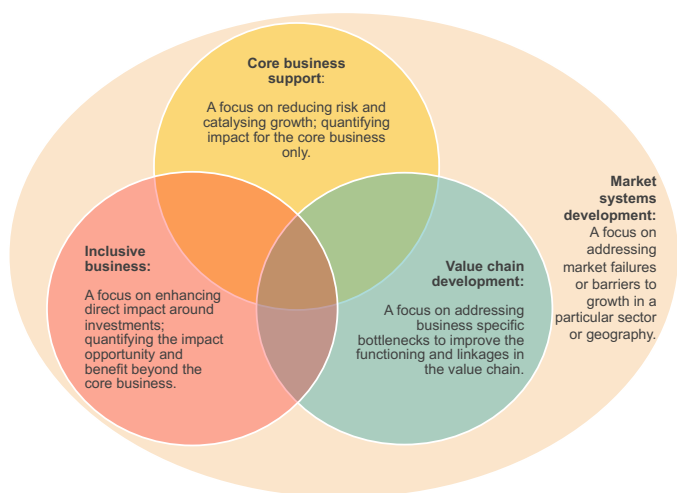


Figure 2. Technical Assistance types

Example metrics associated with the four types of TA profiled are:

Core business support: SME revenue, SME costs, SME EBITDA, SME food produced and jobs.

Inclusive business support: BoP revenue, BoP costs, BoP incremental income, BoP jobs and productivity.

Value chain development: Impact in the value chain that enhances the viability of inclusive businesses, e.g. value of finance mobilised for smallholders, and number of new market linkages facilitated between BoP, company, and service providers.

Market systems development: Impact in the market system that enhances the enabling environment for investors and businesses e.g. new sector policies/regulations introduced, lobby groups formed, and additional investments in skills development.

2. Effective evaluation of TA involves measurement of outcomes as distinct from outputs, and discrete cost-tracking. This requires raising awareness for the value of, and creating alignment around, measuring outcomes attributable to TA. TAF donors can benefit from providing greater funding to monitoring and evaluation (M&E) activities. As donor reporting and project management costs are sometimes perceived as going beyond the fund manager’s core business, sufficient management funding was found to be an enabler for robust M&E, BoP reporting, and value-adding technical support. With more effective M&E, investors and donors can draw causal links to higher performance on targeted metrics to inform future TA facility design, appropriate TA interventions, and effective TA fund deployment.

3. A technical working group would be valuable in providing greater direction, oversight, and performance accountability across agri-business TA facilities. Increasing awareness for the need for improved measurement systems presents an opportunity to collectively build on ideas and expand knowledge in this emerging industry. As stakeholders gain insights into value for money, the landscape can develop best practices on technical assistance design and implementation enabling donors and investors to ensure sustainable investment and impact for SMEs and the population at the bottom of the pyramid.

This paper is intended to be the first of a series of thematic papers on inclusive business technical assistance. TechnoServe will continue this work under the DFID-funded Commercial Agriculture for Smallholders and Agribusiness Technical Assistance Facility (CASA TAF). The CASA TAF is a five-year facility that aims to partner with investors with development interests, including CDC, to increase the smallholder impact of existing investments.

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