

Summary Note

Technical Assistance Facilities: A Mechanism for Better Alignment of TA & Financing to Agri-SMEs

22 May 2018 | 10:00AM EST, 4:00PM CEST, 8:30PM IST

1. On 22 May **Abigail Thomson**, TechnoServe Program Director and **Massimo Pera**, FAO Project Coordinator, featured in the 3rd session of the **SAFIN Webinar Series**. Abigail and Massimo were invited to provide their perspective and experience with **Technical Assistance Facilities (TAFs) as mechanisms for better alignment of TA and finance to agri-SMEs**.

2. Abigail's presentation combined an analysis of the experience of the African Agriculture Fund (AAF) Technical Assistance Facility (TAF), for which she served as Manager, with a more general reflection TAFs. She walked participants through the governance and structure of the AAF TAF, noting its dual role of providing core business support to agri-SMEs (sector-specific and functional business support which catalyses business growth) and inclusive business support to larger companies (i.e. outgrower schemes, downstream or bottom of the pyramid distribution schemes which enhance impact at business-level). She recalled the three objectives generally associated with TA facilities (namely to catalyse growth, enhance impact at business level and enhance impact at system level) to introduce the framework developed by the AAF TAF to define appropriate TA 'categories'¹. Abigail pointed out that *"these (categories) are important for anyone who is embarking on a TA journey, because the types of TA, depending on the objective, have different design implications, cost-sharing guidelines and impact metrics"*.

3. The presentation continued with the pros and cons of different types of relationship between technical assistance facilities and investment funds – which may be linked, independent or integrated, noting the opportunity for *"more linked structures (like the AAF TAF) because of the benefits of having alignment with the Fund Manager's investment capital"* while also not jeopardizing the independence of management of the TAF, *"which is important to ensure that every TA intervention is focused on achieving additional impact"*. At present, combining the results of two recent studies that reviewed the landscape of TAFs², it appears that on average integrated facilities are most prevalent (65%), followed by linked (23%) and independent (12%) facilities.

4. Participants were given a snapshot of the results achieved by the AAF TAF (Table 1 below), to be confirmed by the TAF Impact Report expected to be released in September 2018. This analytical work has also yielded some more general lessons about how TAFs work in practice and how they can be optimised. This includes lessons about (i) when to deploy TA support; (ii) appropriate cost-sharing of the TA; (iii) how to design and resource technical inputs most flexibly and efficiently; (iv) oversight and delivery to achieve results; and finally, (v) the importance of learning and adapting as you go along.

5. As a concluding remark, Abigail said *"in the blended finance world, we often talk about how public sector money can leverage private sector investment, and we feel this can work both ways with the private sector also leveraging public funds to deliver impact that might otherwise be too risky or distracting from their core business. Indeed through the AAF TAF public and private objectives have been achieved by combining resources to create shared sustainable value. We feel this is a win-win relationship"*.

Table 1 - Results of the AAF TAF

Companies	Type of TA and share	Project size	% of TA Funds	Results
12 companies	40 projects (50%) Core Business Support	USD 30-100k	20%	<ul style="list-style-type: none"> 552 jobs created at 7 SMEs ~70% average annual increase in SME turnover
	30 projects (38%) Inclusive Business	USD 100-500k	70%	<ul style="list-style-type: none"> Annual average increase of 31% in production 7,827 jobs created/maintained at beneficiary level 26,506 farmers/MSMEs linked to AAF portfolio companies ~USD 2.29m in attributable income increases by farmers/MSMEs
	10 projects (13%) Ecosystem Development	USD 10-350k	10%	<ul style="list-style-type: none"> Rural finance mobilized Fertilizer policy in Malawi influenced BoP models established and shared between countries Government training on pig breeding/genetics in Cameroon

¹ (i) Core business support; (ii) Inclusive business; (iii) Ecosystem development.

² FAO, 2018. [Agricultural Investment Funds for Development. Descriptive analysis and lessons learned from fund management, performance and private-public collaboration](#). Miller C., Ono T., Petrujeskow M. Rome, Italy.
 Enclude, 2017. [Transforming Agriculture by Linking Technical Assistance to Blended Finance for Agriculture: Trends and Lessons from Africa](#).
 Duursma M., Gommans C., Korijn A., Nicholas M. Zeist, The Netherlands.

6. The release of the AAF TAF Five Year Review report³ triggered considerable dialogue in the ecosystem around TAFs, as captured in numerous publications⁴. TechnoServe will be sharing the final results and reflections from AAF TAF at a close-out event in October 2018.

7. The second speaker, Massimo Pera, illustrated the case of an independent TAF that was designed but not implemented for reasons that follow. This was to be launched under the African Agribusiness and Agro-Industries Development Initiative (3ADI)⁵, as FAO, AfDB and UNIDO's response to a request from the African Union Commission to develop a funding mechanism to support investment in agribusinesses⁶. The TAF was to provide: (i) pre-investment support for SMEs and financial institutions; (ii) post-investment support for higher development impact, and; (iii) policy advice and facilitated linkages with public investment. "We believed", explained Massimo, *"that the strength of the 3ADI TAF would have been to provide added value by: ensuring highest quality and impact of the TA services, given the involvement of experienced institutions (FAO, AfDB and UNIDO); guaranteeing efficient use of TA funding by working with multiple investment funds at the same time; and establishing an arms-length relationship with investment funds"*.

8. A number of pilot activities were rolled-out by FAO to prove the potential effectiveness and impact of such facility. In the pre-investment sphere, FAO conducted a feasibility study in Ethiopia for the establishment of the Integrated Agri-Food Parks (IAFPs) and their related Rural Transformation Centres. This work was then taken up by the Government of Ethiopia and the Agricultural Transformation Agency (ATA). With regards to post-investment, in Tanzania FAO provided support to an investment done by Rabobank. The project focused on developing financial literacy and management skills of smallholder groups and cooperatives, and enabling their linkage to more profitable agricultural markets. These new conditions fostered by the collaboration agreement aim to render smallholders eligible for formal lending. Finally, in the context of the policy support, FAO developed a Policy Note on access to financial services for agribusinesses in Morocco. "As a result of that note" revealed Massimo, *"the Moroccan Government strengthened the provision of financial services that the Credit Agricole du Maroc would have provided through its subsidiaries to smallholder farmers and SMEs"*.

9. Although all stakeholders involved (e.g. fund managers, NGOs, FIs) provided positive feedback in terms of demand for the 3ADI TAF, especially with regards to its capacity to address a number of constraints to investment (including at small farm level), funding did not materialize for two main reasons. First, donors found unappealing the complexity of a proposed managerial structure reflecting the different operational modalities of the three agencies involved. Second, a robust sustainability and growth strategy was not developed, which may provide confidence that with the exit of the three agencies and the eventual closing of the facility sufficient capacity could be built among service providers and government to internalize its functions or at least its lessons.

10. During the ensuing Q&A session, participants asked for the work undertaken by FAO to design the 3ADI TAF to be accessible to SAFIN partners for the design of similar facilities going forward. Moreover, the different benefits and challenges associated with different structures for TAFs for the market segment of specific relevance to SAFIN were further argued. In particular, independent TAF structures appear more appropriate when supporting small businesses to become investment ready and for general ecosystem development work. In an integrated model (and to an extent also in linked TAFs), pre-investment support may be excluded through due diligence provisions internal to the investment fund or reduced to a small share of the portfolio of the TAF, while TA funding may be used mostly for post-investment support.

11. For any follow up questions, please write to m.perilli@ifad.org.

³ TAF & Ashley Insight. Smith, K., Schramm C., (2017). [Five Years of the AAF's Technical Assistance Facility: Enhancing the food security impact of agri-business investments in Africa](#). Johannesburg & London.

⁴ [1] Ashley Insight and Endeavor for USAID, 2017. [More than money: Mapping the landscape of advisory support for inclusive businesses](#). Ashley C., Ballan S., Menden A., Pirzer C., Salter A., Schramm C., Sinha L. [2] ISF, 2017. [The fund manager perspective: Moving the needle on inclusive agribusiness](#). Zook D., Slawek M., and Cardoso D. [3] GIIN, 2017. [Beyond Investment: The Power of Capacity-Building Support](#). Pineiro A. and Bass R.

⁵ FAO/UNIDO, 2010. [African agribusiness and agro-industries development initiative \(3ADI\): a programme framework](#).

⁶ High-Level Conference on the Development of Agribusiness and Agro-Industries in Africa (HLCD-3A), Abuja, Nigeria, March 2010.