

# A Review of Inclusive Technical Assistance in Agriculture Deployed by Development Finance Institutions

June 2020



## Executive Summary

In recent years, there has been growing interest and funding dedicated to technical assistance (TA) designed to strengthen the commercial and development impact of businesses in developing markets. However, relatively little is known about the nature and effectiveness of these initiatives. To help address that knowledge gap, this paper focuses on efforts by development finance institutions (DFIs) to provide technical assistance to agribusinesses, which—while comprising only a small share of overall DFI investment portfolios—receive 30% of all TA. This research has three objectives:

- Contribute to the knowledge base about technical assistance provided by DFIs;
- Quantify the split between core and inclusive TA provided to agribusinesses;
- Summarise qualitative issues raised by DFI respondents related to the provision of inclusive TA.

To conduct the analysis, we used secondary research and interviewed 11 DFIs to capture information on their use of technical assistance.

### A typology of technical assistance

The paper introduces two types of TA: core business support designed to reduce risk and strengthen the fundamental capacity of companies, and inclusive business support designed to enhance direct impact around investments and specifically towards low-income communities.

Our individual interviews and secondary research found that 73% of DFIs predominantly provide core business support to agribusinesses. Furthermore, an analysis of TA project portfolios found that an average of 58% of the TA projects were dedicated to core business support, compared to 42% for inclusive projects.

### Obstacles to inclusive business support

A qualitative assessment of issues causing the lower rate of provision of inclusive TA identified three main factors:

- Competing business priorities;
- Constrained capacity among DFIs and companies for project ideation and design;
- Limited bandwidth among DFIs and companies to manage, measure and report on inclusive TA.

The feedback from DFIs was that they expect the provision of inclusive TA in agriculture to rise, citing increasing focus on agriculture investments, increasingly ambitious targets for development impact from these investments and growing recognition of the significance of TA to achieving impact potential as the key drivers of the change.

However to catalyse greater resource allocation towards inclusive TA, respondents agreed the evidence case needs to be clear both in terms of commercial and development impact. Three opportunities were identified in the paper to address the evidence gap and advance the case for inclusive business support:

- The use of consistent 'outcome level' economic indicators, so that development institutions can compare across approaches and learn from different models;
- Rapid and cost-effective impact assessments, coupled with training to improve clients' capacity to work with data and analytics;
- Harmonising TA typology to enable industry practitioners and DFIs to document, compare and evaluate approaches to inclusive TA.

*Note: This research was conducted in 2019 and early 2020, before the COVID-19 crisis. It therefore constitutes a baseline of 'pre-pandemic' levels of agricultural investment and technical assistance trends, which will be reviewed in future publications.*



DFID's Commercial Agriculture for Smallholders and Agribusiness programme (CASA) makes the commercial and development case for investing in agribusinesses that source produce from smallholders. It does this by bridging evidence gaps and by ensuring investors and policymakers have access to the right information and people to make inclusive agribusiness models succeed.

CASA is a consortium of organisations (CABI, NIRAS, Swiss Contact) working with associate partners (iied, Malabo Montpellier Panel and TechnoServe).

This Review of Inclusive Technical Assistance Deployed By Development Finance Institutions has been conducted by TechnoServe.

2020 ©DFID