

Commercial Agriculture for Smallholders and Agribusinesses Technical Assistance Facility

In 2019, the UK government's Foreign, Commonwealth & Development Office (FCDO) launched the five-year Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme. The programme comprises three, inter-linked Components supporting catalytic change in how investors view and invest in agribusinesses that source from smallholders. TechnoServe was competitively selected to lead CASA's Component B, a Technical Assistance Facility (TAF) that will deploy technical assistance mechanisms to strengthen the commercial viability and development impact of agribusinesses that source from smallholders. This brief outlines the CASA-TAF approach to partnering with investors as well as the scope of agribusiness technical assistance mechanisms and expected impact.

INVESTOR ENGAGEMENT. TechnoServe seeks to partner with investors who wish to increase the commercial and development impact of their agribusiness investments (see box). TechnoServe's experience proves the numerous advantages of closely linking with investors to strengthen agribusiness' smallholder supply chains. Investors can bring capital, skills and drive to support agribusinesses to pilot inclusive business innovations. The CASA-TAF will support Investor Partners to design and pilot inclusive business models building on TechnoServe's quantitative examples of success from medium-sized agribusinesses, as well as with large corporates such as Kellogg's, AB InBev and Nespresso. The objective is for the investor partners to become champions of inclusive business, increasing their investment in development impact technical assistance and influencing other investors to follow.

Examples of Targeted Commercial and Development Impact

- Investor risk reduced, returns enhanced (increased portfolio IRR and exit valuations);
- Agribusiness efficiency and profit increased (EBITDA and PAT);
- Smallholder supplier's productivity and income increased (net annual incomes).
- Women and poorer smallholder farmers included in supply chains

Eligible investor partners are currently investing in medium and large-sized agribusinesses in FCDO priority countries¹ and have interest in and potential to achieve development impact alongside commercial returns. The TAF will be open to potential partners who:

- Have high impact potential in their portfolios;
- Have existing credibility among other investors that can be leveraged for influencing power;
- Have interests aligned with CASA-TAF and are prepared to move forward quickly with a partnership
- Conduct quality Environmental and Social Impact Assessments (ESIAs) of investments to ensure compliance with environmental, social and governance standards;

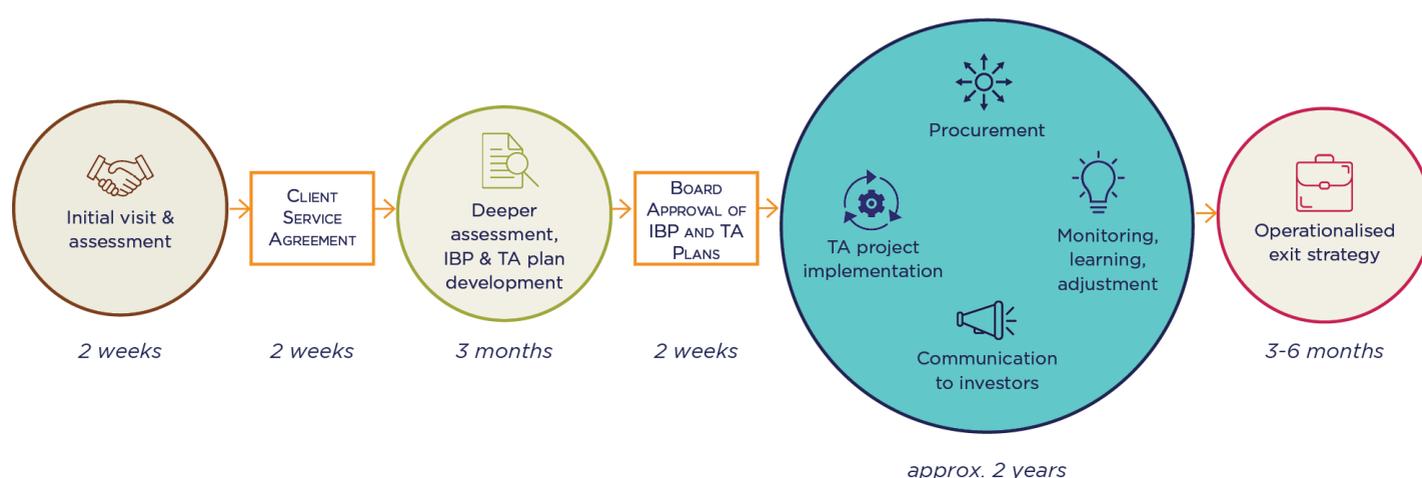
AGRIBUSINESS ASSESSMENT AND SELECTION. The CASA-TAF team will prepare MOUs with confirmed investor partners that outline mutual expectations from engagement with CASA-TAF. Non-disclosure agreements will also be signed to cover confidentiality principles. TechnoServe will request access to the partners' portfolio of invested agribusinesses in order to shortlist companies that meet the three main criteria for CASA-TAF engagement – sourcing from a significant number of smallholder farmers; geography (located in FCDO priority countries in both South Asia and Africa) and size of the company. The CASA-TAF aims to reach over 100,000 SHF suppliers in five years and will promote the inclusion of women and poorer smallholder farmers within supply chains.

¹ <https://www.gov.uk/guidance/where-we-work>

APPROACH TO TECHNICAL ASSISTANCE. After agribusiness selection, the TAF team will conduct a rapid diagnostic and propose an inclusive business plan (IBP), in collaboration with the company management, for strengthening its smallholder supply chain. Embedded within the IBP will be a detailed description of technical assistance intervention areas required to achieve the vision, along with outputs, outcomes, cost-share and exit strategies. Technical assistance intervention areas will likely include: inclusive supply chain models, farmer extension, farmer inputs, access to finance, mechanisation, technology, gender and vulnerable smallholder farmers, nutrition, environment and climate-smart agriculture.

The IBP design process is a critical step to align on a vision and a plan as well as ensure commitment across the principal stakeholders over a minimum two-year period. Once the IBP has been approved, the CASA-TAF team will oversee the targeted technical assistance package to the business, together with its staff. The overall technical assistance design and delivery process and timeline is depicted below:

Figure 1: Technical Assistance Design Process



TECHNICAL ASSISTANCE DELIVERY MECHANISMS. To implement the inclusive business plans and corresponding technical assistance projects, TechnoServe will draw primarily from a pool of resources for **advisory services**. The advisory services may either be *internal* (i.e. from the TechnoServe TAF team and other in-house experts), or *external* (i.e. from third-party service providers).

In certain cases the TAF will also provide **matching capital** to agribusinesses to implement projects directly, as well as to other actors in the system that play a crucial role to support the inclusive business model. The key purpose of matching capital will be to support businesses to invest in activities that contain too much risk for them to invest in alone, or to complete or scale technical assistance projects that they cannot afford to finance themselves.

TAF-supported agribusinesses must be financially invested in the inclusive business plan as this increases the likelihood that the model will continue after external resources end. In addition to in-kind contributions of staff time, agribusinesses will be required to contribute to external technical advisory services costs. Cost share will be negotiated on a project-by-project basis. As a guiding principle, businesses will contribute cost share in inverse proportion to the additionality of the project from commercial considerations – that is, higher contributions to projects that have more direct commercial gains, and less to those that have less certain or immediate commercial benefits.

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