

Effectiveness & Efficiency of Business Development Services (BDS) for Agri-SMEs

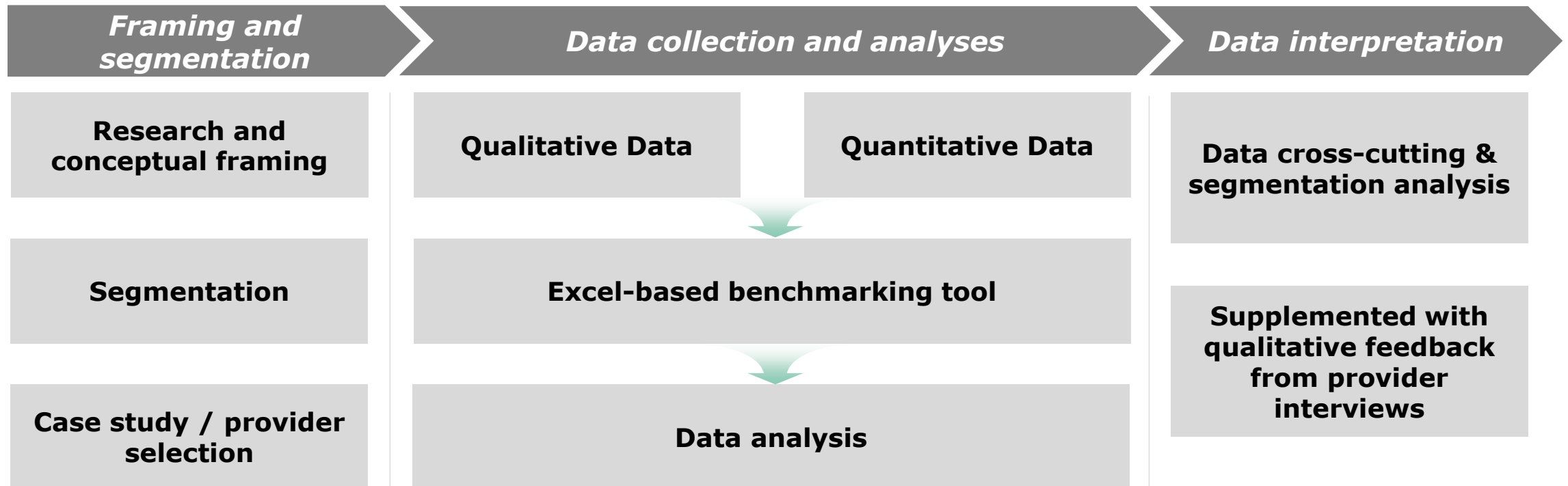
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Study objectives and methodology

Primary engagement objective

To identify and assess the **efficiency (what is cost of BDS provision)** and **effectiveness (does the BDS lead to growth and/or resilience)** of BDS tools and methodologies



The study found BDS provided to agri-SMEs are effective and efficient at generating outcomes for revenue, employment, and capital raised

Key Outcomes:



Cost Outcomes

Median cost per agri-SME:
\$2,742 per SME



Revenue Outcomes

Median revenue created:
~\$28k / SME
Revenue created/cost ratio:
\$7:1



Employment Outcomes

Median FTEs created:
3 FTEs / SME
Cost per FTE created:
\$617 / FTE



Capital Raised Outcomes

Median capital raised:
~\$28k / SME
Capital raised/cost ratio:
\$12:1

Five key conclusions emerged as a result of the study



Cost Efficiency Drivers

While myriad factors drive the cost and efficiency of BDS provision, two cross-cutting drivers were identified as having the largest impact: i) the service delivery model (SDM) and ii) the starting size of the enterprise served.



Enterprise Fee Coverage

Fee coverage appears to be driven primarily by enterprise stage and SDM used. Firms that paid a fee experienced higher impact across all key metrics (e.g., revenue / FTE growth rate, revenue / FTEs created) than those not paying.



Segmentation Approach

While BDS should be driven by enterprise-specific needs, segmenting recipients is crucial for determining the most relevant type of BDS at scale. This study finds that i) type of enterprise (e.g., cooperatives/producers vs. other agri-SMEs) and ii) maturity of enterprises are the two most commonly used segmentations.



Scale of Provider

There is a significant gap in costs for delivering BDS and efficiency of outcomes between global and local providers. Local providers were more cost-efficient in achieving employment and revenue outcomes than global providers. Differing program offerings and market building objectives appear to drive much of this dynamic.



Reflections on Process

ISF Advisors worked closely with 15 BDS Providers to collect and analyze case study data. Several recurring barriers and challenges were encountered throughout this process.

Selected recommendations for funders and BDS providers emerging from this work



Funders

1

Funders should **encourage fee coverage and develop partnerships with providers that pursue some level of cost sharing with participating firms given the apparently superior outcomes of this approach.** In addition, funders should seek out other innovative methods that increase coverage.

2

Donors should **prioritize identifying existing local providers that are effective and efficient and should explore building cost-sharing agreements when supporting those actors** to align incentives at all levels of the BDS market.

3

Funders should **consolidate and align on a set of measurable, actionable outcomes and data collection methods which can be applied in various contexts to allow comparison of BDS** across the sector and support the needed improvement of data quality. These actions should build upon existing initiatives, networks, and methods.

4

BDS providers (with the support of funders) should **work to collect and share data on the costs of BDS and the annual performance of agri-enterprises** (in terms of revenue, jobs and investment) before, during, and after the intervention to enable the sector to continuously improve its cost effectiveness.



BDS Providers

Break-out group discussion

Key points to discuss:

- Do these findings and recommendations resonate with you?*
- In particular, do the findings around fee coverage resonate with your experience? Do these results have potential implications for building a more commercially sustainable BDS ecosystem?*
- Do the recommendations, especially those pertaining to the alignment and standardization of data collection methodology, seem feasible to implement?*