Making BDS work for Food System Transformation:
Taking ISF Research Findings into Practice in AGRA's New Strategy

8 Years

12k
Enterprises shared annual performance data (many more participated in programs)

100+
Projects and 500+ cohorts were analyzed to identify what works

50+
Organizations targeting different stages and enterprise profiles were evaluated

Learning initiatives

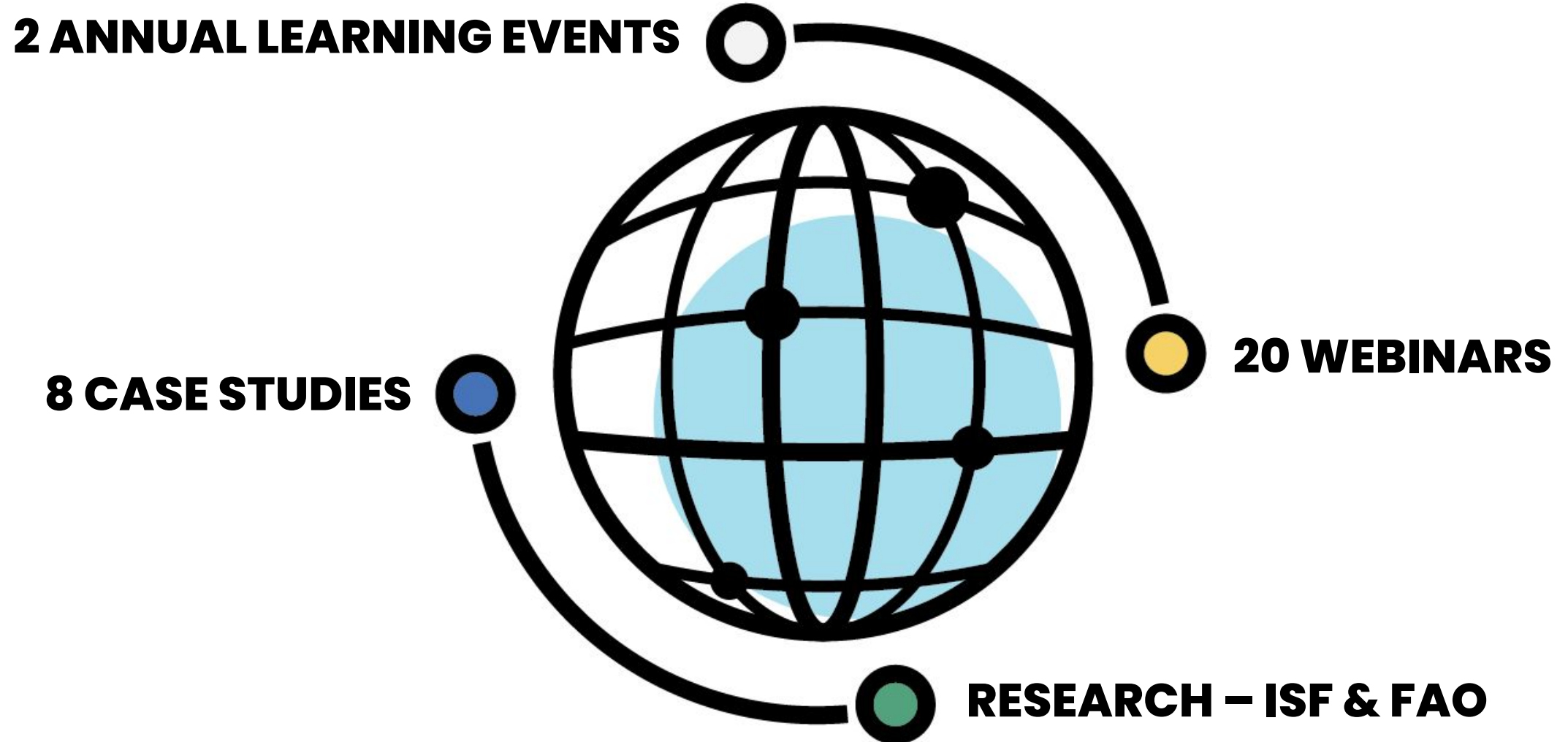**Research initiatives**
Multiple research initiatives were funded

Academic papers
Countless academic papers were read to align with what others were learning

KNOWLEDGE MANAGEMENT LEADER

2 ANNUAL LEARNING EVENTS

8 CASE STUDIES

20 WEBINARS

RESEARCH – ISF & FAO

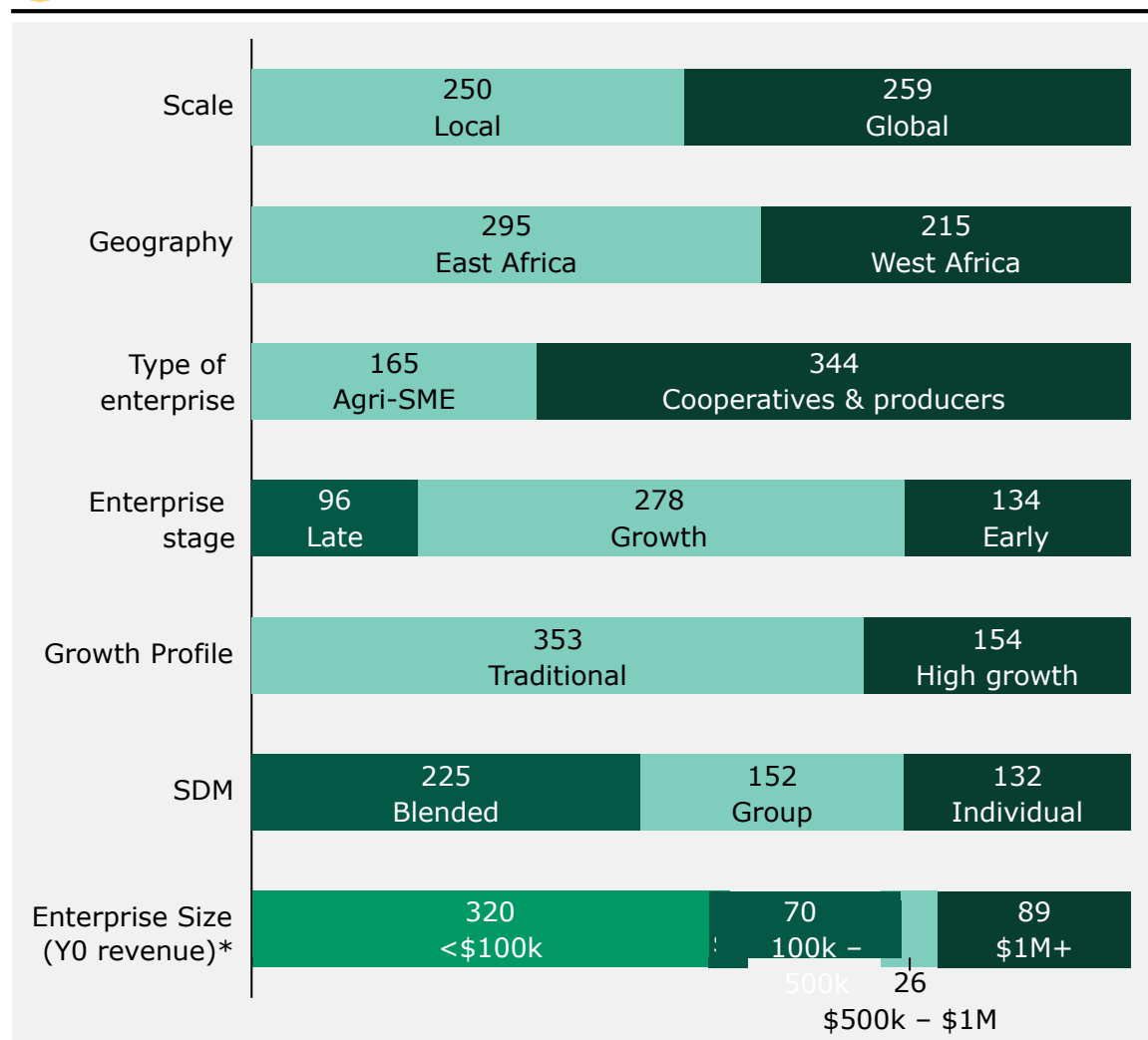# ISF Advisors was supported by a six-member Steering Committee

Steering Committee   Engagement Execution

❖ **Industry-leading Research on Rural Finance**

❖ **Strategic Advisory: Partnership & Business Model Development**

❖ **Financial Advisory for Impact Capital**

The case studies reached 509 enterprises across all datasets

B *Enterprise composition (N=509 enterprises)*

Category			
Scale	250 Local	259 Global	
Geography	295 East Africa	215 West Africa	
Type of enterprise	165 Agri-SME	344 Cooperatives & producers	
Enterprise stage	96 Late	278 Growth	134 Early
Growth Profile	353 Traditional	154 High growth	
SDM	225 Blended	152 Group	132 Individual
Enterprise Size (Y0 revenue)*	320 <$100k	70 100k –	89 $1M+
		26 $500k – $1M	

5 full-time employees – median Y0* size of all enterprises

$46k/year – median Y0* revenue of all enterprises

754 days – median length of BDS engagement for all enterprises

Median firm rev. by size category
<$100k = ~$2.6k
$100k - $500k = ~$249k
$500k - $1M = ~$683k
$1M+ = ~$2.5M

Notes: *Y0 represents the first year that the enterprise received BDS; 105 enterprises in the dataset did not have a Y0 revenue and are thus excluded from this particular cut of the data

FINDINGS AND RECOMMENDATIONS

Fulfilling the potential of BDS using SCALE

S C A L E

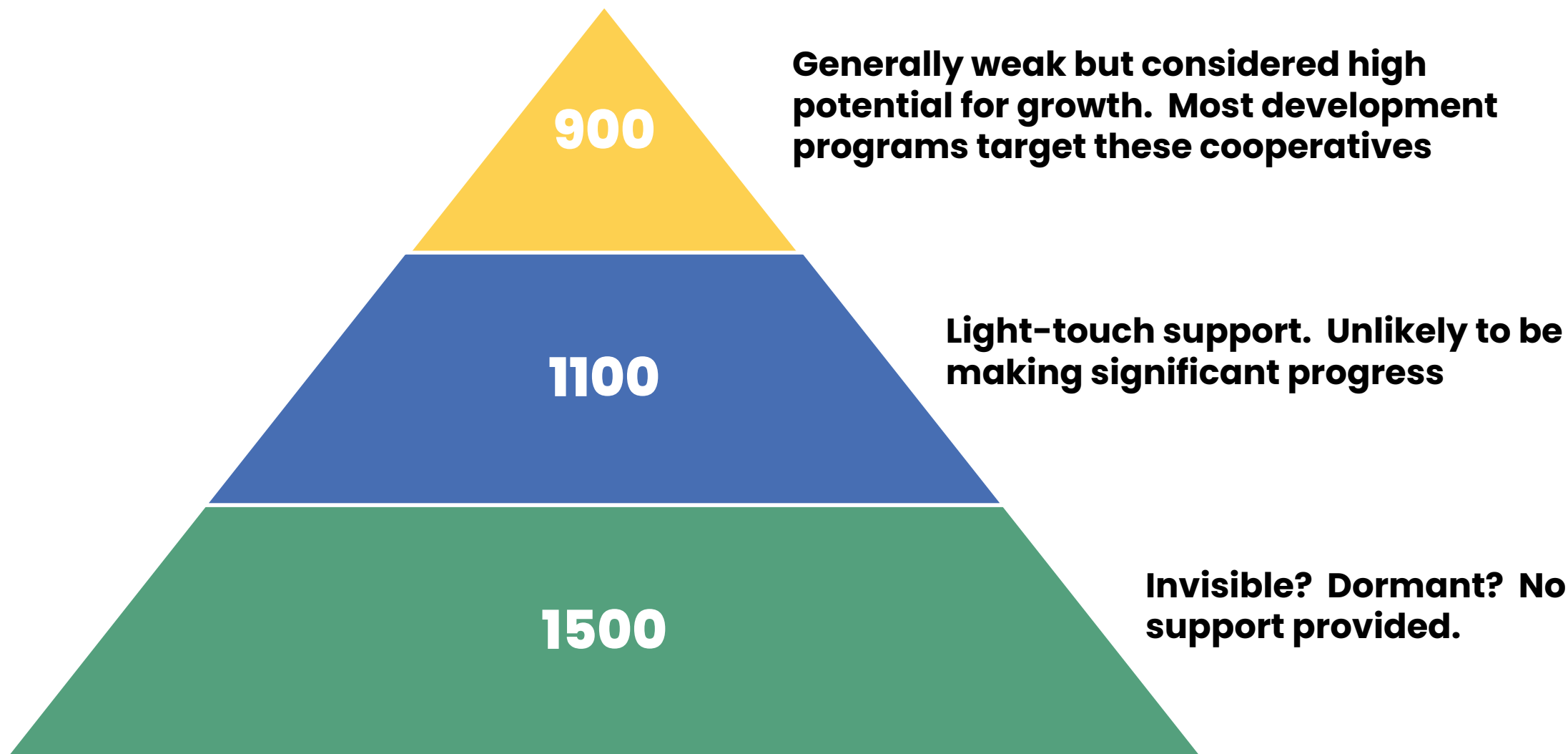| **Select**	**Charging**	**Address**	**Learning**	*lead by* **Example**
the right enterprise	enterprises improves performance	problems: we learn best through problem solving	by evaluating enterprise performance	Improve your own organization to better serve enterprises

6 PROPOSITIONS FOR TRANSFORMING BDS

1. Standards are necessary to improve the quality of BDS

2. Sustainable local BDS ecosystems require guiding principles

3. A standardized assessment process is required to enable FO segmentation and BDS tailoring. This will lead to more cost-effective integrated approaches that can be scaled

4. Data sharing has the potential to generate synergies and enable learning and improvement cycles

5. Digital innovations will enable scaling

6. Reaching the poor will still require subsidies where market-based services are not yet possible

Cocoa Coperatives in Côte d'Ivoire

900 — Generally weak but considered high potential for growth. Most development programs target these cooperatives

1100 — Light-touch support. Unlikely to be making significant progress

1500 — Invisible? Dormant? No support provided.

AMEA Côte d'Ivoire case study (IFC, IDH, CNFA)

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[1]. 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.

The initial size of the enterprise and the service delivery model (SDM) are two key drivers of the cost and efficiency of BDS delivery

> **Cost Efficiency Drivers - Key Findings**
> Across the entire dataset, the median cost per enterprise served was $2,742 per enterprise. 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.
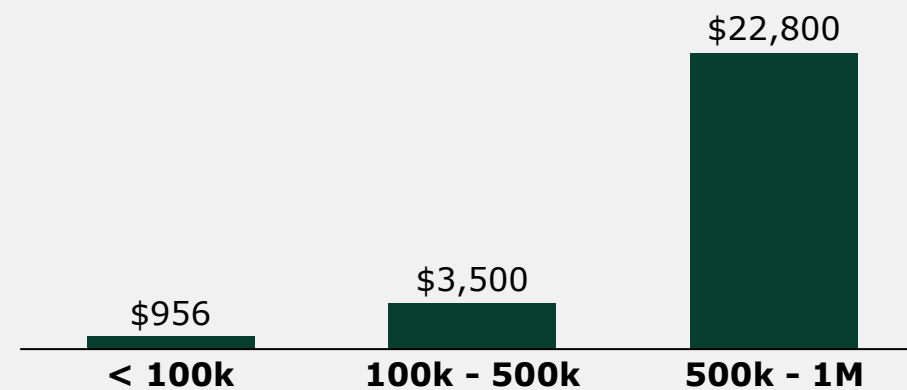
Median cost per enterprise served (USD)

A) Service delivery model (SDM)
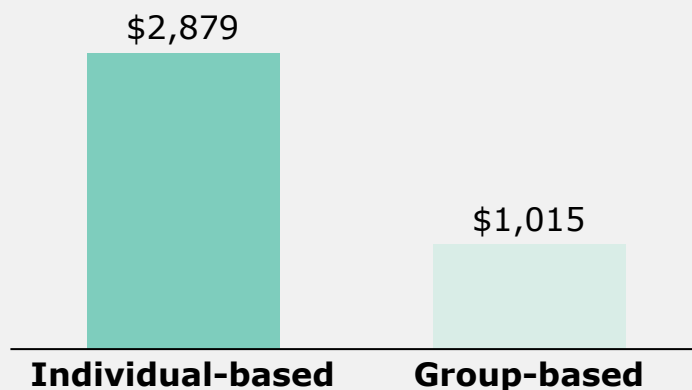
	Individual-based	Group-based
Revenue created / cost ratio	$21:1	$25:1
Cost per FTE created	$262	$300
Capital raised / cost ratio	$20:1	$50:1

B) Size of enterprise served (Y0 revenue[1])

	< 100k	100k - 500k	500k - 1M
	$6:1	$19:1	$3:1
	$300	$720	$2,590
	$6:1	$37:1	$71:1

*Notes: 1) Y0 represents the first year that the enterprise received BDS.*

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While enterprise fee coverage[1] was generally low across the study, those that did pay experienced better outcomes across key metrics

Enterprise Fee Coverage - Key Findings
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.

A) Percentage of firms that paid for services *(N=509 enterprises)*
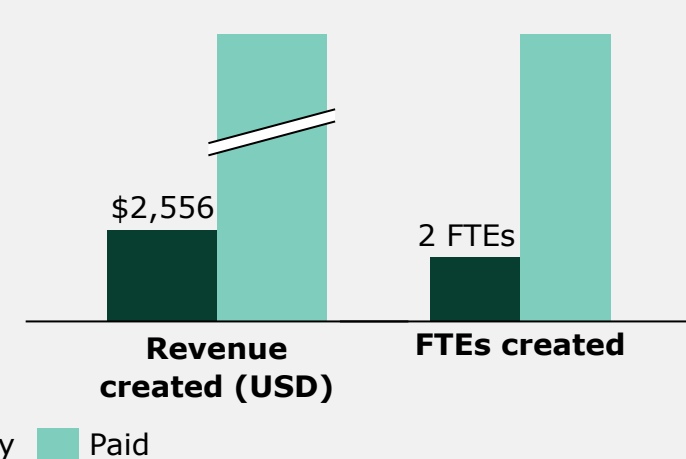
38%

62%

■ Did not pay ■ Paid
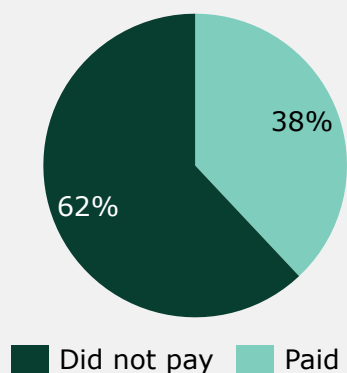
Fee coverage was primarily driven by firm stage (later-stage firms more often pay than earlier) and SDM used (firms receiving individual SDMs tend to pay more than those receiving other SDMs)

B) Firms that paid for services demonstrated greater growth and impact per enterprise

Enterprise growth (% p.a.)

47% $59,000

9 FTEs

19%

13%

25%

Revenue growth   **FTE growth**
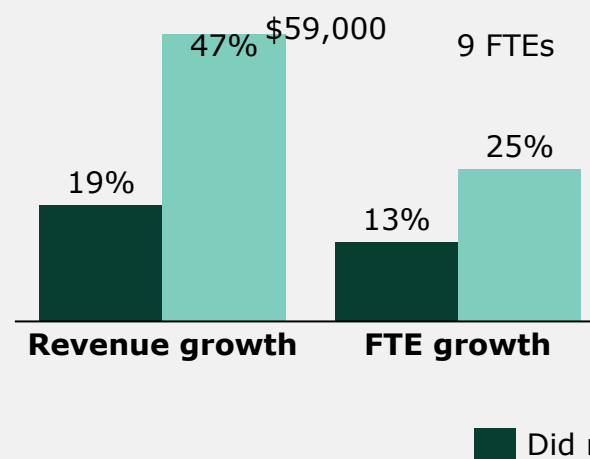
Impact created per enterprise

$2,556

2 FTEs

Revenue created (USD)   **FTEs created**

■ Did not pay ■ Paid

Six key recommendations have emerged from this work

Recommendations for Funders

1 Funders **should recognize the underlying value of BDS and ensure they are aware of the key drivers of efficiency (e.g., firm size, SDM) and scale of impact (e.g., firm size, maturity) for BDS provision**. This work highlights how funders currently do not fully consider these dynamics when financing BDS.

2 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.

3 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.

4 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

Recommendations for BDS Providers

5 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.

6 BDS providers should **test peer-to-peer approaches that increase the impact of their support at a reduced cost (e.g., in situations where this is not the typical approach)**, and attempt to **charge part of the cost of support directly to the enterprise.**

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A PROPOSED SYNTHESIS FOR AGRA

1. Recognize the BDS market is dysfunctional and "going to the market" for services is unlikely to be a successful strategy.

2. Agri-SME selection is a critical phase. Do not under-estimate the time/resources needed at this stage.

3. Charge or share costs. There must be some "skin in the game".

4. Use data to segment, tailor, learn and improve. Data availability and quality is a massive problem that must be addressed.

5. Invest in testing SDMs that are effective in increasing outreach/decreasing cost whilst maintaining quality. Digital, peer to peer?

6. Invest in a theory of change for the BDS sector that will incentivize and enable improvements in BDS quality. Standards, accredited tools/providers, etc?