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

March 2023

ISF

ELEVATING RURAL ENTERPRISE

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Purpose of this report

ISF Advisors created this report to help identify and assess the efficiency and effectiveness of business development services (BDS) tools and methodologies provided to agricultural small and medium-sized enterprises (agri-SMEs).

This report presents our findings from an extensive desk review of existing research, an analysis of data collected from 15 BDS provider case studies, and interviews/learning sessions with stakeholders in the space. The intended audience is the broader business development services community, including donors, BDS providers, and recipients.

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This research assesses the efficiency and effectiveness of BDS tools and methodologies

Background and context

- Business Development Services (BDS) are **critical in helping agri-SMEs in emerging markets** grow, improve productivity, strengthen resilience, and access necessary finance.
- Despite their importance, **a more sophisticated model is needed to assess the efficiency and effectiveness of BDS programs** and establish best practices.

Key Engagement Objectives and Goals

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

Specific goals:

1. Build more **sophisticated and fit-for-purpose segmentation approaches** to guide thinking about the positioning of different forms of BDS
2. Develop new data and insights on the **efficiency/effectiveness of a variety of BDS business models** through the **development and application of a benchmarking tool**
3. Use **case studies, desk research, and segmentation** to establish a strong view on a variety of BDS business models
4. Build on previous learnings to **deepen best practices and findings** related to the needs of agri-SME and the tools, models, and features that could **lead to improved BDS provision models**

Defining key terms

Term	Definition
Agri-SME[1]	Agricultural enterprises are profit-oriented enterprises, including cooperatives, that are involved in the agricultural value chain either directly or by providing enabling services to value chain actors. To qualify as an agri-SME, these enterprises must be able to service an investment of $50k-$2M and have at least two of the following: ❑ More than five but fewer than 250 employees (at least 25 members for coops) ❑ Annual turnover of $100,000 - $5 Million USD ❑ Total assets of at least $20,000
Transitioning / growth-oriented micro enterprises	Agricultural enterprises (as defined above) with fewer than five full-time employees and less than $100k in annual turnover, but which have aspirations and potential to grow to SME thresholds and eventually meet the minimum criteria for investment.
Business Development Services (BDS)[2]	Non-financial services meant to help SMEs tackle obstacles more effectively, speed up growth and achieve greater scale. These services include: acceleration, incubation, technical assistance, coaching, consulting, and other forms of non-financial support.
BDS Providers	Organizations that provide business development services to agri-SMEs
Effectiveness	An assessment of the impact and outcomes that BDS provision has in terms of growing enterprise revenue, full-time employment (FTE), and access to finance
Efficiency	On a cost basis, how efficient is the BDS program at delivering the intended impact and outcomes.

Note: Enterprises in this study include both agri-SMEs and transitioning/ growth-oriented agricultural enterprises.

Further details/definitions for segmentation (page 23) and key metrics (page 27) used throughout the report can be found in the main body of this work.

Sources: 1) ISF Advisors, "Taxonomy of Agricultural SMEs for Food Systems", 2021; 2) USAID, "More than Money: Mapping The Landscape of Advisory Support for Inclusive Businesses", 2017

Methodological limitations for consideration when reviewing this study

Study design limitations

1. **Sample size:** The study was conducted on a relatively limited sample of 15 providers representing 509 agri-SMEs. These were selected as representative case studies across different contexts. These are not meant to be a representative sample of all BDS providers. For some analyses focused on specific sub-segments, the sample size shrinks even more with certain results coming from a very small set of providers. This has been identified where it occurs.

2. **Potential sampling bias:** Participants were sourced through the engagement's partners (i.e. Argidius, AGRA, AMEA, Agriterra, SAFIN, and Small Foundation). Due to these existing relationships as well as the engagement's threshold data requirements for inclusion these providers generally had relatively well established monitoring and evaluation systems in place (30+ providers were considered but not included as case studies due to concerns over data quality). Therefore, this sample reflects a relatively focused view rather than trying to represent the typical BDS provider.

3. **Focus on like-for-like assessment:** the study design focused on comparing BDS effectiveness and efficiency across contexts in a like-for-like manner rather than directly assessing the contribution or additionality of BDS (e.g., 'counterfactuals'). A range of robust existing research has focused on the latter type of evaluation and is referred to throughout this report.

4. **Geographical limitations:** The study was conducted on agri-SMEs in East and West Africa. There may be limitations when applying the results to other sectors or geographies.

5. **Selection bias at the enterprise level:** Participants were aware of the nature of the study and therefore may have selected highest-achieving agri-enterprises in an effort to improve their performance.

6. **Lack of data quality/consistency:** The amount and quality of data was inconsistent across participants. Some participants were able to provide more data points than others, resulting in potential overweighting for analyses conducted at the enterprise level.

7. **Self-reported data:** Each participating provider self-selected the data submitted for the study. While ISF Advisors worked closely with providers to ensure the data was as comprehensive and equivalent across providers as possible, the underlying accuracy of the information was not explicitly verified.

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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

There is a high degree of variation beneath these headline results based on the context of each BDS (e.g., segment of recipient, objectives, market context). This study establishes five key findings that capture and explore these contextual nuances.

These key findings are summarized over the ensuing pages and are each explored in more depth in the body of the report:

Cost Efficiency Drivers – unpacking the key drivers of cost-efficient BDS

Summary: page 10-11
Supporting material: page 31-41

Enterprise Fee Coverage – exploring the relationship between paying for BDS and effectiveness

Summary: page 12-13
Supporting material: page 42-50

Segmentation Approach – effective segmentation of recipients to determine relevant/efficient BDS

Summary: page 14-15
Supporting material: page 51-61

Scale of Provider - key differences between 'local' and 'global' providers

Summary: page 16-17
Supporting material: page 62-67

Reflections on Process – opportunities to address challenges faced during the study

Summary: page 18-19
Supporting material: page 68-70

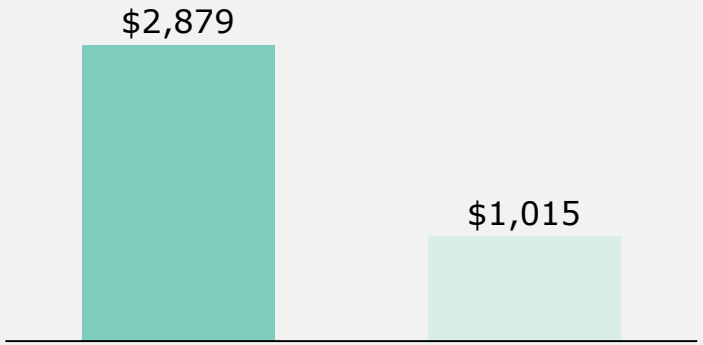
The initial size of the enterprise and the service delivery model (SDM) are two key drivers of the cost and efficiency of BDS delivery

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.

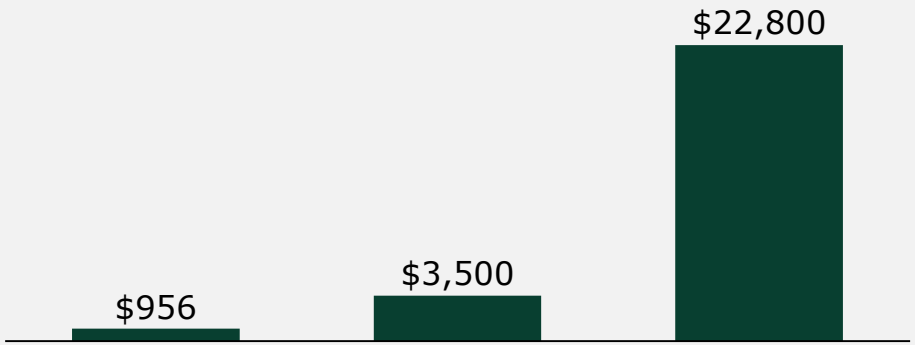
Median cost per enterprise served (USD)

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
Revenue created / cost ratio	*$6:1*	*$19:1*	*$3:1*
Cost per FTE created	*$300*	*$720*	*$2,590*
Capital raised / cost ratio	*$6:1*	*$37:1*	*$71:1*

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

These results have key implications for the way in which funders and providers view the efficient and effective provision of BDS

Cost Efficiency Drivers - Key Conclusions / Insights:

1. BDS delivered through **group-based SDMs[1] provide stronger value for money than individual SDMs[2] in terms of outcomes of revenue and capital raised** (efficiency for FTE outcomes is slightly better for individual SDMs).

2. **Group SDMs may be applicable or suitable (i.e., could drive increased cost efficiency) in more situations than currently used**, especially for more mature or larger enterprises. A more sophisticated understanding of how and when to use group and blended SDMs could lead to more efficient BDS provision.

3. The **mechanisms that drive efficient and impactful BDS via group-based SDMs** (e.g., peer-to-per learning, information exchange, peers doing business together, reduced external consultants) **should be integrated as much as possible into other SDMs** to reduce the cost and increase the impact of BDS.

4. Providing **services to smaller firms (<$100k of revenue) is less costly overall** and can be **more cost-efficient in terms of creating FTEs** than larger firms ($100k+). However, services provided to **medium sized firms ($100k-500k) resulted in more cost efficient revenue and capital raised outcomes.**

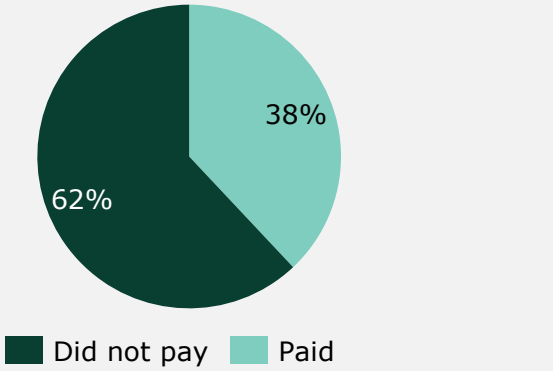
5. Support to **larger firms can lead to higher absolute impact (e.g., more total jobs created)**. There are also often other key reasons to target larger firms (e.g., exposure to strategic commodities) that this work has not explored in-depth.

Notes: 1) Service delivery models that provide similar support to all agri-SMEs within the group (e.g. cohorts, classrooms, webinars, in-person demonstrations); 2) Refers to specific services that are tailored to the agri-SMEs individual needs (e.g. coaching/mentoring, 1-on-1 advisory)

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

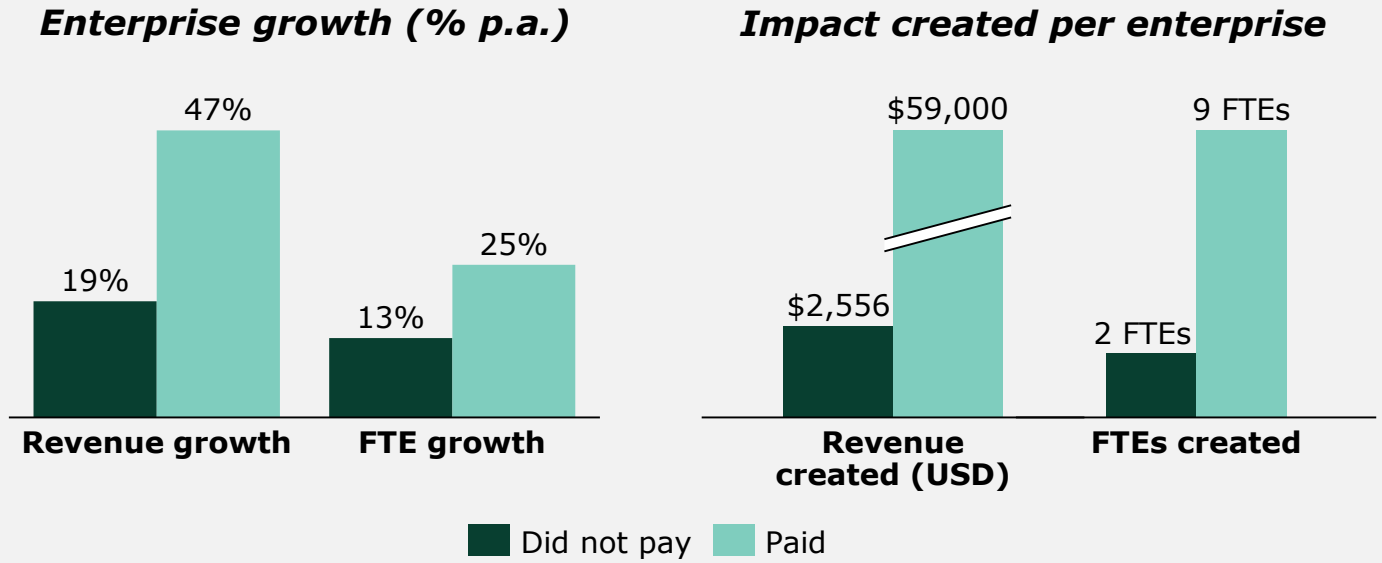
Enterprise Fee Coverage - Key Findings
Fee coverage appears to be driven primarily by enterprise stage and SDM used. Firms that paid a fee experienced higher impact across all key metrics (e.g., revenue / FTE growth rate, revenue / FTEs created) than those not paying.

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



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



Notes: 1) BDS services are largely funded by donors, however in some cases the client enterprise shares a portion of the total cost of provision. We define this as "enterprise fee coverage."

This research validates existing research on the value of having firms pay for BDS and has implications for when/how this occurs

Enterprise Fee Coverage - Key Conclusions/Insights:

1. The study's results validate existing research showing that **enterprises who pay some amount for services perform better than those who do not pay** (especially for transitioning micro enterprises).

2. **Fee structures must be tailored to the context of the enterprise**. Analysis and feedback shows that this **segmentation is best guided by maturity of the enterprise** – more nascent firms often need more subsidies than more mature ones.

3. **Innovative structures can be used to improve fee coverage**. Examples include: i) for BDS accompanied by financing, integrating fees into interest payments, ii) collecting in-kind fees, especially for group-based SDMs, and iii) utilizing annual membership fees when appropriate.

4. Enterprises' ability and/or willingness to pay may often be driven **by broader market dynamics that can disincentivize, or even directly prohibit, enterprise fee coverage for BDS** (e.g., donor-driven requirements and targets).

5. It is important that **providers communicate the benefits of group/blended SDMs** (which can deliver similar BDS impact with improved cost efficiency) to recipients in an effort to improve willingness to pay for these services.

Notes: 1) BDS services are largely funded by donors, however in some cases the client enterprise shares a portion of the total cost of provision. We define this as "enterprise fee coverage."

Providers often determine which type of BDS to provide based on two key segments: type of enterprise and maturity of enterprise

Segmentation Approach - Key Findings
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.

Type of Enterprise

Cooperative/ Producer

most often receives ***core business support***

Other Agri-SME

most often receives ***access to finance support***

Maturity of Enterprise

Early Stage

most often receives ***core business support***

Growth Stage

receives ***core business support*** *and* ***access to finance*** *support roughly equally*

Late Stage

receives the most ***diverse mix of BDS*** *(split between core business, A2F, and tech / product support)*

Key segmentation findings have implications for how BDS providers and funders design and deliver BDS to various target recipients

Segmentation Approach - Key Conclusions/Insights:

1

Despite a wealth of research exploring more sophisticated segmentation approaches that aim to address enterprises' needs, **providers most often rely on simple segmentation approaches (i.e., type and maturity of enterprise) as a starting point** before evaluating more specific needs on a case-by-case basis.

2

When designing programs (especially at a large scale), funders and providers should **optimize their programs to provide the type of BDS (e.g., core business support, access to finance) that fits the type and maturity of the targeted enterprise**. While this can act as an effective starting point, the final BDS should still be determined by the individual enterprise's needs.

3

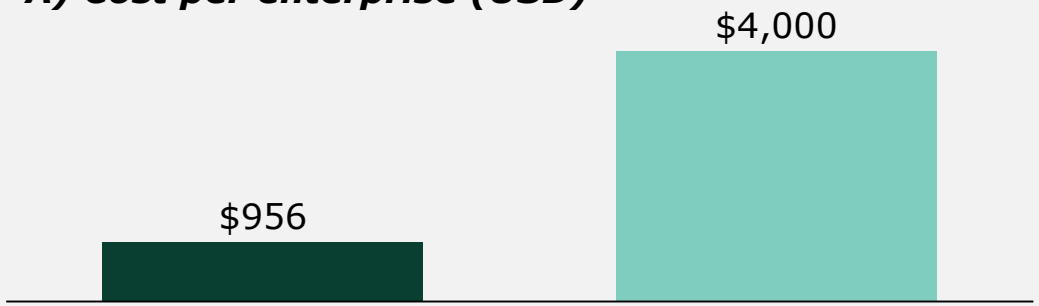
While acknowledging that nuanced discussion of agri-SME needs is necessary, stakeholders in the BDS ecosystem should **align on segmentation approaches that can be simple to implement while moving beyond simply looking at type and maturity of firm** (e.g., readiness for growth, governance capacity). This in turn can embed more best practices (e.g., increased utilization of more efficient delivery mechanisms such as group-based SDMs) across markets and contexts.

Local providers[1] were more cost-efficient in achieving employment and revenue outcomes than global providers

Scale of Provider - Key Findings
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.

Cost Efficiency

A) Cost per enterprise (USD)



B) Efficiency outcomes

	Local	Global
Revenue created / cost ratio	*$18:1*	*$2:1*
Cost per FTE created	*$269*	*$2,804*
Capital raised / cost ratio	*$16:1*	*$10:1*

❖ *These results appear to be driven by both differences in operational overhead and structure as well as varying program goals between the two types of providers*

Notes: 1) "Local providers" are smaller providers operating regionally (e.g., across multiple countries) or locally in the region/country of its headquarters; "Global providers" are international organizations with multiple programs operating in various geographies.

There are a number of significant takeaways based on the dynamics between global and local providers uncovered in this work

Scale of Provider - Key Conclusions/Insights:

1. These results help dispel any perceived tradeoffs between cost and impact for local providers while highlighting the continuing **need to further support the development of the local market for BDS provision.**

2. Local providers aiming to achieve commercially sustainable operations can face challenges from **market dynamics beyond their own revenue sources (e.g., grants, client fees)**, specifically in the context of **heavily subsidized BDS provision coming from larger global providers.**

3. Given the apparent efficiency and effectiveness of local providers, it is crucial **that donors evaluate specific markets and contexts** to identify existing strengths and weaknesses so that any necessary **support for under-developed markets/ segments is aligned with existing local actors.**

4. Donors should **prioritize identifying existing effective and efficient local providers to work with** and should explore building cost sharing agreements when supporting those actors in an effort to align incentives at all levels of the BDS market.

5. **Establishing simplified cost efficiency/effectiveness assessment methods** will allow for improved benchmarking across BDS providers of different types and scale and help to efficiently identify common best practices.

Notes: 1) "Local providers" are smaller providers operating regionally (e.g., across multiple countries) or locally in the region/country of its headquarters; "Global providers" are international organizations with multiple programs operating in various geographies.

Throughout the study, several key challenges were identified pertaining to the measurement and assessment of BDS provision

Reflections on Process - Key Findings
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.

Data quality and sophistication

- The **rigor and quality of data collection varied significantly** across providers, resulting in cost and performance data that is **difficult to compare across different contexts** or types of provider.
- 30+ providers were not included as case studies after consideration due to **concerns over data quality.**

Assessment objectives and methodologies

- **Assessment methodologies and objectives differ significantly across the ecosystem** and are often **developed in an ad-hoc and isolated manner** (e.g., driven by individual donors focused on specific contexts or outcomes).
- In some cases, key stakeholders determine assessment to be a deprioritized activity.

Alignment on qualitative definitions and terminology

- While BDS innately encompasses a wide-variety of services, contexts, and objectives, **providers rarely align on definitions and terminology, which makes comparison difficult.**

See pages 81-100 for further details on the variation between the 15 providers used as case studies

These challenges have highlighted key opportunities that could help simplify the BDS assessment ecosystem

Reflections on Process - Key Opportunities

1

Simplify cost & performance measurement
There is an opportunity for BDS providers (with the support of funders) to more regularly and fully collect performance data of supported enterprises for key indicators (revenue, employment, investment) to enable accurate and standardized calculation of impact metrics.

2

Consolidate and align on assessment goals and methodologies
BDS funders often focus on project-level outcomes that are developed in an isolated, ad-hoc manner. Funders should consolidate and align on a set of measurable outcomes and data collection methods which can be applied across contexts.

3

Further align on fit-for-purpose segmentation approaches and definitions
There is an opportunity for the BDS ecosystem, particularly BDS providers, to establish a set of simplified terminology and segmentation approaches that can ensure enterprises with nuanced needs are matched with cost-effective BDS provision. This should build upon existing efforts such as IWA29 from the International Organization for Standardization.

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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ISF Advisors conducted an in-depth analysis of 15 BDS providers as case studies to reach the objectives of this report

Framing and segmentation

ISF used existing research/ literature and collaborated with the Steering Committee to frame the study approach.

Research and conceptual framing
Extensive review of existing research; Alignment on key objectives and methodology

Segmentation
Leveraged existing research and aligned with research partners on which segmentation to use

Case study selection
Selected 15 providers to ensure the sample varied in terms of scale, geography, enterprise type, etc.

Data collection and analysis

Qualitative and quantitative data was collected from 15 BDS providers, resulting in provider-level and enterprise-level datasets that were then analyzed using an excel-based benchmarking tool.

Qualitative Data
(e.g. type of BDS provided, business model)

Quantitative Data
(e.g. capital raised, revenue growth, program cost)

Excel-based benchmarking tool

Provider analysis *Provider meta-analysis* *SEM meta-analysis*

Analysis outputs
Focused on measuring the *effectiveness*, *cost efficiency, and fee coverage* of BDS provision

Data interpretation

ISF interpreted the data based on a segmentation approach and incorporated qualitative feedback from providers.

Analyzed by segment
Analysis results segmented by ISF to ensure like-for-like results where possible

Supplemented with qualitative feedback
Supplemented findings with direct feedback from provider interviews and an in-person learning event

This work utilizes common segmentation definitions and approaches that enable the analysis to compare within like-for-like scenarios

	Categories	Definition		
Scale of Provider	***Global***	International providers with multiple programs operating in various geographies		
	Local/Regional	Smaller providers operating regionally (i.e., across multiple countries) or locally in the region/country of its headquarters		
Type of BDS Provided	***Various (see right)***	❑ Core Business Support ❑ Access to Finance	❑ Technology & Product Development ❑ Input Supply	❑ Impact & Inclusion ❑ Market Access ❑ Policy & Advocacy
Service Delivery Model	**Individual-based**	Refers to specific services that are tailored to the agri-SMEs individual needs (e.g., coaching/mentoring, 1-on-1 advisory)		
	Group-based	Provide similar support to all agri-SMEs within the group (e.g. cohorts, classrooms, webinars, in-person demonstrations)		
	Blended	A combination of both individual and group-based models		
Type of Agri-enterprise	***Various (see right)***	❑ Cooperatives & farmer organizations ❑ Input manufacturers (incl. equipment) ❑ Input distributors/retailers (incl. equipment)	❑ Producers (including small-holders) ❑ Processors (e.g. mills, dryers) ❑ Traders & exporters ❑ Logistics (storage & transport) ❑ Quality control & testing	❑ Exchanges & marketplaces ❑ Packaging companies ❑ Hospitality and dining ❑ Food retailers and vendors ❑ Other
Stage	**Early Stage**	A company before growth stage that has a core management team and a proven concept or product but is not cash flow positive		
	Growth Stage	A company that has received one or more rounds of financing and is generating revenue from its products or services		
	Late Stage	A company that has proven its concept, achieved significant revenues compared to its competition, and is approaching cash flow break-even or positive net income		
Growth Profile	**High-growth Ventures**	Highly innovative business models serving large addressable markets with a rapid growth trajectory, though the pace of growth is impacted by industry, market, and asset intensity; expected to scale beyond SME status		
	Traditional Businesses	Enterprises in stable and traditional industries deploying established business models for producing goods and services with moderate growth paths over a sustained period of time		

15 providers were selected for the study, which provided data on 509 agri-enterprises representing ~$415M in revenue

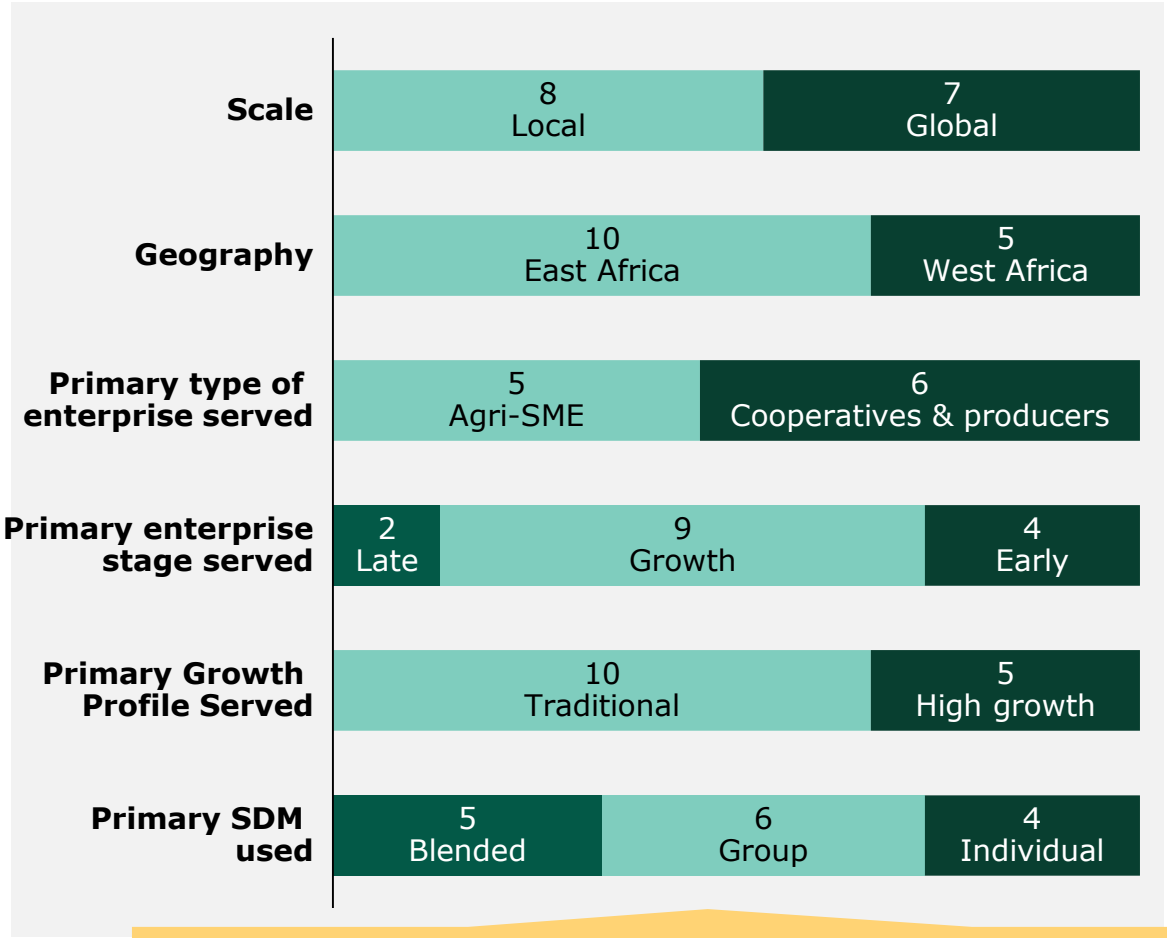
Snapshot of the scale and impact of participating BDS providers

Statistics represent total sum of selected metrics across the entire enterprise-level dataset combined from participating providers.

509	~$415M	~$36M	~4,300	~2,750	~$100M	~$4.2M
total agri-SMEs supported	collective revenue of all agri-SMEs	total revenue created by all enterprises after BDS provision	full-time employees (FTEs) across all enterprises	total FTEs created after BDS provision	total capital raised across all enterprises	total cost to provide these services

Each of the 15 providers was selected to ensure the sample varied in terms of scale, geography, type of enterprise, etc.

A Provider composition (N=15 providers)



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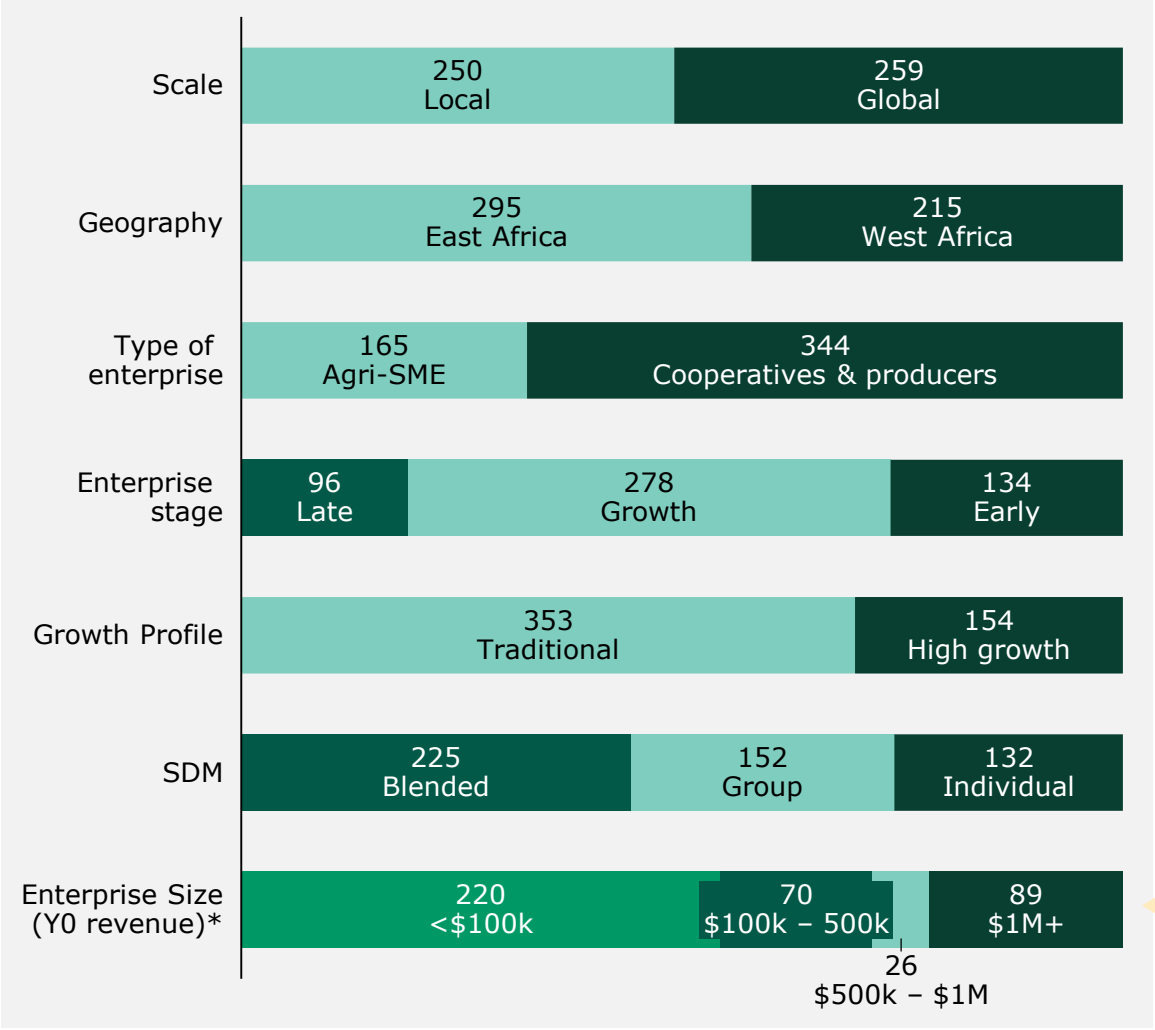
Note: this report primarily focuses on enterprise-level analysis of a single combined dataset across these 15 providers (see next 3 pages for further details). Provider-level results can be found in the annex (pages 81-100).

Notes: 1) Providers supplied data for programs operating in Burkina Faso, Ethiopia, Ghana, Ivory Coast, Kenya, Mali, Rwanda, Tanzania, Uganda

The case studies reached 509 enterprises across all datasets

B Enterprise composition (N=509 enterprises)



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

From this data, key metrics were used to evaluate cost efficiency, effectiveness, and fee coverage across the dataset

Key Metrics Used – Definitions

Cost Efficiency

- **A** **Cost per agri-SME served:** *Indicates the total costs associated with serving each enterprise*
- **B** **Cost per FTE created:** *The cost per full-time employee role created from start of intervention (Year 0) to the end of timeframe (Year 5)*
- **C** **Revenue created per $1 of cost:** *The amount of revenue generated per $1 of cost from start of intervention (Year 0) to end of timeframe (Year 5)*
- **D** **Capital raised per $1 of cost:** *The amount of capital raised per $1 of cost from start of intervention (Year 0) to end of timeframe (Year 5)*

Effectiveness

- **A** **Ave. revenue growth rate (Y0-Y5)*:** *The average annual revenue growth per enterprise*
- **B** **Annual FTE growth rate (Y0-Y5)*:** *The average annual growth in full-time employees per enterprise*
- **C** **Median capital raised:** *The median amount of capital raised per enterprise during the timeframe of study*
- **D** **No. of firms that raised capital:** *The total # of firms in the study that raised any amount of capital*
- **E** **Median FTEs created:** *The median # of full-time employee roles created per enterprise during the timeframe*
- **F** **Median revenue created:** *The median amount of revenue created per enterprise during the timeframe*

Fee Coverage

- **A** **% of firms that paid something:** *The proportion of firms that paid any of the costs associated with their BDS*
- **B** **Fee coverage of firms that paid:** *The proportion of costs per enterprise covered by the firm itself*
- **C** **Amount paid by firms (only firms that paid something):** *The total fees (in USD) paid by those firms that paid some amount of fees*

Notes: * Annual growth rates were averaged for each firm across a 6-year period from initial BDS intervention (Y0) to five years after BDS intervention (Y5). However, not all firms provided complete data for all six years.

Enterprises in this study generated additional revenue, FTEs, and capital raised at a multiple of the cost of BDS received

Key Metrics Used – Overall Results

Cost Efficiency

- **A** **Cost per agri-SME served:** $2,742 per SME (median)[1]
- **B** **Cost per FTE created:** $617 per FTE (median)
- **C** **Revenue created per $1 of cost:** $6.60 (median)
- **D** **Capital raised per $1 of cost:** $11.85 (median)

Effectiveness

- **A** **Ave. revenue growth rate (Y0-Y5):** ~27% p.a. (median)
- **B** **Annual FTE growth rate (Y0-Y5):** ~20% p.a. (median)
- **C** **Median capital raised:** $27,923 per enterprise
- **D** **No. of firms that raised capital:** 358 (70% of the sample)
- **E** **Median FTEs created:** 3 FTEs per enterprise
- **F** **Median revenue created:** $28,000 per enterprise

Fee Coverage

- **A** **% of firms that paid something:** 38% of sample
- **B** **Fee coverage of firms that paid:** 17% of costs (median)
- **C** **Amount paid by firms (only firms that paid something):** $469 per enterprise (median)

Note: full results by segment can be found in the annex (pages 81-100) while the following section discusses key findings from the analysis.

Notes: 1) The median value for each metric was used in an effort to eliminate outliers in the dataset.

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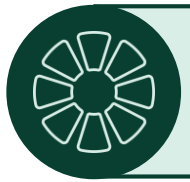
Five key conclusions emerged as a result of the study

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.

We will explore each of these five conclusions in detail in the subsequent pages.

Key cost efficiency drivers for BDS (across different contexts) are i) the service delivery model and ii) starting size of the enterprise

Key Cost Metric	Key Cost-efficiency Metrics		
Overall cost per enterprise*	**Cost per FTE created**	**Revenue created / cost ratio**	**Capital raised / cost ratio**
$2,742	***$617 / FTE***	***$7:1***	***$12:1***

- The cost and efficiency of BDS provision is determined by a significant number of interconnecting factors and contexts across segments served, type of providers, program objectives, etc.
- Thus, distinguishing the key underlying drivers of cost and efficiency can be difficult and is often relegated to an understanding on a case-by-case basis.
- However, determining what these key drivers look like can be incredibly valuable for increasing the value for money of BDS provision and building best practices across all segments and contexts.

This analysis has identified two key drivers of cost efficiency that are broadly consistent across contexts:

Service Delivery Model

BDS delivered through group-based SDMs1 provide stronger value for money than individual SDMs2 in terms of outcomes for revenue and capital raised (efficiency for FTE outcomes is slightly better for individual SDMs).

Starting Size of Enterprise

While smaller firms (<$100k) tend to be less costly overall to service ($956 per firm) compared to larger firms (1M+) ($22,924), it is less cost-efficient in terms of outcomes for revenue and capital raised.

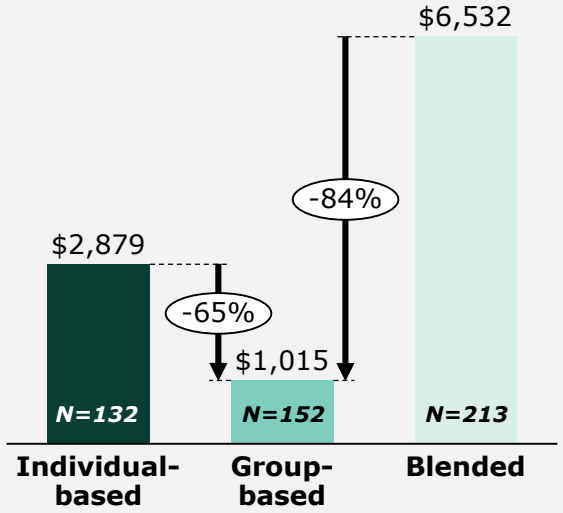
Note: other factors and contexts also drive cost efficiency (e.g., scale of provider) and are explored in further depth elsewhere. However, this section unpacks the key drivers of efficiency that cut across contexts and objectives more so than any other drivers.

Notes: * Represents the median cost per enterprise across the 509 enterprise dataset

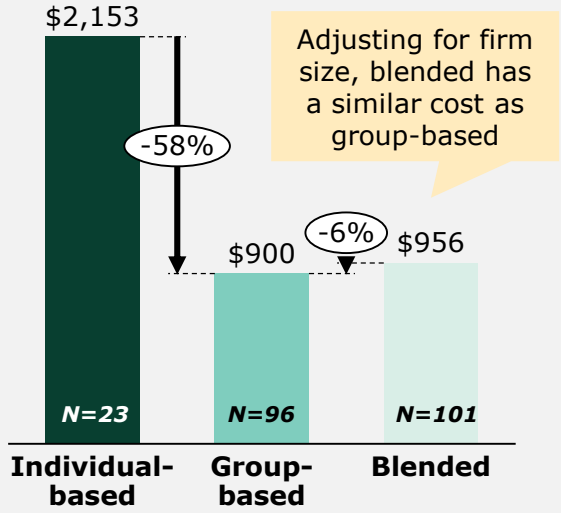
Group-based SDMs tend to be cheaper to implement compared to individual models

Cost to Serve Enterprises by Service Delivery Model

A) Median cost by SDM
(USD/firm)



B) Cost adjusted for firm size <$100k
(USD/firm)[1]



Adjusting for firm size, blended has a similar cost as group-based

- These results validate external research and previous analyses; an analysis of data from Argidius Foundation showed group-based and blended models being 83% and 53% cheaper than individual-based models respectively.

Overall, individual support is more than double the cost per enterprise served than group-based models

- The majority of enterprises supported via a blended approach were large (>$500k Y0 rev.) and served by a very small set of providers with generally high costs.
- When focusing on simply transitioning micro firms (chart B), the blended models fall into line with group models.

Research shows group-based support can result in significantly cheaper costs

- This analysis validates existing literature that shows group support can be cheaper than individual service delivery[1].
- Direct feedback also supports these results *(see next page).*

Notes: 1) Many of the firms that received individual-based support (~62%) did not provide starting (Y0) revenue figures due largely to one provider that failed to provide Y0 revenue and FTE data.
Sources: ISF Advisors analysis; 1) Source: Iacovone et al., "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia", The World Bank Group, 2019

Group-based SDMs can moderate key cost drivers of BDS provision and often drive innovative methods of cost reduction

Feedback on Cost Service Delivery Models as Cost Drivers

Group-based SDMs can moderate key cost drivers of BDS provision.

- Group training can create efficient economies of scale, especially for labor costs. Working with multiple groups at a time can spread a support staff's time across multiple firms.
- This approach can also reduce other direct costs such as travel as providers will often deliver services in a central location rather than travel from business to business.
- One provider working in a more remote setting indicated that reduced travel expenses from centralized and digitalized group training resulted in a significant cost savings.

Group-based SDMs often use innovative approaches that can reduce or replace more expensive options.

- Group-based models are also more likely to use digital technologies such as online or mobile-based learning, which reduces costs.

  "Digital and e-learning tools are crucial to scale the training we can provide in a group setting, so that we can deliver the same quality of support to a full cohort without the costs of in-person training."
  Provider J
- Additionally, this model can leverage mechanisms such as peer-to-peer learning to improve enterprise growth (see page 35 for further details on effectiveness outcomes). This also often has a secondary impact of reducing or replacing more expensive forms of support such as individual consultants or advisors[1,2].

However, group and blended approaches can lead to other types of costs.

- Feedback indicates that group or blended approaches can actually have higher start-up costs associated with program/curriculum design and logistic planning; however, this leads to reduced cost during actual implementation.
- Some of the unintended consequences of group delivery can lead to additional costs.

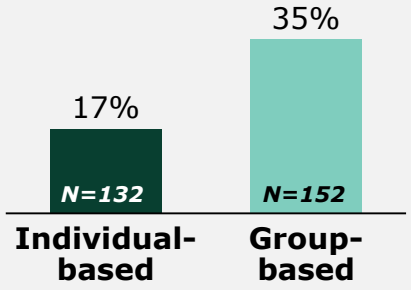
  "We attempted to use digital tools during group settings but it lead to more issues than successes as many participants weren't digitally literate."
  Provider E

Sources: 1) Cai et al., "Interfirm Relationships and Business Performance", The Quarterly Journal of Economics, 2018; 2) Argidius, "Networking works: Peer-to-peer business networks help Small and Growing Businesses grow revenues and create jobs", 2019

Additionally, group-based SDMs create higher levels of impact on certain outcomes resulting in more efficient BDS provision

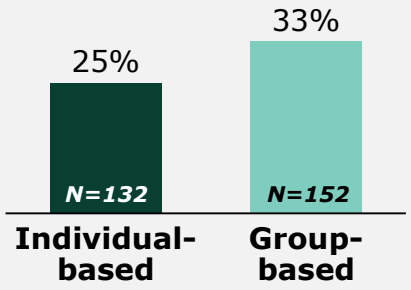
Effectiveness and Efficiency by SDM

A) Median revenue growth (% p.a.)



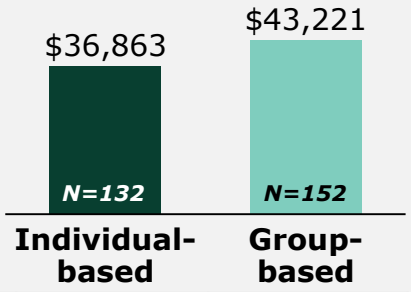
	Individual-based	Group-based
Median revenue created/firm	$71k	$44k
Revenue created/ Cost	$21:1	$25:1

A) Median FTE growth (% p.a.)



	Individual-based	Group-based
Median FTEs created/firm	7	5
Cost per FTE created	$262	$300

A) Median capital raised (USD/firm)



	Individual-based	Group-based
Capital raised/ Cost	$20:1	$50:1

Group-based SDMs result in higher revenue and FTE growth rates.

- This may be because group-based SDMs were more likely to be delivered to smaller firms with more room for growth, particularly in terms of revenue.

However, enterprises supported with individual-based SDM achieve higher absolute revenue and FTE growth.

- This result is primarily due to individual SDMs being used more often to support larger firms with more absolute impact.
- However, impact of capital raised is larger for firms receiving group-based SDMs.

Group-based SDMs are more efficient in improving outcomes for revenue and capital raised; efficiency for FTE outcomes is slightly better for individual SDMs.

- The lower costs of group-based SDMs result in it being the more efficient method of delivering BDS when considering revenue and capital raised outcomes.
- There was a small difference in efficiency associated with FTE outcomes: Group-based SDMs were $38 dollars more expensive per FTE created than individual-based SDMs.

Sources: ISF Advisors analysis

These outcomes confirm existing research / feedback that certain mechanisms of group-based SDMs can lead to more impactful BDS

Feedback on Cost Service Delivery Models as Cost Drivers

Mechanisms associated with group-based SDMs can result in more effective BDS provision.

- Key components of group-based SDMs often include peer-to-peer learning, information exchange (e.g., of relevant market information and data), peers doing business together, psychological support, and inter-firm relationship building[1,2].
- Research shows that these mechanisms can be effective at improving enterprise growth and the successful provision of BDS; this is confirmed by this study's quantitative analysis as well as direct feedback from providers[3].

  "Facilitating group training sessions and events is an important way to drive SMEs learning from each other, which is both more effective and impactful but also leads to reduced cost of service delivery from our perspective."

  Provider F

Effective framing of these methods, especially for enterprises in segments that are less likely to engage, is crucial for further uptake.

- Despite the evidence pointing to the effectiveness and efficiency of group-based SDMs, providers often indicate a broad a hesitancy to provide this type of SDM in certain contexts—either driven by consumer demand (or lack of demand) or by assumptions made by the providers themselves.
- For instance, large enterprises are less likely to engage with group-based SDMs despite evidence and anecdotal experience that this delivery is useful for those enterprises (e.g., through executive peer-to-peer learning and mentoring engagements for larger companies)[1,2,3].

  "Even for the larger companies we work with, we see value in pursuing a network of mentorship and peer training across the leaders we support. This is one of the most impactful ways to help firms."

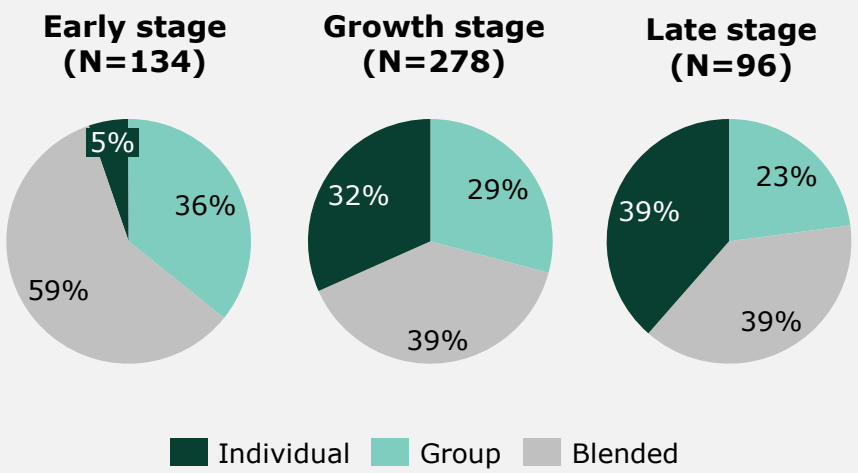
  Provider E
- Providers and donors should strive to correctly frame the positive aspects of group-based SDMs to encourage further uptake among end-user enterprises. Additionally, these same stakeholders should work to educate peers on the benefits of this approach.

Sources: 1) Source: Iacovone et al., "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia", The World Bank Group, 2019; 2) Cai et al., "Interfirm Relationships and Business Performance", The Quarterly Journal of Economics, 2018; 3) Argidius, "Networking works: Peer-to-peer business networks help Small and Growing Businesses grow revenues and create jobs", 2019

While the type of SDM used for BDS is dependent on a variety of contextual reasons, the stage of firm appears to be a key driver

***Early-stage firms receive more group/blended services**, rather than highly tailored individual support, while **growth and late-stage firms are far more likely to receive individual-based support** relative to early-stage enterprises.*

Type of SDM by Enterprise Maturity



As firms grow there is an increased need for more diverse and complex mix of services.

- Based on feedback, early-stage enterprises tend to be less formal than growth or late-stage enterprises and need support formalizing their business in terms of accounting, registration, governance, etc.
- These services are easier to standardize and can be effectively delivered through group-based models.
- Enterprises tend to grow at different speeds with slower firms needing additional help, especially with respect to their core business. As a result, growth and late-stage firms tend to have a greater need for access to finance services, which tend to be delivered through individual models.

Providers indicate that later-stage firms often seek out individual support rather than group support.

- As with any market, BDS provision is a balance between supply and demand. Providers indicate that late-stage enterprises tend to prefer individual support and eschew group models even if the provider believes it could be a good fit for that enterprise.

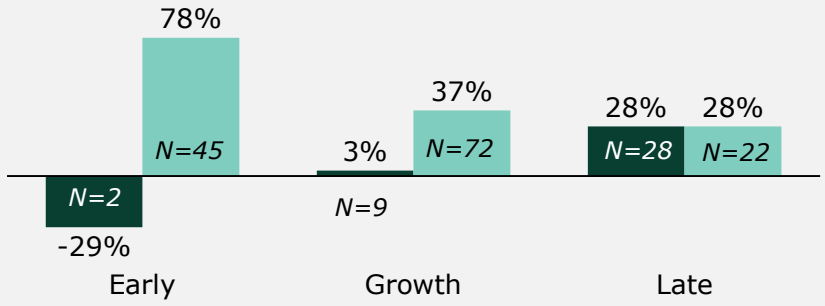
Reminder: the following definitions were used to define enterprise stage:
***Early stage**: A company that has a core management team and a proven concept or product, but is not cash flow positive.*
***Growth stage**: A company that has received one or more rounds of financing and is generating revenue from its products or services.*
***Late stage**: A company that has proven its concept, achieved significant revenues compared to its competition, and is approaching cash flow break-even or positive net income.*

Sources: ISF Advisors analysis

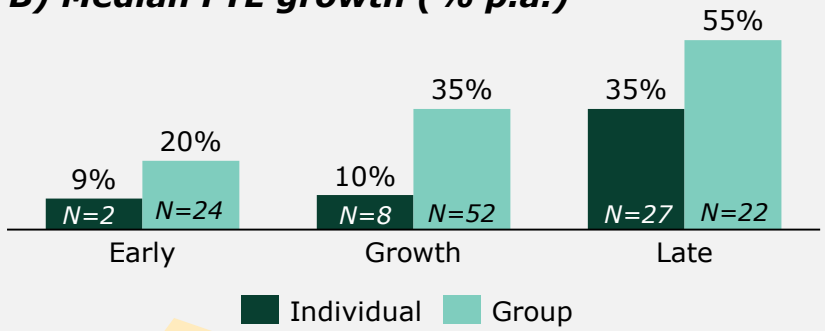
Group-based SDMs appear to drive higher growth relative to individual SDMs across most stages of enterprise maturity

Effectiveness by SDM and Enterprise Maturity

A) Median revenue growth (% p.a.)



B) Median FTE growth (% p.a.)



Due to the small sample size, it is difficult to determine the difference between group vs. individual training for early-stage firms.

Feedback and research indicates a broad range of additional benefits associated with group-based support for firms of various levels of maturity.

- Delivering group-based support for same-stage cohorts can facilitate peer-to-peer learning across firms that are experiencing similar issues and barriers associated with their specific stage of development[1].

  "A crucial way to ensure the BDS is effective and has an impact is to empower the recipients to teach and learn from one another. Enabling that in a formal group-setting to begin with can be effective."

  - Provider N

- A focus on 'lower-hanging fruit' in group training could lead to a selection bias in the data (i.e., the harder cases are more likely to be addressed via individual training rather than group-based).

Group SDMs can also be effective in situations where they are not currently viewed as a fit, such as supporting later-stage companies.

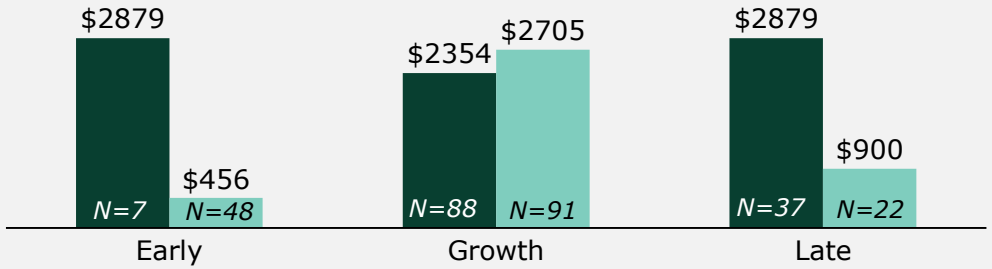
- Feedback indicates that a key barrier to implementing this approach is the perceived (lack of) effectiveness of group training for more mature enterprises from the market (both the recipients as well as funders)[2].
- However, mature firms can similarly benefit from P2P learning such as through expanding business relationships or sharing market data.
- Moreover, examples of effective group-based support for mature firms currently exists, such as executive training courses or continuing education.

Sources: ISF Advisors analysis; 1) Argidius, "How to Fulfill the Potential of Business Development Services using SCALE", 2022; Argidius, "Networking works: Peer-to-peer business networks help Small and Growing Businesses grow revenues and create jobs", 2019; 2) Brooks et al., "Mentorship Helps Kenyan Microenterprises Profit", VoxDev, 2017

Group-based SDMs also tend to be less expensive and more cost-efficient in most contexts, specifically for growth and late-stage firms

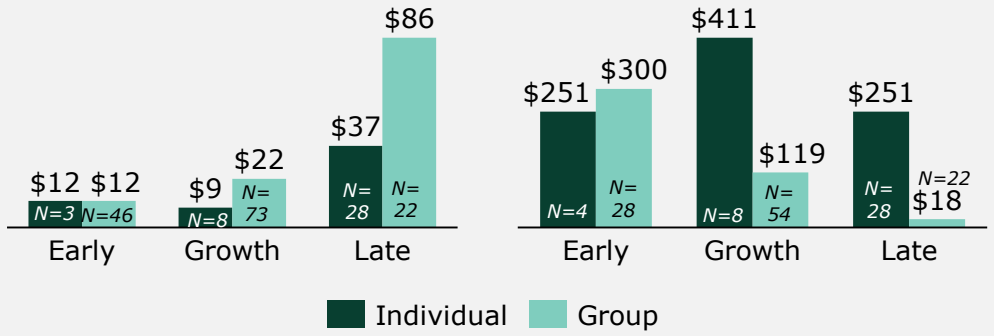
Cost-efficiency by SDM and Enterprise Maturity

A) Median cost to service (USD/firm)



B) Rev. created per $1 of cost (USD)

C) Cost per FTE created (USD)



Cost reduction is driven by operational efficiencies.

- ❖ As discussed previously, group-based models can drive reduced costs by achieving efficiencies in labor expenses, reduced travel, and time saving.

Despite being more costly, individual-based models are necessary for certain interventions.

- ❖ Importantly, feedback from BDS providers suggests that an individualized approach is necessary when supporting multiple enterprises that each have unique needs.
- ❖ Typically, later-stage enterprises have more divergent and unique needs relative to early-stage enterprises.
- ❖ While the quantitative results do not show any advantage for individual-based support services, it may be true that custom support is required in certain contexts that more mature enterprises are more likely to face[1].

Circumstances where unique training is still necessary can be an opportunity to further utilize blended models.

- ❖ Those situations where individualized coaching and support is necessary (either from the provider's assessment or by client demand) can focus on a blended approach that uses the best practices of group learning (e.g., peer-to-peer learning).
- ❖ Direct feedback corroborates existing research that this type of approach could be more cost effective while maintaining or improving effectiveness[2].

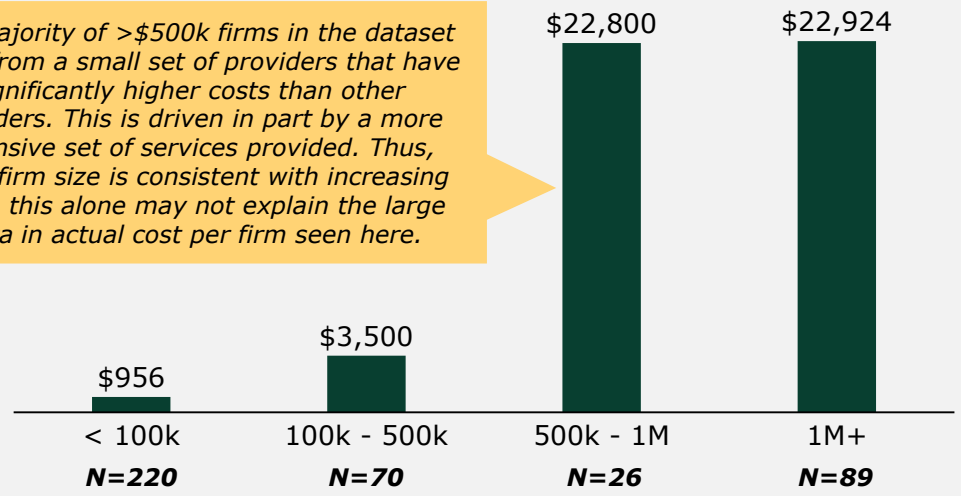
Sources: 1) Iacovone et al., "Improving Management with Individual and Group-Based Consulting: Results from a Randomized Experiment in Colombia", The World Bank Group, 2019; 2) AMEA, "Blended Learning Using AMEA Tools", 2020; Argidius, "How to Fulfill the Potential of Business Development Services using SCALE", 2022

Smaller firms (<$100k in Year 0 revenue) tend to be less costly overall to service compared to larger firms ($100k+)

Cost to Serve Enterprises by Firm Size

Median cost per firm *(USD/firm)*

The majority of >$500k firms in the dataset come from a small set of providers that have significantly higher costs than other providers. This is driven in part by a more extensive set of services provided. Thus, while firm size is consistent with increasing costs, this alone may not explain the large delta in actual cost per firm seen here.



Firm size was bucketed into four categories and defined as:

- *Transitioning micro (<100k): Median firm rev. was $2.6k with 1 FTE.*
- *Small (100k-500k): Median firm rev. was ~$250k with 4 FTEs.*
- *Small/Medium (500k-1M): Median firm rev. was $683k with 8 FTEs.*
- *Medium (1M+): Median firm rev. was ~$2.5M with 14 FTEs.*

Data from Argidius showed a similar trend with costs increasing with enterprise size. The exception was for larger enterprises ($1M+) which had a similar cost to service as transitioning micro enterprises (<$100k).

Key cost drivers of service provision can be heavily influenced by the client's size.

- Labor is a key cost driver for providers and as client firms become larger the need increases for additional support staff and more time spent offering services.

  "One of the biggest cost drivers is scaling our labor costs in line with the larger enterprises we are supporting."
  - Provider I

The type and intensity of BDS can also differ significantly across different sized firms.

- Smaller firms may more often need help with simple things such as registering their business and digitizing their accounting—practices that are standardized and scalable.

  "Smaller, less formalized enterprises often face simpler challenges that may not be as costly to address. Often, it is as simple as clarifying business models and basic practices."
  Provider G

Time to generate impact can also be shorter.

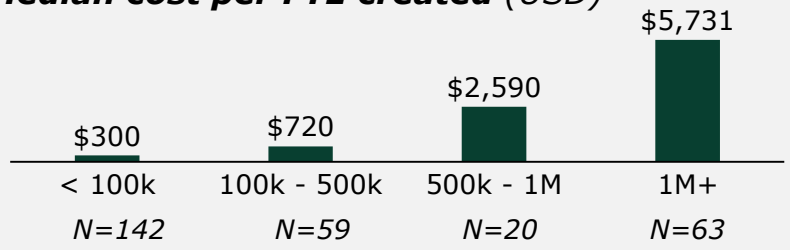
- Provider feedback indicates that the time to realize impact for the smallest transitioning micro firms can be very fast given the lower base of sophistication relative to larger peers.
- The reduced time working with these smaller firms can also be a driver of reduced costs.

Sources: ISF Advisors analysis

Smaller firms also created revenue and FTEs more cost efficiently; however, supporting larger firms resulted in more absolute impact

Cost Efficiency by Firm Size

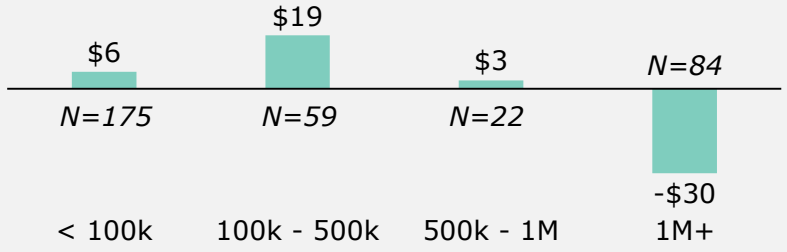
A) Median cost per FTE created *(USD)*[1]



No. of FTEs created per firm

<100k	100k-500k	500k-1M	1M+
3	4	5	2

B) Median revenue created per cost *(USD/$1 of cost)*[2]



Amount of revenue created per firm

<100k	100k-500k	500k-1M	1M+
$18.6k	$83.4k	$64.6k	-$628k

The low cost of serving smaller firms results in more efficient impact on a cost/FTE basis.

- While there is a sizeable difference between cost per FTE created across firm size, the actual absolute numbers of FTEs created does not differ as significantly when looking at enterprises of different sizes.
- Thus, focusing on smaller enterprises may be an option for a provider and/or donor that is prioritizing support that leads to efficient job creation.
- Note: Many of the larger enterprises in the sample are cooperatives/ producers, which often rely heavily on part-time labor. This analysis focused solely on FTEs and thus may be undercounting the entire employment impact of larger firms.

Intuitively, working with larger firms results in higher absolute impact in terms of both FTE and revenue created.

- The total impact (in terms of rev. and FTEs created) differs from cost efficiency—Firms with $100k-500k of turnover created the highest median revenue (~$83k per firm), while slightly larger firms ($500k-1M) created the most FTEs (5 FTEs per firm)

Note: revenue and FTEs created doesn't account for additionality.

- This metric measures the total absolute change in revenue and FTEs after the intervention was received. The model assumes that all growth in revenues and FTEs is attributable to the intervention.

The majority of large firms ($1M+) received interventions from a single provider operating during the Covid-19 pandemic; the impact of the pandemic, along with a limited timeframe of data, results in this negative revenue growth. When these outliers are removed, revenue created from this segment is ~$140k.

Notes: 1) Refers to the median cost of servicing a firm divided by the change in FTEs at that firm from Y0 to Y5; 2) Refers to the median change in revenue per firm from Y0 to Y5 divided by the total cost to service the firm
Sources: ISF Advisors analysis

These results have key implications for the cost efficiency and value for money of BDS provision

Cost Efficiency Drivers - Key Conclusions / Insights:

1. BDS delivered through **group-based SDMs[1] provide stronger value for money than individual SDMs[2] in terms of outcomes of revenue and capital raised** (efficiency for FTE outcomes is slightly better for individual SDMs).

2. **Group SDMs may be applicable or suitable (i.e., could drive increased cost efficiency) in more situations than currently used**, especially for more mature or larger enterprises. A more sophisticated understanding of how and when to use group and blended SDMs could lead to more efficient BDS provision.

3. The **mechanisms that drive efficient and impactful BDS via group-based SDMs** (e.g., peer-to-per learning, information exchange, peers doing business together, reduced external consultants) **should be integrated as much as possible into other SDMs** to reduce the cost and increase the impact of BDS.

4. While **providing services to smaller firms (<$100k of revenue) is less costly overall**, it is **less cost-efficient in terms of creating revenue or raising capital** compared to providing services to larger firms ($100k+).

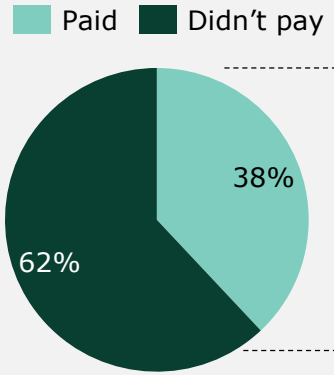
5. Support to **larger firms can lead to higher absolute impact (e.g., more total jobs created)**. There are also often other key reasons to target larger firms (e.g., exposure to strategic commodities) that this work has not explored in-depth.

Notes: 1) Service delivery models that provide similar support to all agri-SMEs within the group (e.g. cohorts, classrooms, webinars, in-person demonstrations); 2) Refers to specific services that are tailored to the agri-SMEs individual needs (e.g., coaching/mentoring, 1-on-1 advisory)

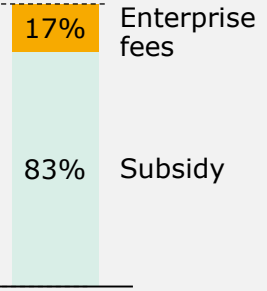
Most enterprises in the study did not pay any fees to receive BDS; for those that did, fees typically comprised a small portion of costs

Fee Coverage of Total Study Sample (N=509 enterprises)

A) % of firms that paid for services



B) Amount paid (% of total BDS costs)



Low fee coverage was also observed in the Argidius data set, with firms only covering ~11% of the total costs

- Of those firms that paid something for services, the median amount paid was $469 per firm.
- Enterprise fees only include cash payments made by the firm for services. In some cases, these payments may take the form of interest payments for BDS services that are bundled with loans.

This level of fee coverage is broadly typical of the contexts and markets focused on for this work.

- The relatively low level of fee coverage can be explained in part by the nature of the sample this study worked with—many providers were sourced through a network provided by donors on the research consortium.

However, feedback indicates that these results are broadly indicative of the markets/contexts on which this work focused.

- These markets are most often driven by donor funding, many of which are hesitant to charge fees[1].
- This hesitation is often driven by a concern that this goes against their mission (e.g., by potentially excluding certain beneficiaries) or by a lack of trust in the effectiveness of charging[2].

Importantly, this data only indicates whether firms paid rather than a *willingness* to pay.

- There is a key difference between willingness to pay and ability and/or opportunity to pay[3].
- Some contexts (e.g., certain donor-led programs) do not have any option for direct enterprise fee coverage.
- Thus, the discussion in this section focuses primarily on the outcomes of fee coverage along with certain core drivers heard in direct feedback.

While direct fee payments was the most common form of coverage, there were some examples of innovate fee structures.

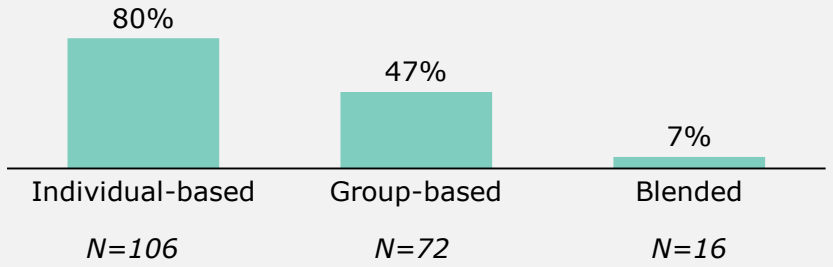
- Some providers utilized in-kind fees or other structures such as fees via loan interest payments or charging an annual membership fee.
- However, the use of these types of structures was relatively rare.
- These structures made collecting data on fee coverage more difficult given the varying recording methodologies used across providers.

Source: Sources: ISF Advisors analysis; 1) Maffioli et al., "How Should Business Training be Priced? A Demand Experiment in Jamaica", The World Bank, 2020; 2) Argidius, SCALE Report, 2022; 3) Bloom, N. and J. Van Reenen, "Why Do Management Practices Differ across Firms and Countries?", 2010

The key driver of whether an enterprise paid any fee for service appears to be the method of BDS delivery

Fee coverage by Service Delivery Model (SDM)

Portion of firms that paid some fee for services (% of total sample)



Enterprise fee coverage for those firms that paid something (% of total costs)

Individual-based	Group-based	Blended
29%	*5%*	*6%*

Amount paid (USD/firm)

Individual-based	Group-based	Blended
$920	*$45*	*$1,425*

Group-based models tend to be cheaper to implement. SDM may have influenced the amount paid by the enterprise.

- Argidius' data showed a similar trend: Over 76% of firms that received individual support paid at least some fee compared to 61% and 25% for group-based and blended models respectively.

Program context and objectives play a role.

- Individual models are more often marketed and supplied by BDS providers operating in a commercial capacity (e.g., less donor driven).
- Providers may only pursue a fee-based model (paid for by the enterprises) when providing individual-based services and they follow a more subsidized model in other scenarios.
- Feedback indicated that many of those enterprises supported via group or blended models are never given an opportunity to pay any sort of fee[1].

Perceived value drives demand for individual services from enterprises.

- Individual models are often more tailored towards the needs of the entrepreneur and therefore appear to have a higher value proposition.
- Research indicates that a lack of information around the actual benefits of BDS can drive a low willingness to pay from entrepreneurs[2].
- Individual models can often focus on "quick wins" for the entrepreneur, which could potentially result in a more immediate value-add for the enterprise.

  "SMEs are more willing to pay for services when the benefits are achievable in the short term."

  - *Provider F*

Innovative fee structures were easier to implement in group-based settings and may have resulted in lower fees.

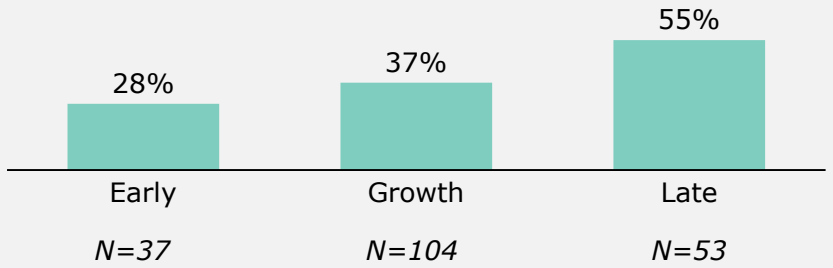
- Group-based models can leverage in-kind/non-cash payments to effectively cover a portion of BDS costs (e.g., providing venues for group-based training).
- Additionally, some providers have had success in utilizing annual membership models instead of fee-for-service models, where a clear and transparent rate card can lead to improved fee coverage.

Sources: ISF Advisors analysis; 1) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022; Karlan, D. and M. Valdivia, "Teaching entrepreneurship: Impact of business training on microfinance clients and institutions," Review of Economics and Statistics, 2011; 2) McKenzie et al., "What are we Learning from Business Training Evaluations Around the Developing World?", The World Bank, 2014

There is also a correlation between stage of enterprise and fee coverage with more mature firms paying fees more often

Fee Coverage by Enterprise Maturity

Portion of firms that paid some fee for services (% of total sample)



Enterprise fee coverage for those firms that paid something (% of total costs)

Early	Growth	Late
5%	*20%*	*9%*

Amount paid (USD/firm)

Early	Growth	Late
$15	*$484*	*$1,000*

Due to sample size constraints, 51% of early-stage firms that paid came from a local provider that had a lower cost for providing BDS than some of the other providers.

Later stage enterprises pay fees across most segments and contexts.

- This correlation stays relatively consistent when looked at through other cuts. For example, while cooperatives/producers are much less likely to pay fees relative to other enterprises, the rate of fee coverage increases for all types of enterprises served when progressing to later stages.

  "Our experience is it is very difficult for early-stage SMEs to pay any fee. As companies mature, they are more able and willing to pay."
  - Provider B

However, the actual fee coverage across each stage remains low.

- Despite the higher likelihood of an enterprise to pay some amount of fee for service as it matures, the actual rate of cost coverage remains very low.
- Feedback from providers indicates that enterprises have access to numerous free services and are often unlikely to pay for BDS believing they can obtain the same product for no fee elsewhere.

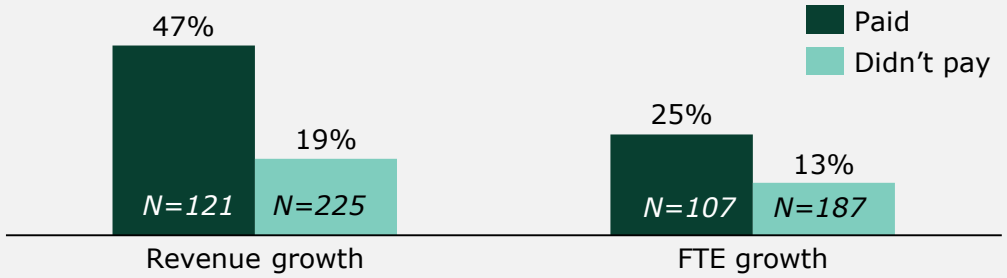
  "Businesses are typically reluctant to pay for any services at all as they are believe the same services can be received for no cost from others."
  - Provider L
- On an enterprise level, the median enterprise fee coverage for early and growth stage is 0% because even those that are paying some portion of the cost are doing so in a very limited (e.g., <10%) manner.
- The highest form of fee coverage (seen most often in late-stage companies) appears to result from loan/interest fees charged by providers that combine BDS with lending and often result in profit for the provider.

Sources: ISF Advisors analysis; 1) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022; Karlan, D. and M. Valdivia, "Teaching entrepreneurship: Impact of business training on microfinance clients and institutions," Review of Economics and Statistics, 2011; 2) McKenzie et al., "What are we Learning from Business Training Evaluations Around the Developing World?", The World Bank, 2014

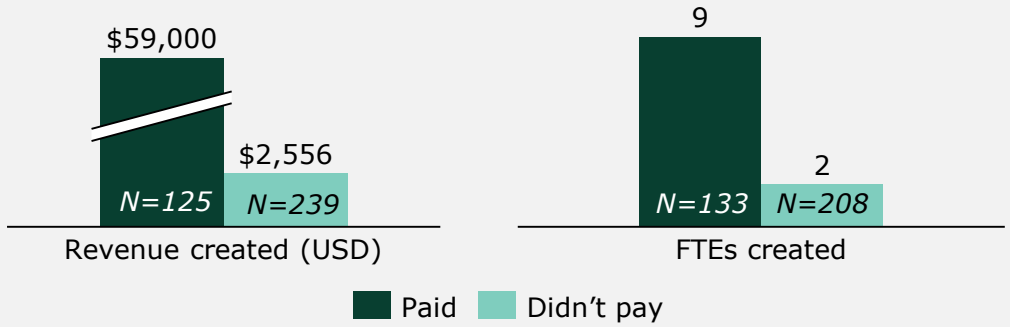
Firms that paid at least some fee tended to grow faster and create more revenue and FTEs than firms that paid nothing

Effectiveness by Fee Coverage (Did Pay vs. Did Not Pay)

A) Median enterprise growth (% p.a.)



B) Median impact created per enterprise



These results are in line with key pieces of existing research.

- Research compiled by the Argidius Foundation and a direct analysis of their portfolio found that enterprises that did pay some level of fee for service were able to achieve higher job creation and revenue growth than those that did not[1,2, 3].

Direct feedback supports these claims as well.

- Providers indicate that firms paying some portion of fees often results in higher levels of engagement with support services.

  "SMEs have a much higher degree of commitment when they pay some part of the fees."
  - Provider G

  "Ideally SMEs need to share the cost burden for any BDS provided. We often aim for above 50% of the cost, as this ensure increased engagement."
  - Provider M

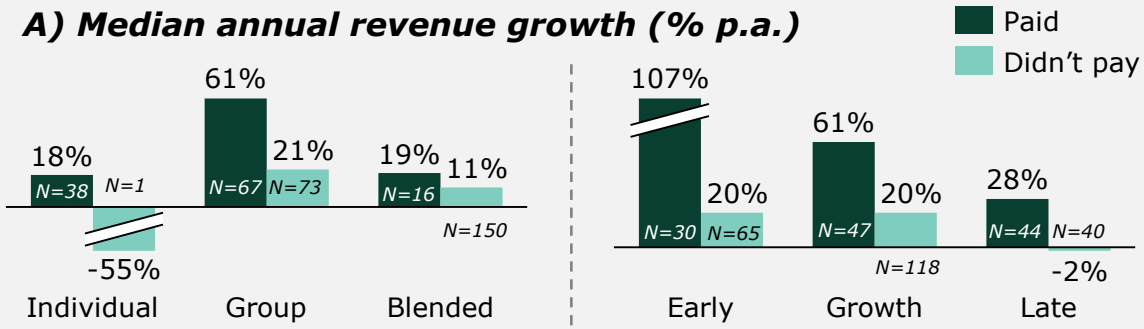
  "When an enterprise pays for services, there is a real change in the desire and drive to learn and improve from the BDS support."
  - Provider F

Sources: ISF Advisors analysis; 1) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022; 2) Maffioli et al., "How Should Business Training be Priced? A Demand Experiment in Jamaica", The World Bank, 2020; 3) McKenzie et al., "What are we Learning from Business Training Evaluations Around the Developing World?", The World Bank, 2014

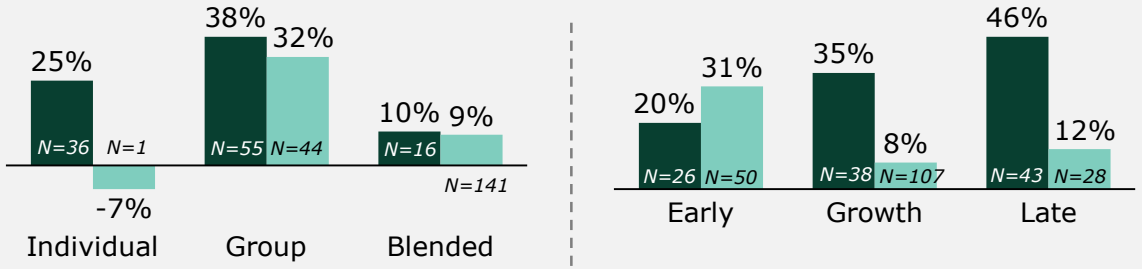
Firms across various stages and SDMs achieve better results when paying some fees compared to those that didn't pay anything

Effectiveness by Fee Coverage (Did Pay/Did Not Pay)

A) Median annual revenue growth (% p.a.)



B) Median annual FTE growth (% p.a.)



- Creation of revenue and FTEs follow similar trends. In this study, both metrics are several multiples higher in most contexts for firms that pay compared to those that do not.

These results hold true across most segments and contexts.

- These findings confirm existing research, which shows that paying for services may screen out firms that are less likely to attend training sessions and select those that are more likely to commit resources and time, even in segments that are traditionally less able to do so[1,2,3].

The results are even more striking for those segments where fee-paying enterprises are outliers.

- For instance, most growth-stage enterprises do not pay any fee; however, those that do pay a fee far outperform those that did not.
- Early-stage entrepreneurs who have more committed capital and time appear more willing to commit to training and support services.

  "While it can be difficult for early-stage companies to pay fees and subsidies are very often needed, many times those that are able to pay can see significant positive impacts."

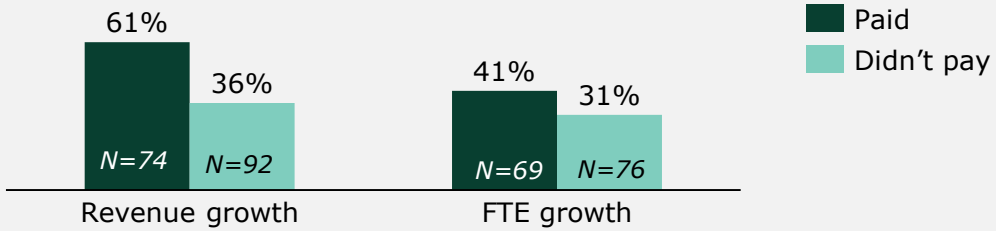
  - Provider B
- However, drawing strong conclusions from these results may not be possible given the small sample sizes associated with some segments.

Sources: ISF Advisors analysis; 1) McKenzie et al., "What are we Learning from Business Training Evaluations Around the Developing World?", The World Bank, 2014; 2) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022; 3) Maffioli et al., "How Should Business Training be Priced? A Demand Experiment in Jamaica", The World Bank, 2020

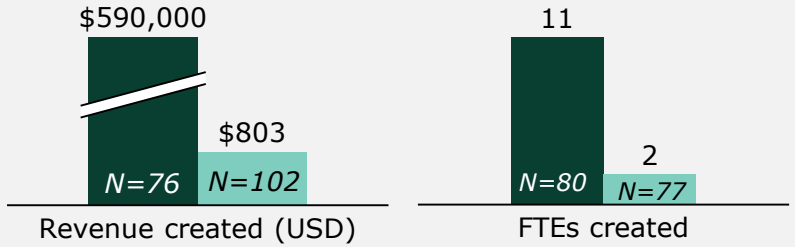
Transitioning micro firms (<$100k) saw the starkest difference in effectiveness between firms that paid and those that did not

Effectiveness by Fee Coverage (<$100k Y0 Rev. Firms)

A) Median enterprise growth <$100k (% p.a.)



B) Median impact created per enterprise (<$100k)



- Firms with revenues <100k made up the single largest group comprising 41% of firms that paid and 45% for those that did not.
- A large portion of the sample (31% for those that paid and 14% for those that didn't pay) didn't provide revenue figures and were not included in this analysis.

Transitioning micro enterprises that pay some fee coverage appear far likelier to achieve revenue and FTE growth.

- Feedback indicates that smaller firms are more willing to ensure successful implementation as they allocate more relative resources.

  "Many of the smallest firms we work with as clients that paid some fees experienced success and continue to come back as repeat clients seeking additional services as they grow."
  Provider G

  "The smaller SMEs and coops that contribute to the cost of training are often paying a significant sum based on their current revenue and are then very engaged."
  Provider M

However, small ($100k–500k) and medium-sized ($500k–1M) firms have more mixed results.

- Results for these segments tended to favor firms that did not pay in specific contexts.
- However, most of the data for these segments came from a small handful of firms making it difficult to draw concrete conclusions from the data.

While introducing innovative alternatives to direct fees is crucial to further engage all firm sizes, it appears particularly important for transitioning micro firms.

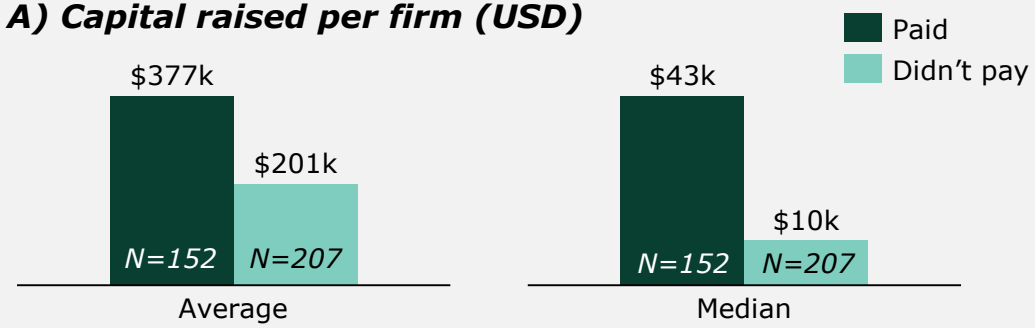
- There are multiple alternatives to fee-based models that may be even more applicable to the smallest micro firms.
- Models such as shared success fees, satisfaction guarantees, and deposits may allow smaller firms with less liquidity to still pay for services[1].

Sources: ISF Advisors analysis; 1) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022

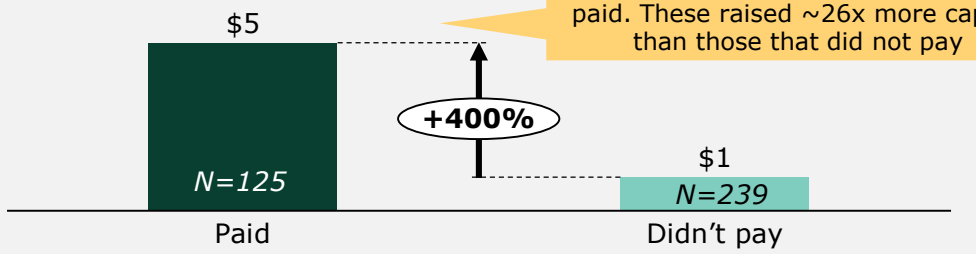
Similar results were demonstrated in terms of capital raise, with paying firms raising more capital than non-paying firms

Capital Raised Effectiveness by Fee Coverage

A) Capital raised per firm (USD)



B) Capital raised per firm adjusted for size ($ raised / $1 of revenue)



- Paid firms were also more cost-efficient, paying $0.02 for every $1 of capital raised compared to $0.24 for firms that didn't pay.

There are several potential reasons why firms that pay some fees for service are able to raise more capital.

- Based on feedback, some providers that offer access to finance collect fees in the form of commissions (i.e., the enterprise pays a small percentage of the capital raised at closing). This helps to align the incentives of the provider with those of the enterprise.
- Aligning incentives between providers and recipients is a key driver of overall successful BDS implementation[1].

  "Offering success fees for capital raised outcomes is a crucial way to further develop the broader BDS market while ensuring the incentives between provider and recipient are aligned."
  Provider O

Amount of capital raised appears to positively correlate with enterprise fee coverage.

- After eliminating large outliers (i.e., those firms that raised >$1M in capital), there is a slightly positive correlation between the amount of capital raised and the enterprise fee coverage.
- These results validate the research conducted by Argidius[2] and feedback from providers that indicated that firms that pay for services are often more engaged in training when fees are paid. This can result in higher impact during more complex support scenarios like long-term transaction advisory.

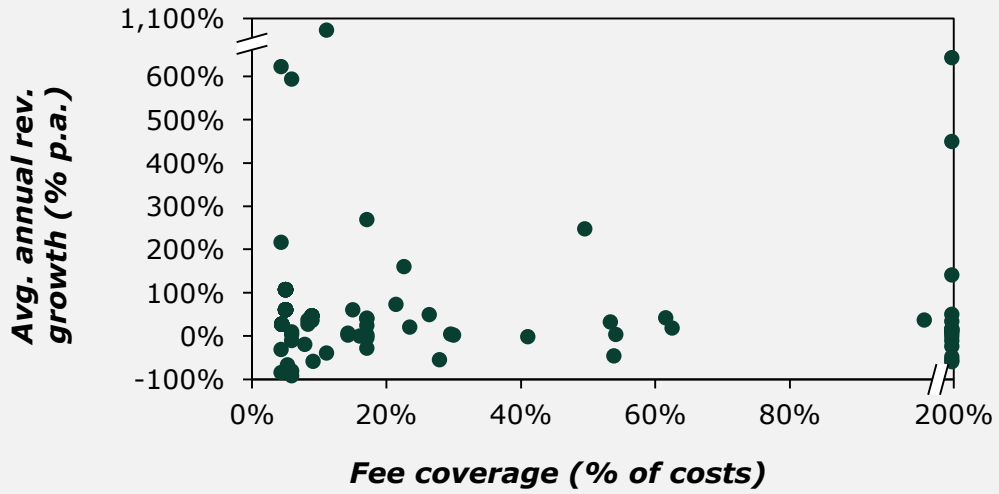
Sources: ISF Advisors analysis; 1) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022; Anderson et al., "Pathways to profits: Can entrepreneurship training really work for small businesses?" VoxDev, 2019; 2) Argidius, 2022

There does not appear to be a strong correlation between the amount of fee coverage (as a % of costs) and enterprise growth

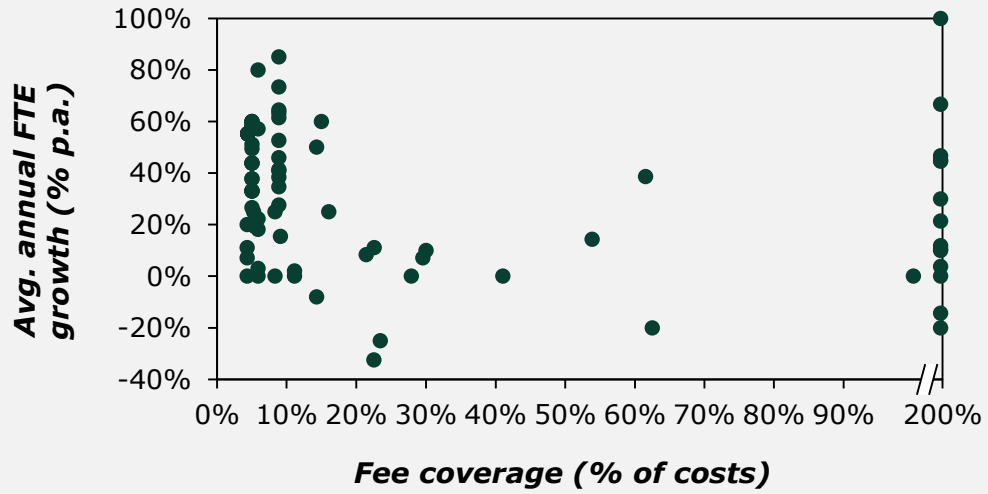
Effectiveness by Amount of Fees Paid

Note: charts shows only those firms that paid some level of fee

A) Fee coverage vs. revenue growth



B) Fee coverage vs. FTE growth



Enterprises that cover the entire cost of services experience a wide range of outcomes.

- These 46 firms experienced a range of enterprise growth rates, indicating potentially that commercially viable BDS may not play a significant role on enterprise growth (in this dataset).

Research indicates that specific fee coverage is highly context-driven and should often be tailored case by case.

- Research shows that while higher fee coverage drives further engagement, paying more may also result in the screening out of many enterprises. Finding the correct price point to charge is driven by program objectives as well as client ability to pay[1].
- In addition, there are different models of enterprise contribution that providers can pursue. Feedback from this work shows that there is an interest and desire to further develop unique models, but in practice this appears to be relatively limited[2].

Sources: ISF Advisors analysis; 1) Maffioli et al., "How Should Business Training be Priced? A Demand Experiment in Jamaica", The World Bank, 2020; 2) Argidius Foundation, "How to fulfill the potential of Business Development Services using SCALE", 2022

These results validate existing research on the value of firms paying for BDS and has implications for when/how this occurs

Enterprise Fee Coverage - Key Conclusions/Insights:

1. The study's results validate existing research showing that **enterprises who pay some amount for services perform better than those who do not pay** (especially for transitioning micro enterprises).

2. **Fee structures must be tailored to the context of the enterprise**. Analysis and feedback shows that this **segmentation is best guided by maturity of the enterprise** – more nascent firms often need more subsidies than more mature ones.

3. **Innovative structures can be used to improve fee coverage**. Examples include: i) for BDS accompanied by financing, integrating fees into interest payments, ii) collecting in-kind fees, especially for group-based SDMs, and iii) utilizing annual membership fees when appropriate.

4. Enterprises' ability and/or willingness to pay may often be driven **by broader market dynamics that can disincentivize, or even directly prohibit, enterprise fee coverage for BDS** (e.g., donor-driven requirements and targets).

5. It is important that **providers communicate the benefits of group/blended SDMs** (which can deliver similar BDS impact with improved cost efficiency) to recipients in an effort to improve willingness to pay for these services.

Notes: 1) BDS services are largely funded by donors, however in some cases the client enterprise shares a portion of the total cost of provision. We define this as "enterprise fee coverage."

Providers often use the type or maturity of an enterprise as key segments to determine the type of BDS delivered

Segmentation is essential for determining the proper type of BDS and method of delivery that will address the barriers/challenges/objectives an enterprise has.

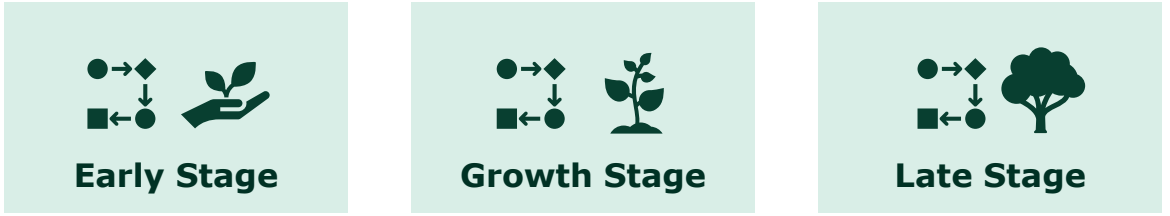
- There is a tremendous amount of literature that discusses the fundamental importance of effective segmentation[1].
- Tailoring the right approach for BDS requires sophisticated segmentation of potential SME clients to ensure the specific needs of each enterprise are being addressed.
- While there are numerous sophisticated segmentation approaches in existing literature[2], in practice providers most often use more rudimentary approaches as a starting point (e.g., to select a broader cohort) prior to tailoring support on a more case-by-case basis.

The most commonly used segmentation appears to be the <u>type</u> or <u>maturity of enterprise:</u>

Type of enterprise

Drives large differences in type of BDS provided

Maturity of Enterprise

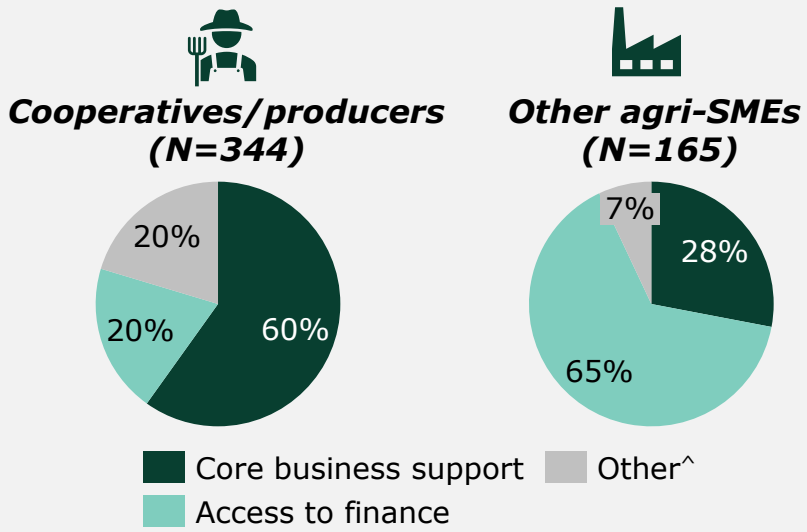


Drives large differences in type of BDS provided

Notes: * "Other agri-SMEs" include all non coops / producer enterprises such as processors, distributors, offtakers, retailers, etc.
Sources: ISF Advisors analysis; 1) Argidius, "How to Fulfill the Potential of Business Development Services using SCALE", 2022; 2) Morris et al., "Fostering Productive Entrepreneurship Communities: Key Lessons on Generating Jobs, Economic Growth and Innovation", Endeavor Insight, 2018; ISF Advisors, "SAFIN Learning Brief: Taxonomy of Agricultural SMEs for Food Systems", 2021

Feedback and data indicate that cooperatives/producers most often receive core business support via group-based or blended models

Type of BDS by Type of Enterprise



- *Cooperatives and producers were combined into one category due to similarities in their operations.*
- *Agri-SMEs include a wide variety of firms within the agriculture supply chain such as packaging companies, processors, traders & exporters, food retailers & vendors, etc. A full breakdown of the dataset by enterprise type can be found in the Annex.*

Growth ambitions are easier to categorize for cooperatives/producers.

- Feedback from providers indicated that assessing the growth ambitions of cooperatives/producers (a key indicator of the type of service that is needed) can often be easier than doing so for other agri-SMEs.
- Using a more sophisticated existing framework that relies on growth ambition and potential, cooperatives/producers most often fit into the "static" and "livelihood-sustaining" enterprise categories[1] rather than "high growth".
- Thus, providers use the distinction between cooperatives/producers and other agri-SMEs as an efficient way to quickly segment their approach.

Other agri-SMEs appear harder to initially segment and tailor approaches for relative to cooperatives/producers.

- Feedback indicates that the wide variety of agri-SMEs working across value chains can necessitate further segmentation of enterprise needs (e.g., by maturity–see slide 60)

Cooperatives/producers often have more standardized, simplified needs

- Based on feedback, cooperatives and producers tend to have simpler and less formal operations compared to other agri-SMEs.

Different employment structures

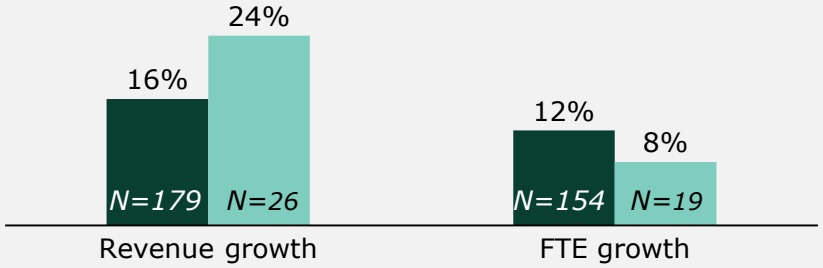
- Cooperatives/producers often rely on different types of labor compared to agri-SMEs. For example, cooperatives tend to rely on volunteers, while producers often rely on family labor. This contrasts with other agri-SMEs who may have a much higher percentage of full-time employees.

Notes: * This analysis focuses on the primary BDS received, however firms often received multiple services with the median cooperative/producer receiving about seven different services; ^Other BDS includes i) market access, ii) input supply, iii) impact & inclusion, and iv) technology & product development.
Sources: ISF Advisors analysis; 1) ISF Advisors, "Agri-SME Taxonomy For Food Systems", 2021

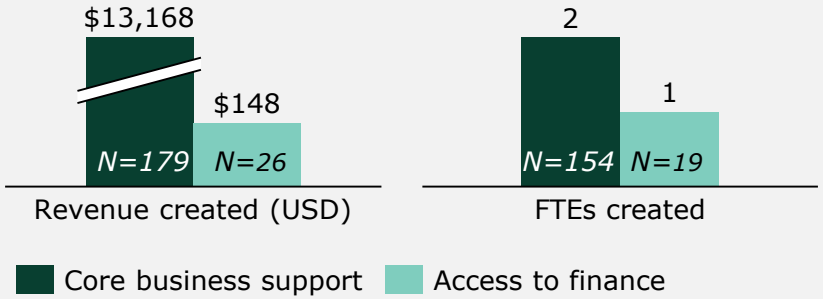
Cooperatives/producers that do receive core business support tend to generate more revenue and FTEs compared to other types of BDS

Effectiveness by Type of BDS for Coops/Producers

A) Median enterprise growth (% p.a.)



B) Median revenue ($) and FTEs created



Cooperatives/producers that receive core business support have a lower revenue growth rate but significantly higher absolute revenue.

- Core business support is more often offered to much larger cooperatives in the dataset.
- The small sample size for access to finance support directed towards cooperatives/producers creates relatively unclear results.
- Feedback indicates that a typical core goal for most cooperatives is to focus on revenue growth rather than FTE growth.

  "Our work with farmers and cooperatives almost always focuses on improving revenues as the key growth metric. To do so, we most often focus on core business support, such as accounting and digitalization business practices."

  Provider I

Employment impact is not as clear. This can largely be attributed to the unique employment structure of cooperatives/producers.

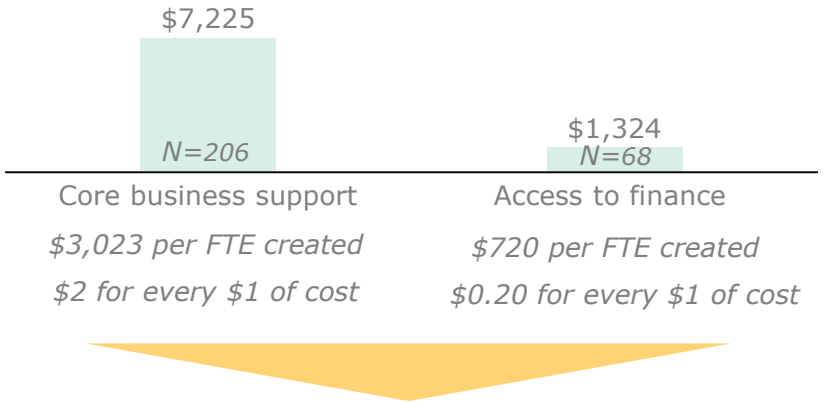
- Even larger cooperatives (i.e., those served most often by core business support) can have relatively few FTEs as employment is often provided by part-time and seasonal employees.
- Thus, effectiveness measured by FTE growth is not the most accurate way to understand impact for these types of enterprises.

Sources: ISF Advisors analysis

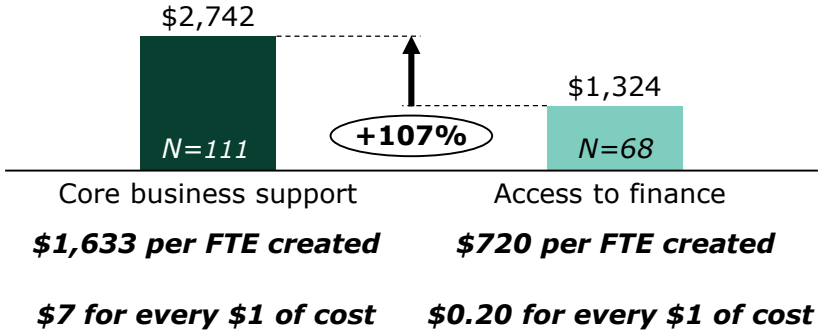
Providing core business support to cooperatives/producers is costlier than access to finance support

Cost Efficiency by Type of BDS for Coops/Producers

A) Median cost to service *(USD/firm)*



B) Median cost to service – outliers removed *(USD/firm)*



More efficient revenue creation, but less efficient FTE outcomes

- ❖ While more expensive on a per enterprise basis, core business support results in more efficient revenue outcomes.
- ❖ However, access to finance support results in efficient FTE creation.

Access to finance may be a key growth constraint faced by cooperatives and producers.

- ❖ Cooperatives and producers typically rely on short-term debt to finance their working capital and purchase crops from their members.
- ❖ As a result, cooperatives are often limited by financing with respect to how much agricultural produce they can purchase and sell on behalf of their members.
- ❖ Thus, accessing finance for those cooperatives that need it may spur greater job creation and growth on a per-cost basis.

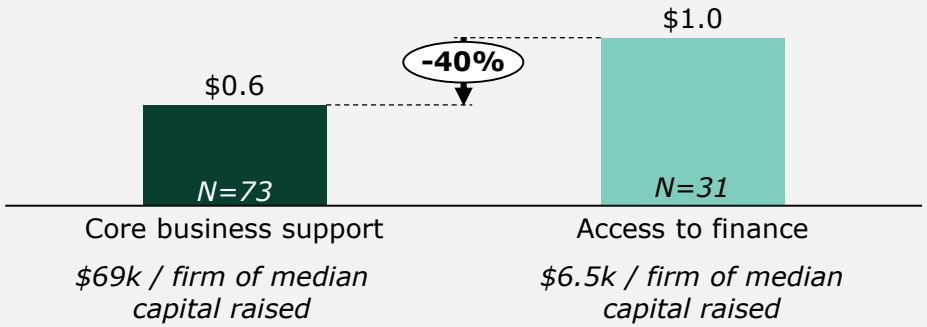
- ➢ A large portion of firms that received core business support came from a small set of providers that have significantly higher costs, driven in part by a more extensive set of services provided. To eliminate these potential outliers around 95 firms were removed from the analysis.
- ➢ For reference, these 95 firms had a median cost to service of ~$23k per enterprise, while the sample as a whole had a median cost of $2.7k per enterprise.

Sources: ISF Advisors analysis

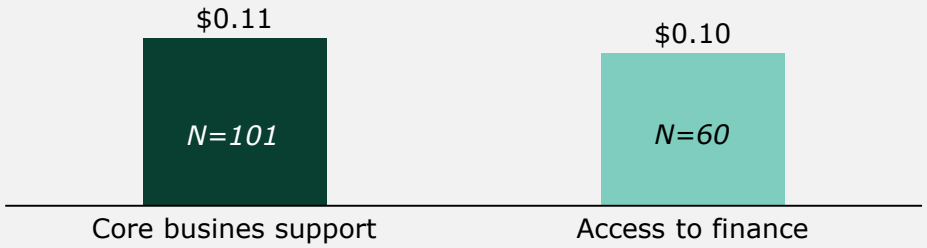
For coops/producers, core business support results in ~2x the amount of capital raised but similar cost efficiency as A2F support*

Capital Raised Impact by Type of BDS Received

A) Capital raised per firm adjusted for size
($ raised / $1 of Y0 revenue)



B) Cost per $1 of capital raised (USD)



- These results appear to be independent of SDM since core business support is typically delivered through group models, which outperform individual and blended model in terms of capital raised (adjusted by size) and cost efficiency.

Firms that received core business support raised larger amounts of capital than those receiving A2F support.
- *The median amount of capital raised was ~$69k for core business support compared to ~$6.5k for A2F in this study.*

However, there was a significant difference in the size of firms that receive core business support versus A2F.
- *The median firm size (Y0 revenue) for core business support was ~$461k compared to ~$4.5k for firms that received A2F.*

Capital raised included several different instruments.
- *Equity, quasi-equity, debt, mezzanine debt, and a combination of debt & equity were included in the capital raised metric.*

Due to the nature of cooperatives and producers, specialized support may be needed to raise capital.
- Coops/producers typically seek external financing from more specialty agriculture-focused financial institutions and are often viewed as different investment-profiles than other SMEs.

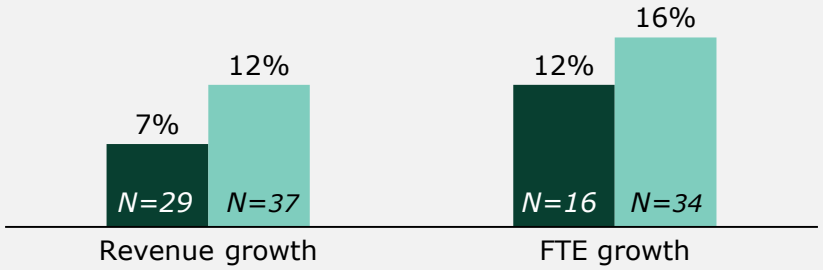
The type of external capital typically raised by coops and producers may be easier to secure than other forms of capital.
- Based on feedback, coops and producers tend to require working capital finance for inputs or for purchasing crops from their member farmers
- This type of short-term financing may be easier and therefore less cost intensive to secure compared to other types of capital due to the availability of collateral such as purchase orders or inventory.

Note: * Access to Finance Support
Sources: ISF Advisors analysis

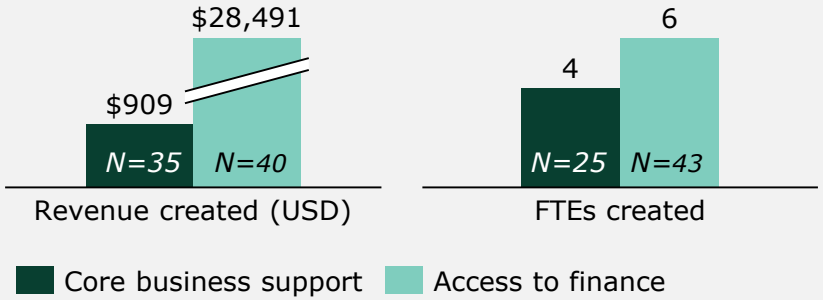
Other agri-SMEs receiving A2F support experience higher rates of revenue and FTE impact than those receiving core business support

Effectiveness by Type of BDS for Other Agri-SMEs

A) Median enterprise growth (% p.a.)



B) Median revenue ($) and FTEs created



Agri-SMEs that receive access to finance support have a higher revenue growth rate and absolute revenue created.

- Agri-SMEs that received access to finance support as the primary BDS were significantly larger (~$104k median Y0 rev.) than those that received core business support (~$3k median Y0 rev.).
- While access to finance typically uses capital raised as the key outcome, most providers acknowledge that the nature of this support generally focuses on core business practices that can also lead to revenue growth.

  "Most SMEs we work with, even if they are large enough and aiming to access capital, lack the core business attributes such as record keeping and accounting. So access to finance support addresses core growth drivers as well, prior to actually raising capital."

  Provider D

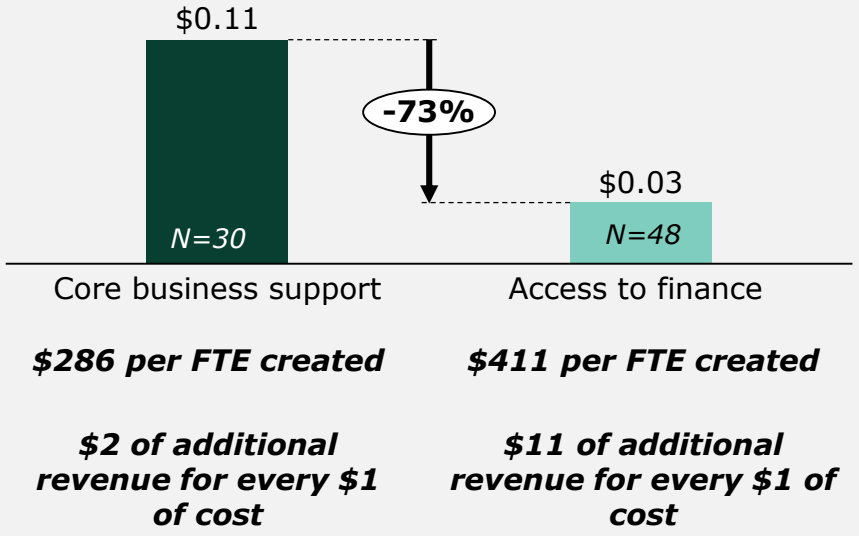
FTE impact is also favorable for those receiving access to finance and appears to follow similar dynamics.

Sources: ISF Advisors analysis

Core business support for other agri-SMEs appears more efficient in terms of FTE (but not revenue) outcomes than other types of BDS

Cost Efficiency by Type of BDS for Agri-SMEs

Median cost to service adjusted for firm size
(USD/$1 of Y0 firm revenue)



$286 per FTE created

$2 of additional revenue for every $1 of cost

$411 per FTE created

$11 of additional revenue for every $1 of cost

Overall, access to finance services are more expensive to deliver. However, much of this appears to be driven by enterprise size.

- When adjusting for firm size, A2F support results in significantly more efficient revenue impact ($11 of additional revenue created for every $1 of cost incurred).
- However, core business support results in more efficient FTE creation.
- Feedback indicates that the A2F support can result in longer and more costly engagements, but often allows both providers and recipients to focus on specific goals/barriers that can lead to more efficient results.

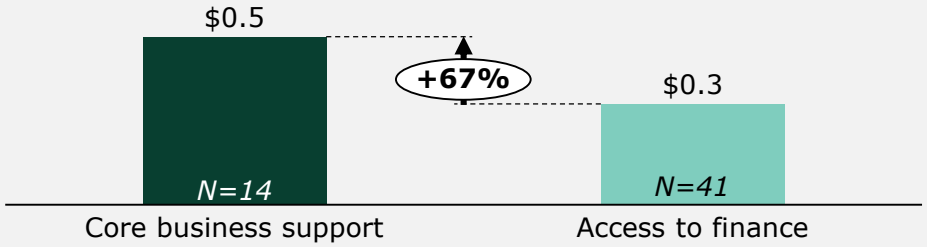
  "Training needs to focus on real world problems and solutions to be efficient and ensure there is impact for the costs you are incurring. Access to finance support typically has a concrete goal and can lead to more cost efficient engagements."
  Provider G

Sources: ISF Advisors analysis

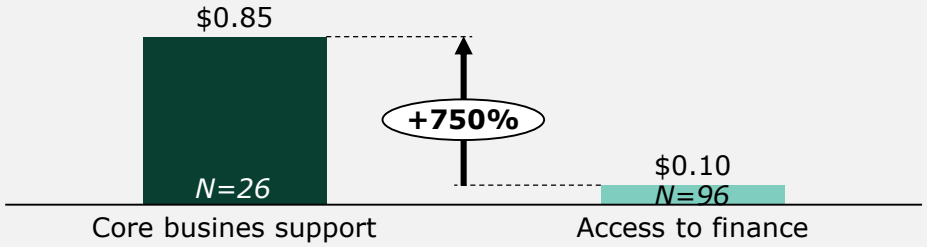
Access to finance for agri-SMEs resulted in slightly smaller amounts of capital raised than other services but was more cost-effective

Capital Raised Effectiveness by Type of BDS Provided

A) Capital raised per firm adjusted for size ($ raised / $1 of Y0 revenue)



B) Cost per $1 of capital raised (USD)



- Similar results were observed for SDM with group-based models, when accounting for size, raising similar amounts of capital as individual models ($0.38 per $1 of rev.). These group-based models were 5x more efficient.

There was a significant difference in the size of firms that received core business support versus A2F

- *The median firm size (Y0 revenue) for core business support was ~$2.9k compared to ~$104k for firms that received A2F.*
- *The median amount of capital raised was ~$1.1k for core business support compared to ~$24k for access to finance.*

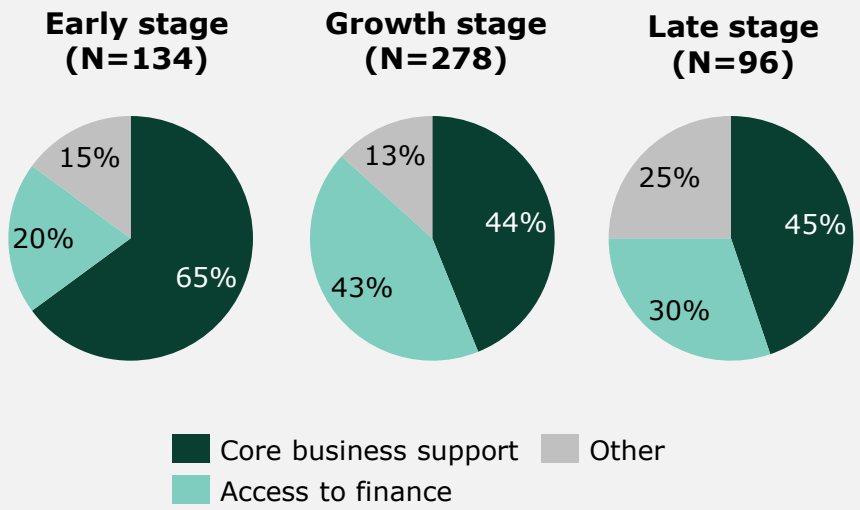
Core business support may be better suited for raising the type of capital typically sought by agri-SMEs.

- Agri-SMEs are more likely than coops/producers to raise external capital in the form of equity, quasi-equity, or long-term debt to fund the growth of the business.
- These types of instruments may rely more on the strength and growth potential of the underlying business and less on the company's current cash flows or available collateral.
- As a result, core business support, which works to improve the underlying business' core aspects, may better prepare firms to attract these types of investment compared to more specialized A2F support.

Sources: ISF Advisors analysis

Analysis shows that the stage of enterprise often drives the type of BDS provided, especially for early-stage companies

Type of BDS by Enterprise Maturity



Early-stage firms most often receive core business support.

- Early-stage companies most often require the basic support necessary to create positive cash flow and efficient operations (e.g., basic accounting, management training, hiring best practices).

Feedback and data indicates that growth-stage companies are the most in need of access to finance support relative to other stages.

"Once a company is past that initial early stage and are growing their main focus shifts primarily to access to finance. So, even if there are other fundamental needs we often focus our support on this outcome."
Provider B

Late-stage companies have the most diverse mix of BDS provided, with nearly one-quarter of the sample receiving tech & product support or impact & inclusion support.

- Both providers and enterprises appear most willing to explore different forms of support when a company is in the later stages of maturity. Core business support remains important but additional training (e.g., tech, inclusivity) becomes prioritized.

"A key way approach to understanding when more nuanced or niche training is needed is simply the stage of a company. The later stage more developed firms often can absorb that type of training more easily"
Provider D

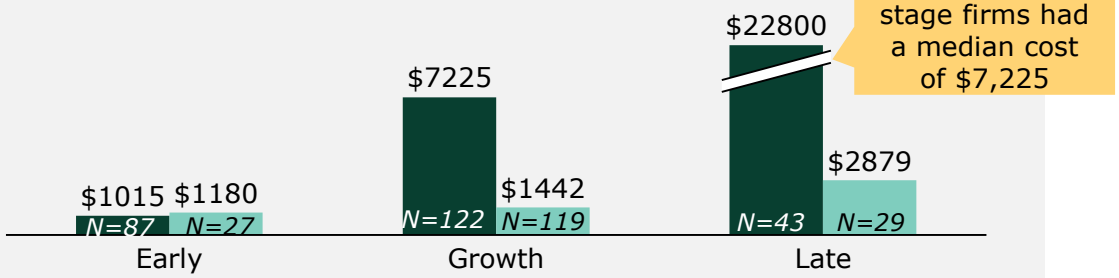
Reminder: the following definitions were used to define enterprise stage:
***Early Stage**: A company before growth stage that has a core management team and a proven concept or product, but is not cash flow positive.*
***Growth Stage**: A company that has received one or more rounds of financing and is generating revenue from its products or services.*
***Late Stage**: A company that has proven its concept, achieved significant revenues compared to its competition, and is approaching cash flow break-even or positive net income.*

Sources: ISF Advisors analysis

While the cost efficiency of the two primary types of BDS differs by stage, core business support is typically more expensive to deliver

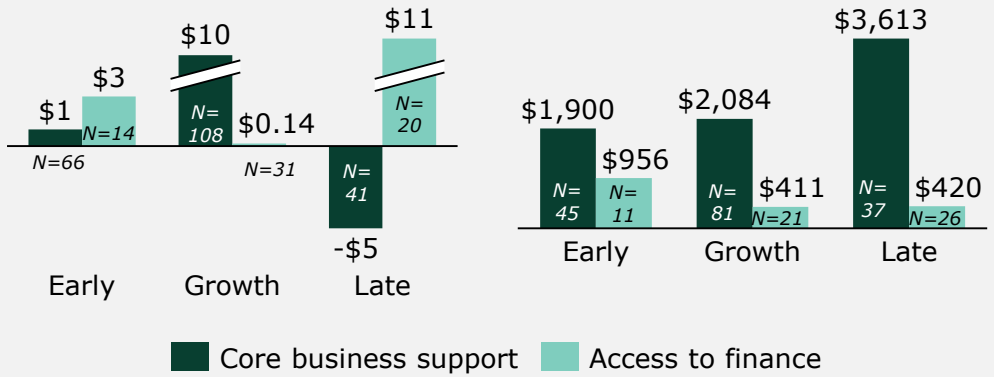
Cost Efficiency by Type of BDS and Enterprise Maturity

A) Median cost to service (USD/firm)



B) Rev. created per $1 of cost (USD)

C) Cost per FTE created (USD)



Core business support is the primary type of BDS delivered for early-stage firms but results in less efficient revenue and FTE outcomes.

- Feedback indicates that early-stage firms willing and able to pursue financing are already better positioned to achieve business outcomes than those that need more basic support.

While growth-stage firms receiving access to finance support did not achieve the same type of revenue outcomes as those receiving core business support, the cost per enterprise was far less for A2F support and FTE outcomes were achieved more efficiently.

- Growth-stage firms receiving more frequent A2F raised more capital and at higher rates than those firms receiving core business support.
- Enterprises at this level of maturity appear more willing or able to pursue financing as a specific outcome. Thus, the reduced revenue impact can be driven by a more specific goal of raising capital.

FTE creation for growth- and late-stage firms receiving A2F was more efficient than for those receiving core business support.

- FTE growth is often a direct result of financing and can be a leading indicator of company growth after raising capital.

Sources: ISF Advisors analysis

Key segmentation findings have implications for how BDS providers and funders design and deliver BDS to various target recipients

Segmentation Approach - Key Conclusions/Insights:

1

Despite a wealth of research exploring more sophisticated segmentation approaches that aim to address enterprises' needs, **providers most often rely on simple segmentation approaches (i.e., type and maturity of enterprise) as a starting point** before evaluating more specific needs on a case-by-case basis.

2

When designing programs (especially at a large scale), funders and providers should **optimize their programs to provide the type of BDS (e.g., core business support, access to finance) that fits the type and maturity of the targeted enterprise**. While this can act as an effective starting point, the final BDS should still be determined by the individual enterprise's needs.

3

While acknowledging that nuanced discussion of agri-SME needs is necessary, stakeholders in the BDS ecosystem should **align on segmentation approaches that can be simple to implement while moving beyond simply looking at type and maturity of firm** (e.g., readiness for growth, governance capacity). This in turn can embed more best practices (e.g., increased utilization of more efficient delivery mechanisms such as group-based SDMs) across markets and contexts.

There is a significant gap in costs between global and local providers in the dataset with a smaller gap in effectiveness

Local Providers

Smaller providers operating regionally (e.g., across multiple countries) or locally in the region/country of its headquarters

8	250	$965
providers in dataset	enterprises in dataset	median cost / enterprise

Global Providers

International providers with multiple programs operating in various geographies

7	256	$4,000
providers in dataset	enterprises in dataset	median cost / enterprise*

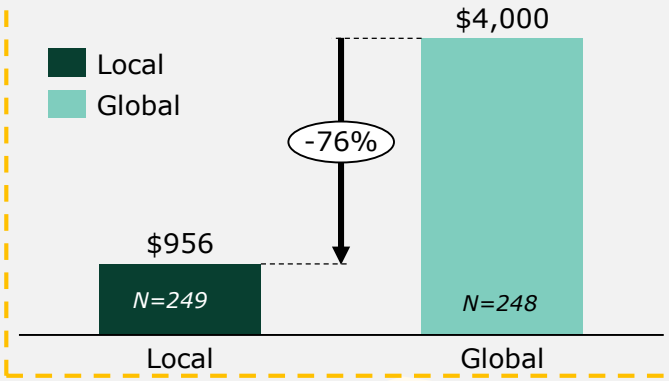
This section explores key factors driving the delta in cost and the relative similarity in effectiveness.

Notes: * With outliers included, this cost per enterprise for global firms increases to ~$7.2k
Sources: ISF Advisors analysis

Local providers tend to be less costly per enterprise basis and when accounting for other key cost drivers

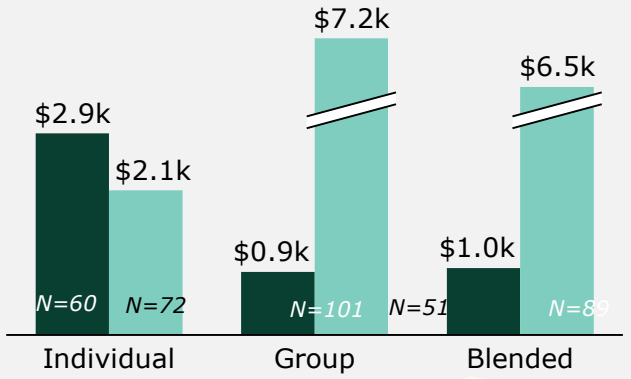
Cost Per Enterprise by Type of Provider (Global/Local)

***Cost / enterprise – total** (USD/firm)*



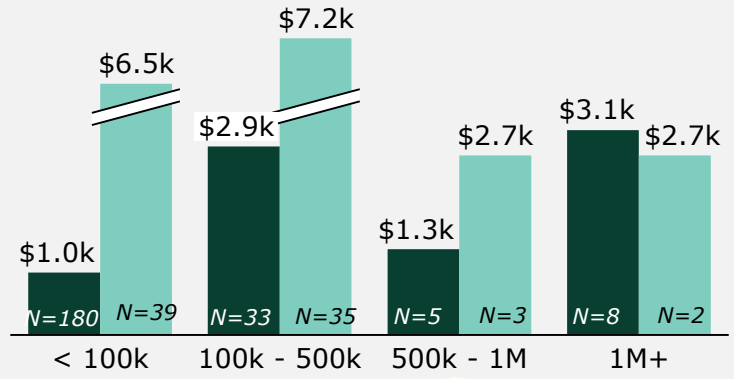
When outliers were included, global costs were ~$7k per firm…

Cost / enterprise – by SDM



…global blended models were ~$23k per firm…

Cost / enterprise – by size of enterprise



…and medium and large global firms (>500k) were ~$24k per firm.

Note: Due to limited sample size, one global firm had an outsized impact on cost data for global providers and $500k+ firms.

Local and global providers in the dataset work with very different-sized enterprises.

- ~80% of all enterprises supported by local providers are <$100k in size, while only ~43% fall into this category for global providers.
- Most enterprises in the dataset that are above $1M+ in size work with global firms.

However, local providers clearly have a lower cost of serving enterprises even after adjusting for firm size.

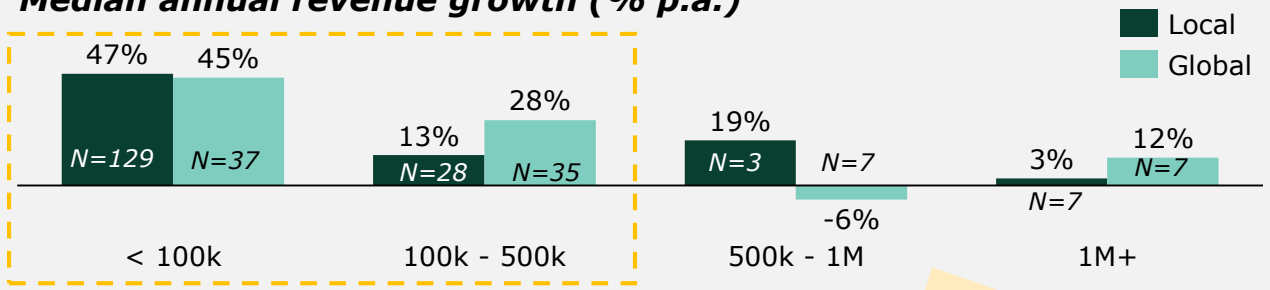
- Costs were also lower across most SDMs with local providers having higher costs when providing individual services.

Sources: ISF Advisors analysis

Despite the large difference in cost, there are mixed results for effectiveness between the two types of providers

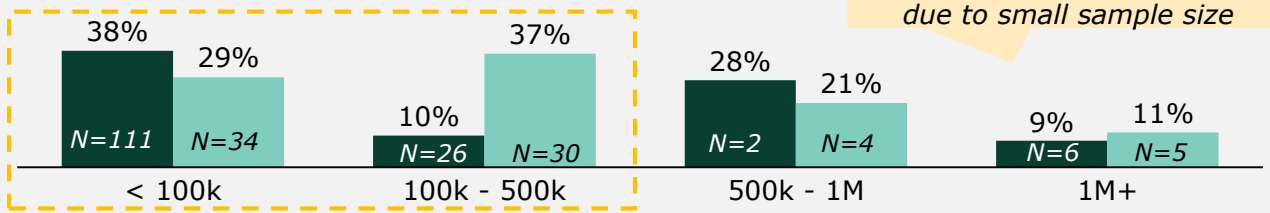
Effectiveness by Type of Provider (Global/Local)

Median annual revenue growth (% p.a.)



Results for $500k+ firms should slightly discounted due to small sample size

Median annual FTE growth (% p.a.)



- A similar trend was observed in terms of absolute revenue creation with local providers generating more revenue for transitioning micro (<100k) and medium (500k-1M) firms.
- However, absolute FTE creation was more mixed. Global firms created more FTEs for medium (500k+) enterprises (1M+) and about the same for transitioning micro firms (<100k).

Note: Due to limited sample size, one global firm had an outsized impact on the performance data for firms >$500k – these firms aren't included in the graphs.

There are broadly mixed results of effectiveness across the dataset.

- Global and local providers achieved varying results depending on the size cohort of enterprise served.
- Due to small sample size, it is hard to distinguish effectiveness trends for firms that have $500k+ in turnover.

Local providers appear to achieve similar or greater impact on transitioning micro enterprise performance relative to global providers.

- Overall, these transitioning micro firms (<$100k) made up between 57% and 66% of the sample.
- When looking at this segment, both revenue and FTE growth were slightly higher compared to global providers, revenue created was 2.7x higher, and FTE growth was the same (3 FTEs/ firm).

However, global providers appear to achieve higher impact in the small/medium segment ($100k-500k).

- In particular, global providers appear to be more effective at driving FTE growth.

Sources: ISF Advisors analysis

Feedback and research indicates that the gap in cost efficiency can partly be explained by key operational differences

Key Cost Drivers Between Global/Local Providers

Difference in Size/Extent of Operations

- Global providers often have systems in place that seek to **internally standardize and replicate BDS across various markets and contexts.** This can lead to higher overhead expenditure on things like dedicated centralized staff, learning materials, and more formalized processes.

"As an international organization we strive to achieve our standardized international best practices and methods, but deliver this at a hyper-local level. This can often result in higher costs."
Provider I

"We utilize our own proprietary internal assessment tool and system at a global level."
Provider F

- Global providers also often **utilize a subcontractor approach that creates multiple layers of service providers** within one engagement and creates additional direct costs.

"We work with local trainers as sub-contractors as much as possible to build their own capacity and to reach markets with our best practices [provided through] a local implementer."
Provider N

- In contrast, most **local providers operate directly and with significantly smaller staffing models.** This decreases the average costs associated with BDS provision and increases the speed/agility with which decisions can be made.

"Our largest cost drivers are often labor and travel, so we are able to keep these down by operating an efficient and small team of employees."
Provider B

Sources: ISF Advisors research and analysis

Additionally, the differing objectives and contexts between the two types of providers could explain the relative gap in cost efficiency

Key Cost Drivers Between Global/Local providers

Program Objectives

- Larger global players often **pursue different overall program objectives (e.g., beyond firm-level impact)** than their smaller, more localized peers.
- For example, global providers in this study appeared **more willing to work in specifically under-served markets and segments** and to **pursue goals that are perceived to be more difficult to attain** (e.g., transaction advisory for early-stage clients).
- In addition, some global providers have a clear objective to go beyond supporting enterprises themselves and to **focus as well on supporting local BDS providers via sub-contracting, best practice dissemination, direct training, and resources.**

"We often use a training of trainers model that trains local partner organizations to use our content and tool kits in their own BDS provision."

Provider G

"Supporting the capacity development of local BDS providers is a core objective of our regular work ."

Provider N

Market Context

- Ultimately, **global providers play a crucial role in the development of BDS ecosystems due to the unique position they have relative to local providers** (e.g., often better resourced, deeper connections with global donors).
- Research focused on developed market BDS ecosystems (e.g., in the US, Europe, and Asia) **shows that a certain degree of subsidized (and often cost-agnostic) support is required for the market to function***.
- Feedback and research indicates that **global providers often acknowledge this reality and build it into their approach;** this can go some way in explaining the large cost differences between the two types of providers.

Notes: * See pages 101-102 in the annex for a deeper dive into this topic
Sources: ISF Advisors research and analysis

There are a number of significant takeaways based on the dynamics between global and local providers uncovered in this work

Scale of Provider - Key Conclusions/Insights:

1. These results help dispel any perceived tradeoffs between cost and impact for local providers while highlighting the continuing **need to further support the development of the local market for BDS provision.**

2. Local providers aiming to achieve commercially sustainable operations can face challenges from **market dynamics beyond their own revenue sources (e.g., grants, client fees)**, specifically in the context of **heavily subsidized BDS provision coming from larger global providers.**

3. Given the apparent efficiency and effectiveness of local providers, it is crucial **that donors evaluate specific markets and contexts** to identify existing strengths and weaknesses so that any necessary **support for under-developed markets/ segments is aligned with existing local actors.**

4. Donors should **prioritize identifying existing effective and efficient local providers to work with** and should explore building cost sharing agreements when supporting those actors in an effort to align incentives at all levels of the BDS market.

5. **Establishing simplified cost efficiency/effectiveness assessment methods** will allow for improved benchmarking across BDS providers of different types and scale and help to efficiently identify common best practices.

Notes: 1) "Local providers" are smaller providers operating regionally (e.g., across multiple countries) or locally in the region/country of its headquarters; "Global providers" are international organizations with multiple programs operating in various geographies.

Throughout the study, several key challenges were identified pertaining to the measurement and assessment of BDS provision

Key challenge	Description
1 ***Data Quality/ Sophistication***	❖ The **rigor and quality of data collection varied significantly across providers**, resulting in cost and performance data that is **difficult to compare across different contexts or types of provider.** ❖ When providers did focus on key metrics, the **consistency of collection varied over time**; a full assessment of BDS impact ideally would have complete metrics for before, during, and after intervention. ❖ The **organizational complexities of larger providers** often made it harder to determine and isolate direct costs relative to general overhead on a project-basis. Larger providers also often had **relatively rigid internal cost categories** that were not easily adapted to the data collection template. ❖ As a reference, **30+ providers were not included as case studies after consideration due to concerns over data quality.**
2 ***Assessment Objectives/ Methodologies***	❖ Assessment **methodologies and objectives differ significantly across the ecosystem** and are often **developed in an ad-hoc and isolated manner** (e.g., driven by individual donors focused on specific contexts/outcomes). ❖ Thus, there is **little standardization around the core metrics** that providers track and the time frame of those metrics.
3 ***Alignment on Qualitative and Contextual Definitions/ Terminology***	❖ While BDS innately encompasses a wide-variety of services, contexts, and objectives, **providers rarely align on definitions/terminology, which makes like comparisons difficult.** ❖ Determining and **accounting for the contexts in which providers are working proved challenging**; specific contexts (e.g., working purposefully in underserved areas) were difficult to capture and reflect. ❖ Additionally, some feedback around "softer" metrics (e.g., specifics around program objective) were collected during provider interviews. However, it remained **challenging to properly contextualize these metrics** to standardize assessment across the case studies.

These challenges have highlighted key opportunities that could help simplify the broader BDS assessment ecosystem

Reflections on Process - Key Opportunities

1

Simplify cost & performance measurement
There is an opportunity for BDS providers (with the support of funders) to more regularly and fully collect performance data of supported enterprises for key indicators (revenue, employment, investment) to enable accurate and standardized calculation of impact metrics.

2

Consolidate and align on assessment goals and methodologies
BDS funders often focus on project-level outcomes that are developed in an isolated, ad-hoc manner. Funders should consolidate and align on a set of measurable outcomes and data collection methods which can be applied across contexts.

3

Further align on fit-for-purpose segmentation approaches and definitions
There is an opportunity for the BDS ecosystem, particularly BDS providers, to establish a set of simplified terminology and segmentation approaches that can ensure enterprises with nuanced needs are matched with cost-effective BDS provision. This should build upon existing efforts such as IWA29 from the International Organization for Standardization.

To improve the efficiency & effectiveness of BDS, key stakeholders will need to work together on the following potential next steps

Potential next steps required from each stakeholder

Opportunity	BDS Providers/Groups	Funders/Donors	Enterprise/SME Groups
1 ***Simplify Cost & Performance Measurement***	✓ Leverage this study to continue to standardize cost and pricing data to allow for benchmarking across providers ✓ Develop a framework for defining and standardizing qualitative characteristics (SDM, growth profile, etc.)		
2 ***Consolidate and Align on Assessment Goals and Methodologies***		✓ Conduct a systems mapping to further better understand the current state of the sector and identify the key funders/donors and providers	
	✓ Formally engage existing BDS networks and donors that are working to establish assessment methodologies and standards		
	✓ Engage SME groups to better incorporate their needs into segmentation and assessment approaches		
3 ***Align on Fit-For-Purpose Segmentation Approaches and Definitions***	✓ Leverage the tools developed in this study to create simpler and more standardized templates for measuring cost and performance		
	✓ Leverage this study to further develop better and quicker enterprise segmentation approaches focusing on the needs of different enterprises (stage/maturity and type)		

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15 providers were selected for the study, which provided data on 509 agri-enterprises representing ~$415M in revenue

Snapshot of the scale and impact of participating BDS providers

Statistics represent total sum of selected metrics across the entire enterprise-level dataset combined from participating providers.

509

total agri-SMEs supported

~$415M

collective revenue of all agri-SMEs

~$36M

total revenue created by all enterprises after BDS provision

~4,300

full-time employees (FTEs) across all enterprises

~2,750

total FTEs created after BDS provision

~$100M

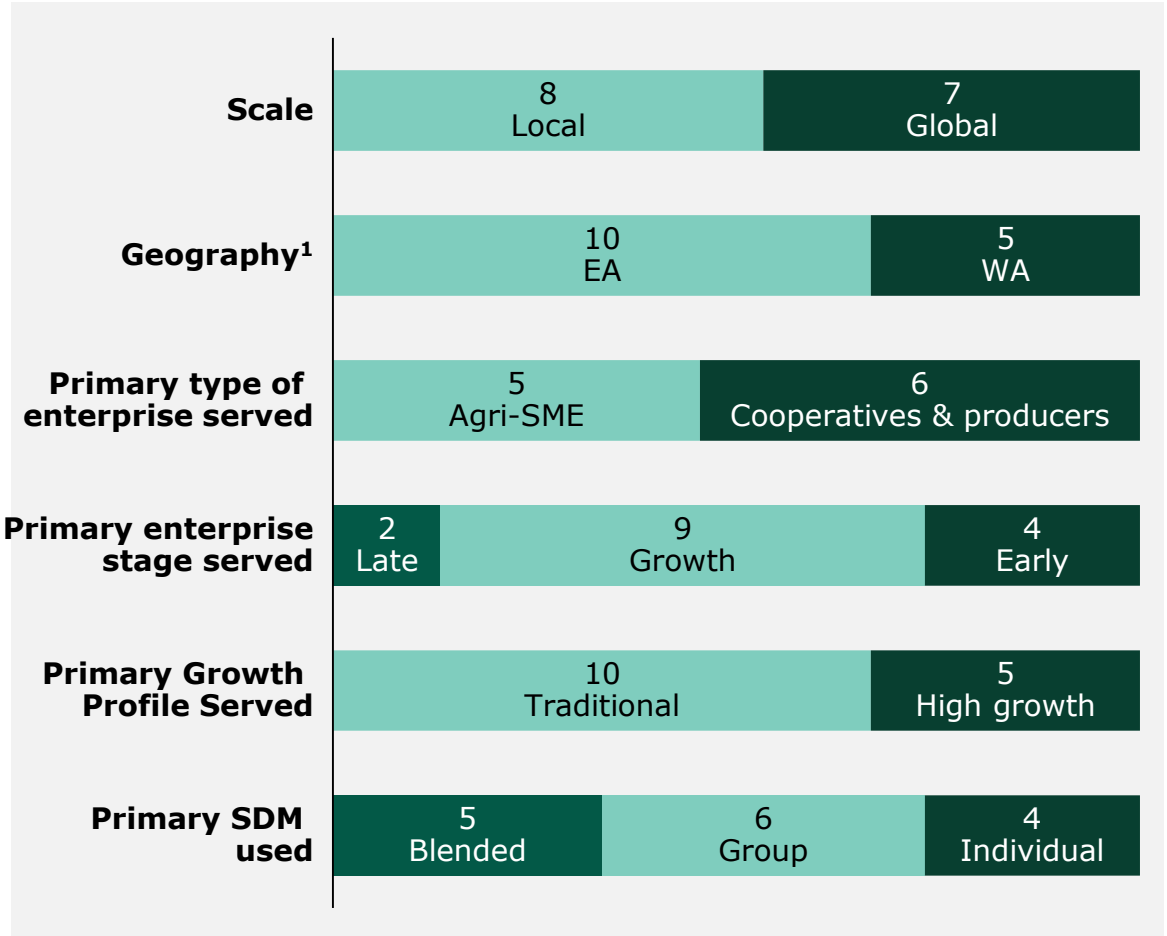
total capital raised across all enterprises

~$4.2M

total cost to provide these services

Each of the 15 providers was selected to ensure the sample varied in terms of scale, geography, type of enterprise, etc.

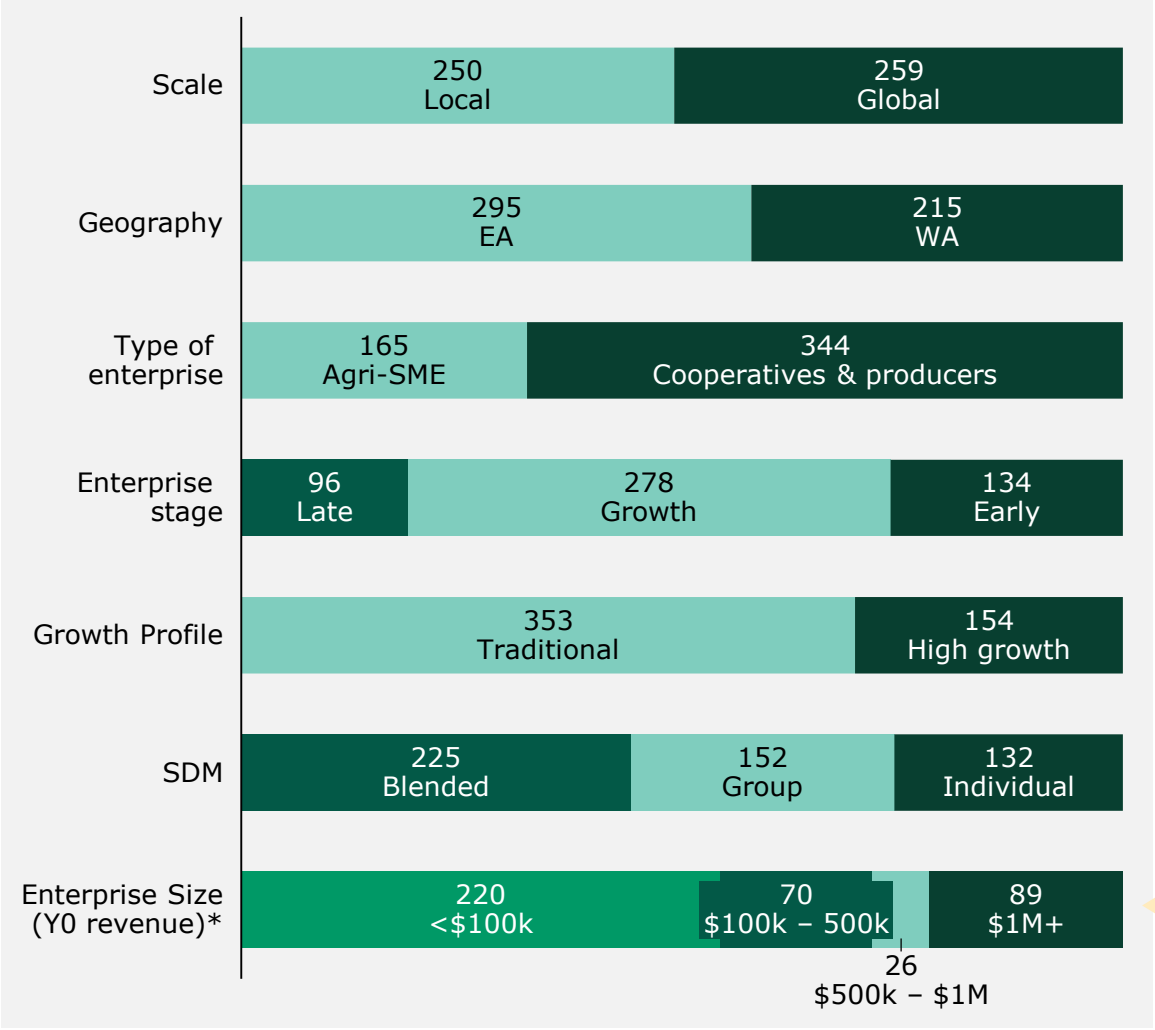
A Provider composition (N=15 providers)



Notes: 1) Providers supplied data for programs operating in the following countries: Burkina Faso, Ethiopia, Ghana, Ivory Coast, Kenya, Mali, Rwanda, Tanzania, Uganda

The case studies provided 509 enterprises total across all datasets

B Enterprise composition (N=509 enterprises)



5 full time employees – median year 0* size of all enterprises

$46k / year – median year 0* 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

Segmentation and definitions

	Categories	Definition		
Geography / Scale	***Global***	International providers with multiple programs operating in various geographies		
	Local / Regional	Smaller providers operating regionally (e.g., across multiple countries) or locally in the region/country of its headquarters		
Type of BDS provided	***Various (see right)***	❑ Core Business Support ❑ Access to Finance	❑ Technology & Product Development ❑ Input Supply	❑ Impact & Inclusion ❑ Market Access ❑ Policy & Advocacy
Service Delivery Model	**Individual-based**	Refers to specific services that are tailored to the agri-SMEs individual needs (e.g., coaching/mentoring, 1-on-1 advisory)		
	Group-based	Provide similar support to all agri-SMEs within the group (e.g. cohorts, classrooms, webinars, in-person demonstrations)		
	Blended	A combination of both individual and group-based models		
Type of agri-enterprise	***Various (see right)***	❑ Cooperatives & farmer organizations ❑ Input manufacturers (incl. equipment) ❑ Input distributors/retailers (incl. equipment)	❑ Producers (including small-holders) ❑ Processors (e.g. mills, dryers) ❑ Traders & exporters ❑ Logistics (storage & transport) ❑ Quality control & testing	❑ Exchanges & marketplaces ❑ Packaging companies ❑ Hospitality and dining ❑ Food retailers and vendors ❑ Other
Stage	**Early stage**	A company before growth stage that has a core management team and a proven concept or product, but is not cash flow positive[3]		
	Growth stage	A company that has received one or more rounds of financing and is generating revenue from its products or services[3]		
	Late stage	A company that has proven its concept, achieved significant revenues compared to its competition, and is approaching cash flow break-even or positive net income[3]		
Growth Profile	**High growth ventures**	Highly innovative business models serving large addressable markets with a rapid growth trajectory, though the pace of growth is impacted by industry, market, and asset intensity. Expected to scale beyond SME status[2]		
	Traditional businesses	Enterprises in stable and traditional industries deploying established business models for producing goods and services, with moderate growth paths over a sustained period of time[2]		
Length of engagement	**Intervention Days**	Total days spent working with an enterprise from start of intervention to end		

Key metrics used to asses *cost efficiency*

Primary metrics used in analysis:

Cost efficiency

A ***Cost per enterprise served***

Definition: Indicates the total costs associated with serving each enterprise

Note: *Direct input from each provider with the median value used at the provider-level*

B ***Cost per FTE created***

Definition: The cost per full time employee created from start of intervention (Year 0) to end of timeframe (Year 5)

C **Revenue created per $1 of cost:**

Definition: The cost per $1 of revenue created from start of intervention (Year 0) to end of timeframe (Year 5)

D **Capital raised per $1 of cost:**

Definition: The cost per $1 of capital raised from start of intervention (Year 0) to end of timeframe (Year 5)

Data limitations and challenges:

- Cost data was generally **poorly tracked and non-standardized across most providers.**
- Specific challenges included **i) isolating the costs for agri-enterprises only** (as several providers work with firms across a range of sectors) and **ii) determining the pro-rata amount of indirect costs** that should be directly attributed to BDS provision.

Key metrics used to asses *effectiveness*

Primary metrics used in analysis:

Effectiveness

A **Ave. revenue growth rate (Y0-Y5):**

The average annual revenue growth per enterprise

B **Ave. FTE growth rate (Y0-Y5):**

The average growth in full time employees per SME

C **Median capital raised:**

The median amount of capital raised per enterprise during the timeframe of study

D **Number of firms that raised capital:**

The total number of firms in the study that raised any amount of capital

E **Median FTEs created:**

The number of full time employees created per enterprise during the timeframe

F **Median revenue created:**

The amount of revenue created per enterprise during the timeframe

Data limitations and challenges:

- Revenue and FTE growth often take time to develop as a results of the intervention and **may favor older enterprises and those with longer sets of data.**
- **Not all interventions focus on revenue growth.** For example, core business services may focus on improving and formalizing a firm's accounting processes, which may not have an immediate impact on the firm's revenue,
- **Different firm types require different levels of full-time labor**. For example producers often hire on a seasonal basis or may rely on family labor compared to agri-SMEs.
- The metric **only accounts for the quantity and not the quality of the FTE.** Socioeconomics factors such as a living wage and workplace safety are not captured.
- Some providers included financing as part of their BDS. It was **difficult to assess the impact of this financing on the ability of the enterprise to raise further capital.**
- **Capital raised success is highly nuanced and includes several factors** such as the fit of the financing with the enterprises' goals. For this reason, several metrics were used.

Key metrics used to asses *fee coverage*

Primary metrics used in analysis:

Fee Coverage

A **Percentage of firms that paid something:**

The proportion of firms that paid any of the costs associated with their BDS

B **Fee coverage of firms that paid:**

The proportion of costs per enterprise covered by the firm itself

C **Amount paid by firms (only firms that paid something):**

The total USD fees paid by those firms that paid some amount of fees

Data limitations and challenges:

- Different **business models accounted for SME fees in different ways making it difficult to standardize**. For example, SME fees could be paid in cash, in-kind, or as a percentage of success fees.
- In cases where financing is provided, the cost of BDS is often covered in the interest payments making it is **difficult to separate interest expenses from fees paid for services.**

While there is a headline result for each metric, the results are better understood when contextualized (e.g., by segment)

Key Metrics Used – Overall Results

Cost-efficiency

A **Cost per agri-SME served:**
$2,742 per SME (median)

B **Cost per FTE created:**
$617 per FTE (median)

C **Revenue created per $1 of cost:**
$6.60 (median)

D **Capital raised per $1 of cost:**
$11.85 (median)

Effectiveness

A **Ave. revenue growth rate (Y0-Y5):**
~27% p.a. (median)

B **Annual FTE growth rate (Y0-Y5):**
~20% p.a. (median)

C **Median capital raised:**
$27,923 per enterprise

D **No. of firms that raised capital:**
358 (70% of the sample)

E **Median FTEs created:**
3 FTEs per enterprise

F **Median revenue created:**
$28,000 per enterprise

Fee Coverage

A **% of firms that paid something:**
38% of sample

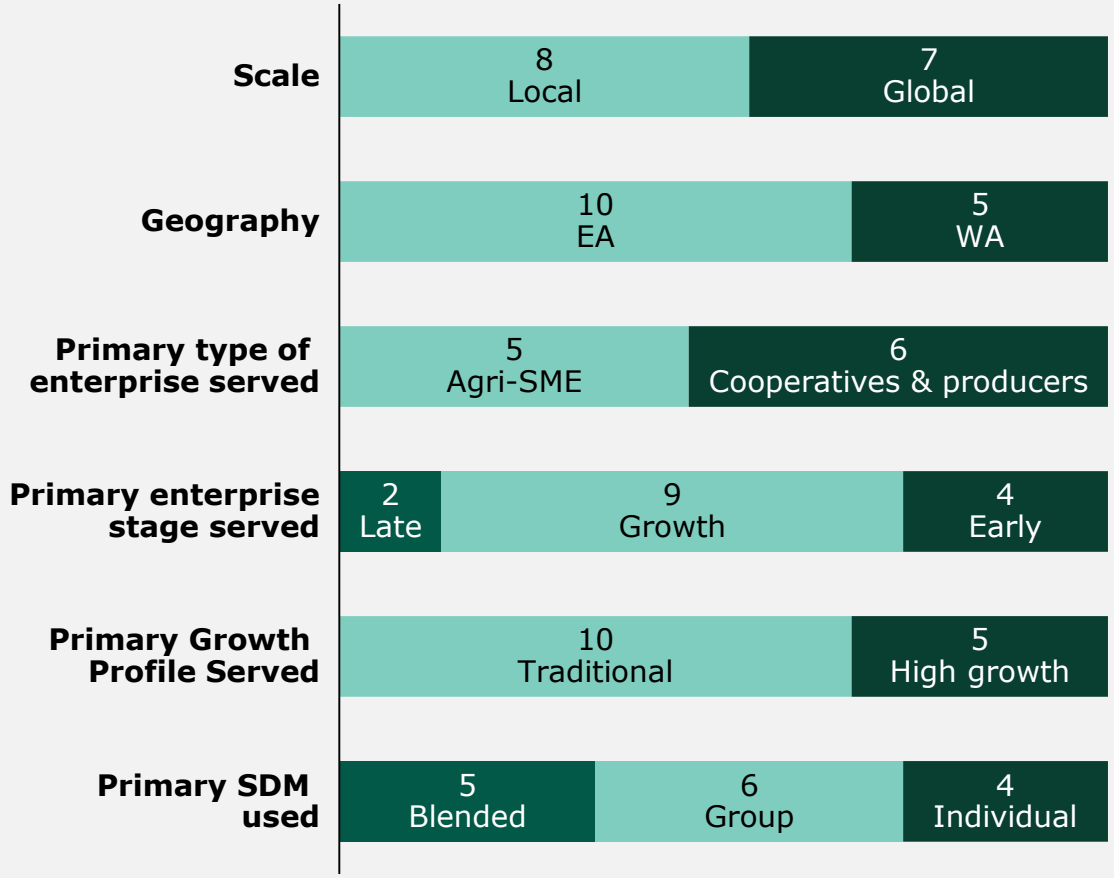
B **Fee coverage of firms that paid:**
17% of costs (median)

C **Amount paid by firms (only firms that paid something):**
$469 per enterprise (median)

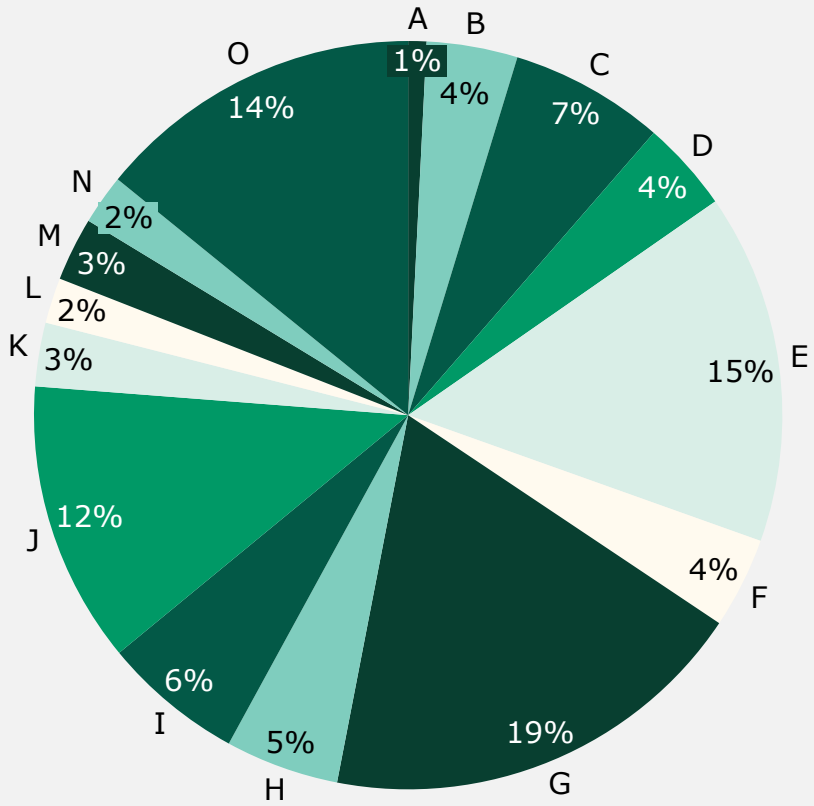
Each of the 15 providers had different characteristics and contributed varying amounts of enterprises to the study

Provider composition (N=15)

Qualitative breakdown

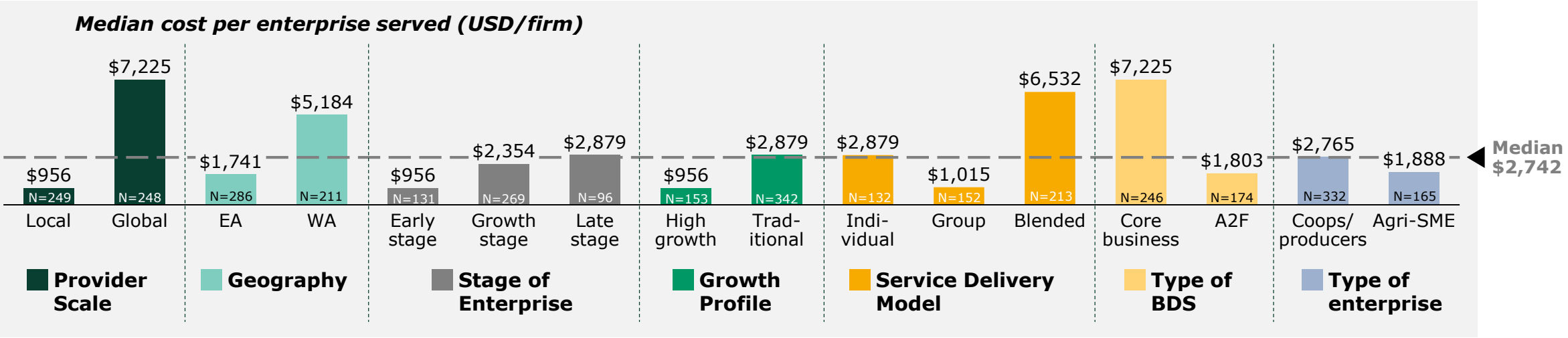


% of total sample by provider (anonymized)



Cost per SME served by segment across the entire dataset

Cost Efficiency: *What are the cost drivers of BDS provision and what best practices can make programs more cost efficient?*



Data context:

Local and global providers in the dataset work with very different-sized enterprises.

- ~80% of all enterprises supported by local providers are <$100k in size, while only ~43% fall into this category for global providers/
- Most enterprises in the dataset that are above $1M+ in size work with global firms.
- Global included one provider that was a cost outlier. Without this firm the median cost for global providers was $4,000 per enterprise.

East Africa included much smaller firms, which are generally cheaper to service.

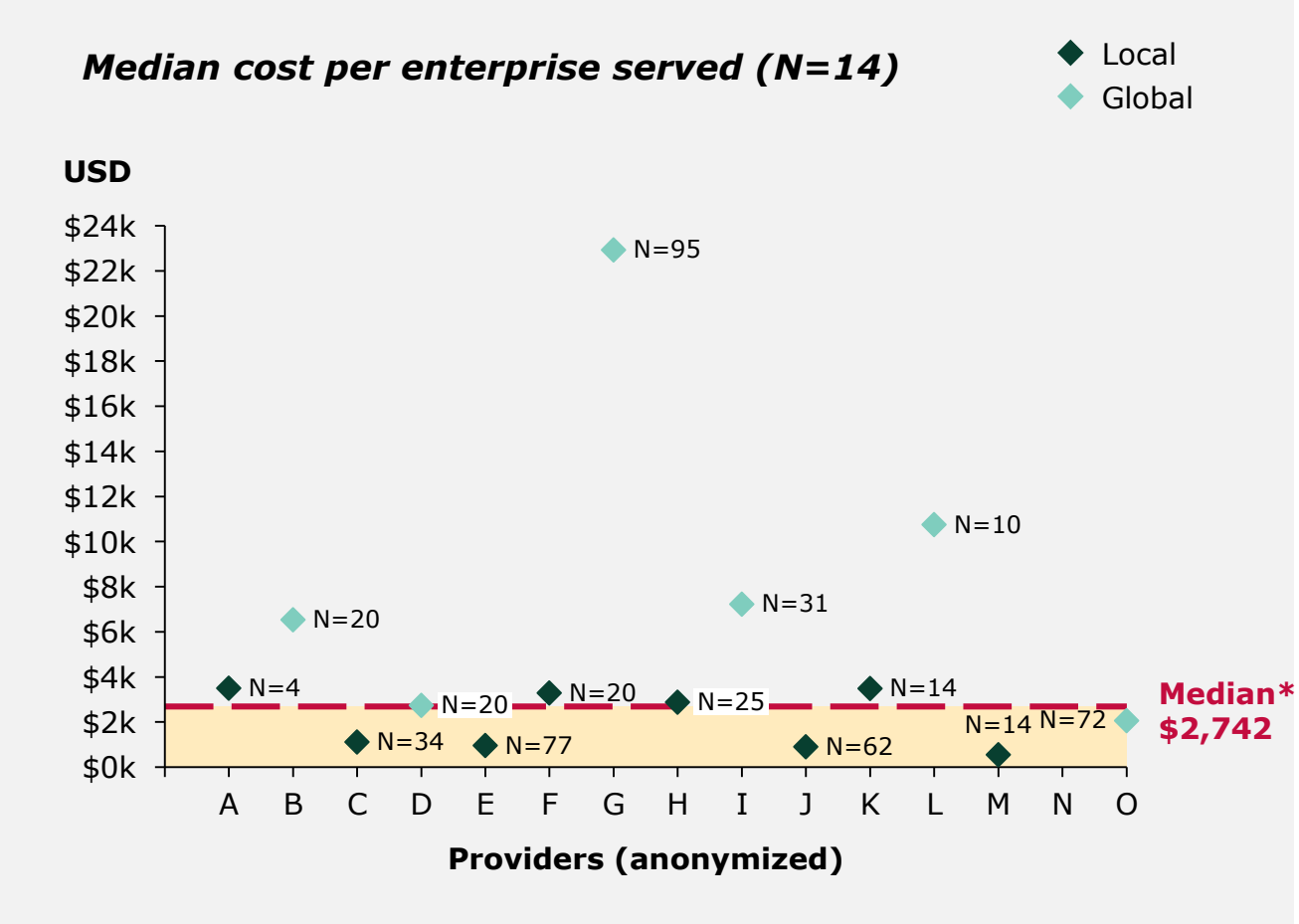
- Only 5% of firms included in East Africa were large enterprises ($1M+) compared to 42% in West Africa.

Adjusting for firm size, blended models are slightly cheaper to implement than group models.

- Blended SDM was used more often to work with large companies (i.e., $1M+ revenue), which tend to more expensive to service.

Cost per SME served across the study's 15 individual providers

Cost Efficiency: *What are the cost drivers of BDS provision and what best practices can make programs more cost efficient?*



The cost per enterprise often varied greatly between enterprises within each provider.

- Only 5 of the 15 providers had consistent cost per enterprise throughout their sample.
- Several providers had a very wide range of costs between enterprise – a 3x or greater difference between the cheapest and most expensive enterprises was observed in six providers.

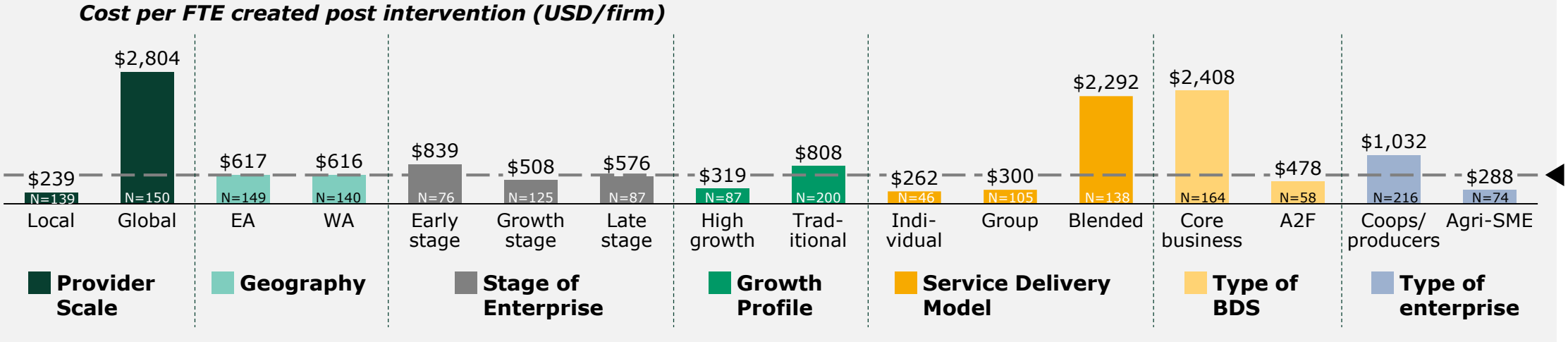
A significant cost outlier existed that represented ~19% of the sample

- Provider G had a median cost of ~$23k per enterprise representing more than 8x the median.
- Additionally, Provider G worked on average with the largest enterprises of the sample, with a median revenue of ~$2.0M.
- This has been noted and adjusted for at various points throughout the analysis.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Cost per FTE created by segment across the entire dataset

Cost Efficiency: *What are the cost drivers of BDS provision and what best practices can make programs more cost efficient?*

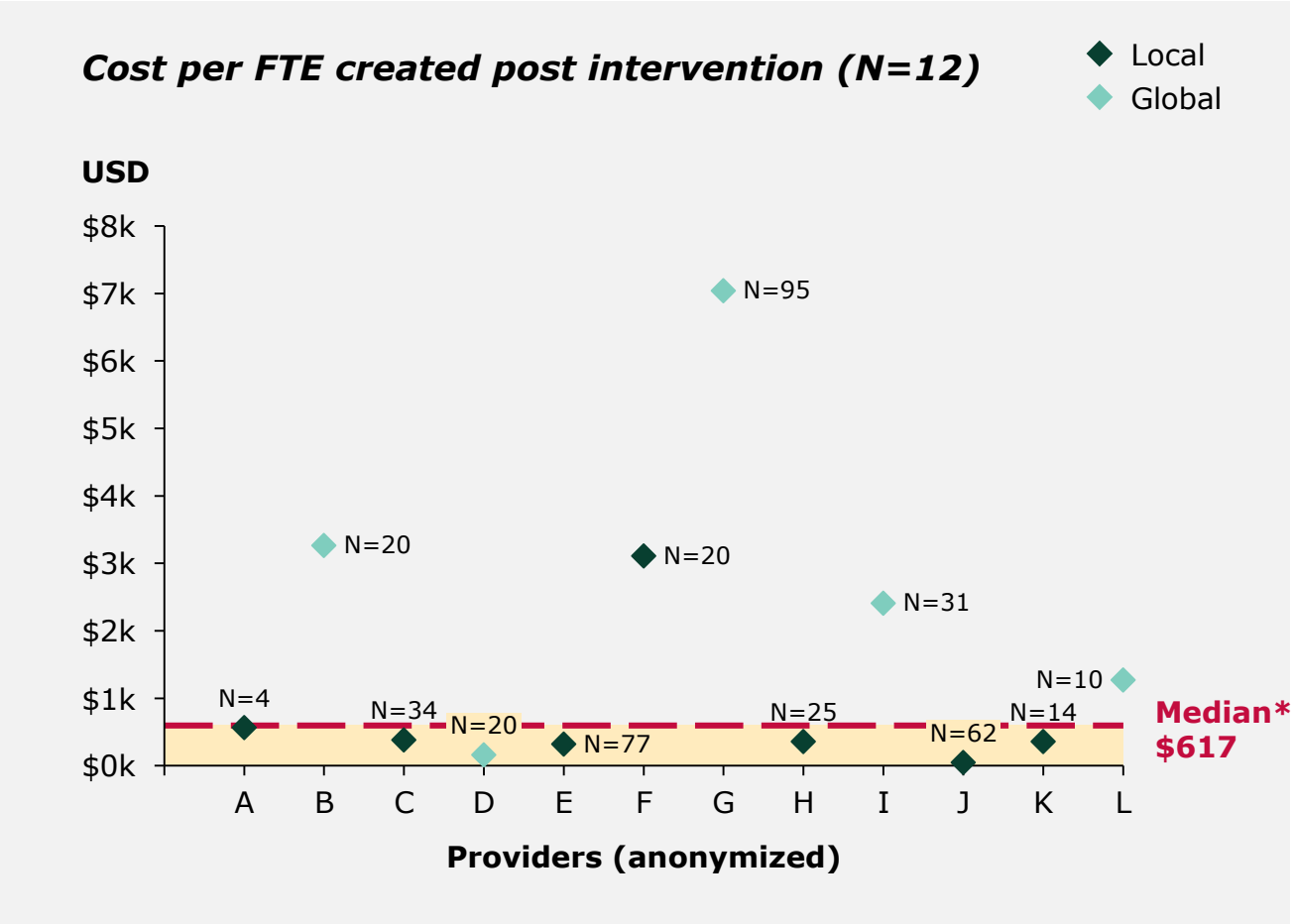


Data context:

Results can be largely explained by the same underlying drivers of overall costs.

Cost per FTE created across the study's 15 individual providers

Cost Efficiency: *What are the cost drivers of BDS provision and what best practices can make programs more cost efficient?*

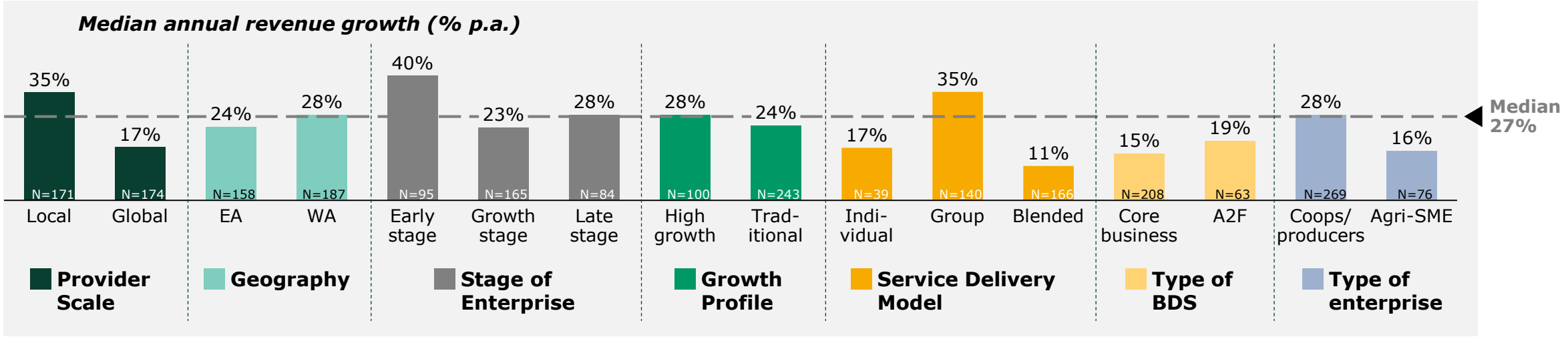


Results can be largely explained by the same underlying drivers of overall costs.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Median annual revenue growth by segment across the entire dataset

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



Data context:

A strong relationship exists between the type of BDS, type of enterprise, and Service Delivery Model (SDM).

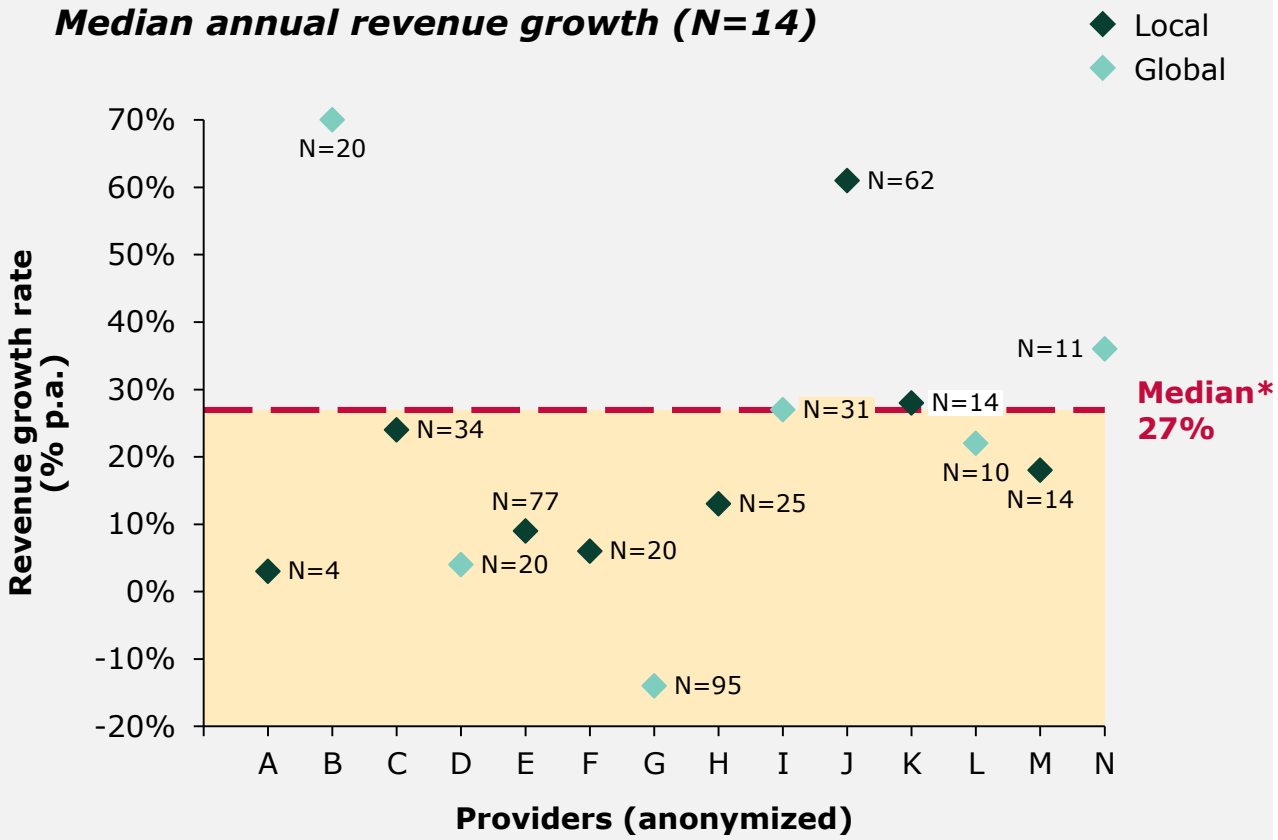
- ❖ Agri-SMEs are more likely than coops/producers to receive access to finance support.
- ❖ Blended/group-based models account for 90% of BDS for coops/producers, while agri-SMEs prefer individual-based model.
- ❖ This could be due to the type of BDS received; 98% of core business support is delivered through blended/group models and 66% of A2F is delivered through individual models.

Size may play a role in median annual revenue growth.

- ❖ Overall, the smaller the enterprise the higher the median annual revenue growth. Transitioning micro enterprises (<$100k) grew revenue at 47%, while large firms ($1M+) experienced a decrease in revenue of -14%.

Median annual revenue growth across the study's 15 individual providers

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



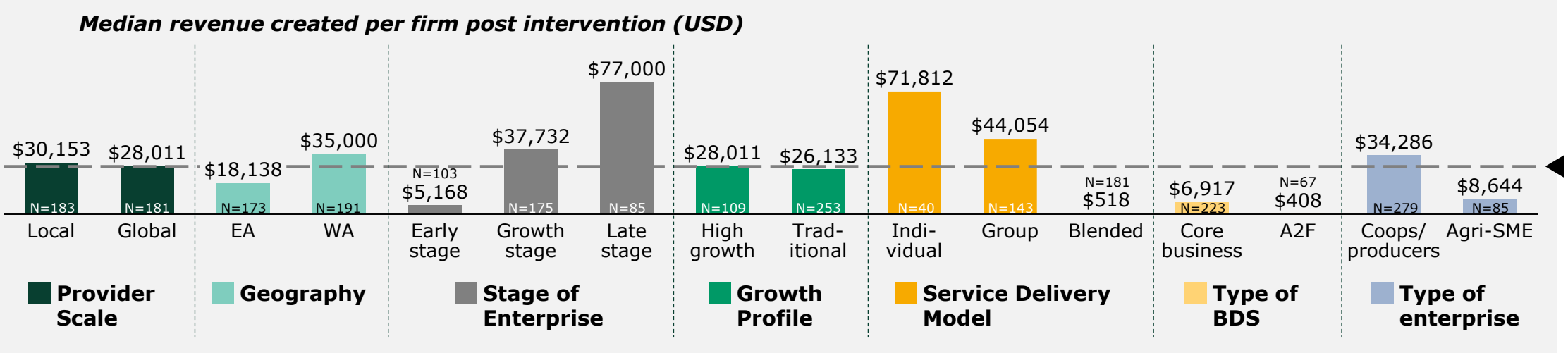
Provider G is an outlier in terms of revenue growth

- This can primarily be explained by the provider providing data for the time period most impacted by the COVID pandemic. Feedback from the provider indicates that the enterprises it worked with experienced large external shocks from the pandemic.
- This has been noted and adjusted for at various points throughout the analysis.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Median revenue created per enterprise by segment across the entire dataset

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



Data context:

The study didn't account for additionality when tracking the amount of revenue created post intervention.

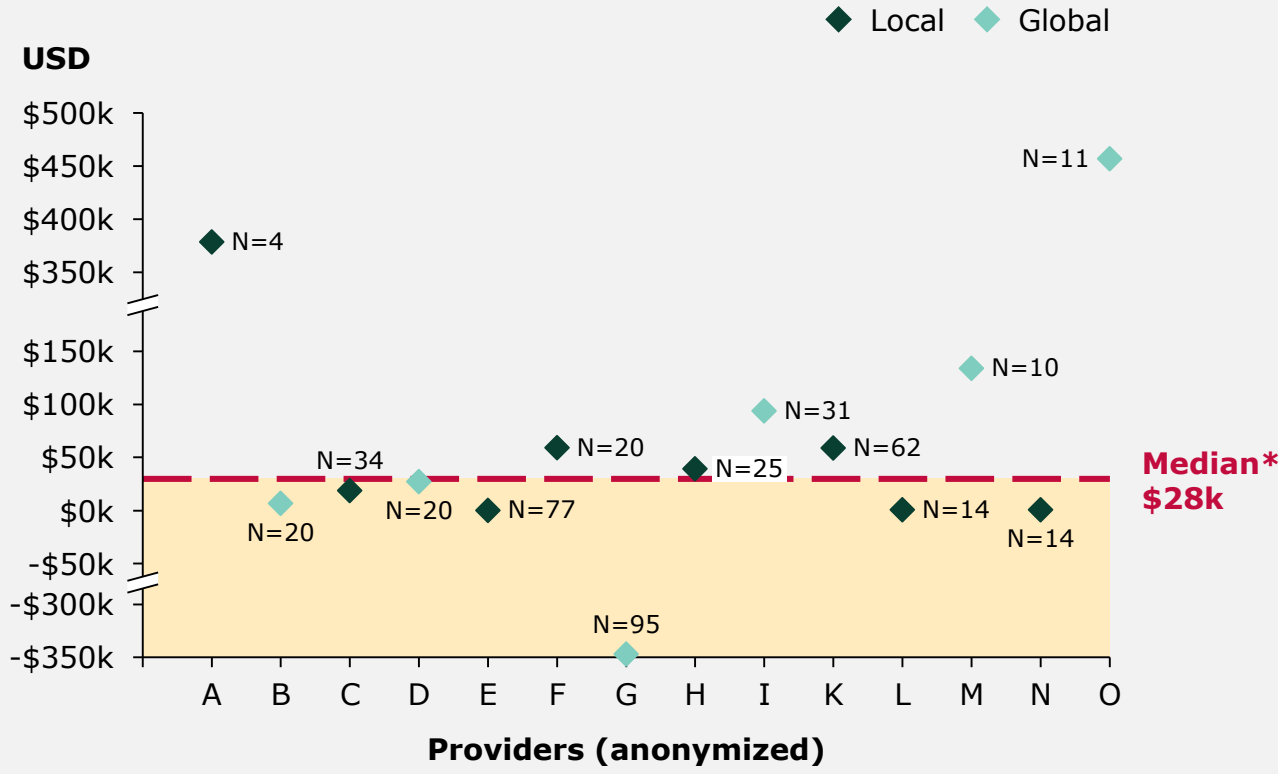
- The study assumed that all the revenue generated per enterprise after Y0 was caused by the impact of the intervention.
- No baseline or market growth rate was used to ensure the metric could be effectively compared across geographies, sectors, etc.

The amount of revenue created doesn't always correlate with revenue growth rate.

- Smaller firms typically grew revenues much faster than larger firms.
- Group-based SDM tended to serve much smaller firms than individual or blended models. Transitioning micro enterprises (<$100k) made up 69% and 82% of the samples respectively
- Similarly, early-stage firms tended to be 84% smaller (as determined by Y0 revenue) than growth-stage firms and 99% smaller than late-stage firms.

Median revenue created per enterprise across the study's 15 individual providers

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



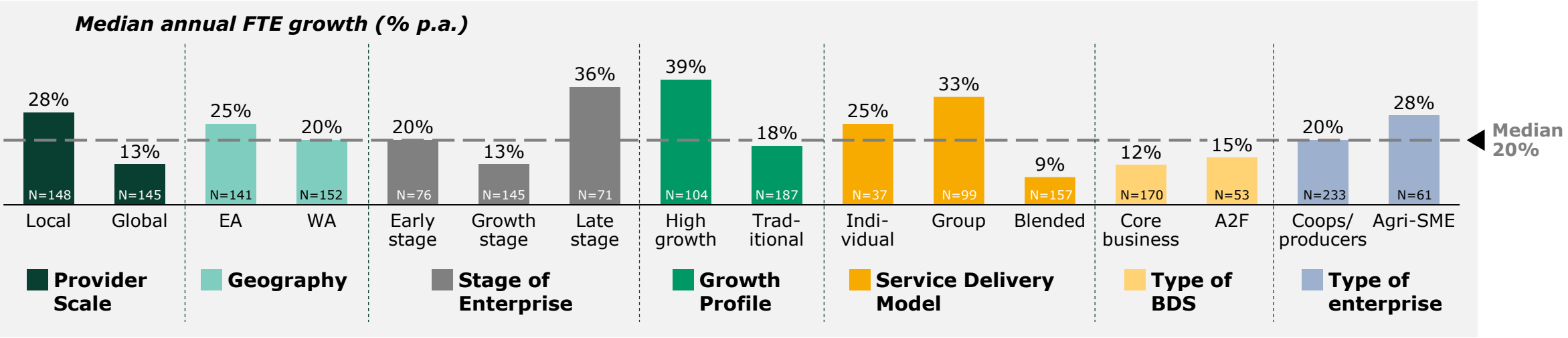
Provider G is an outlier in terms of revenue creation.

- This can primarily be explained by the provider providing data for the time period most impacted by the COVID pandemic. Feedback from the provider indicates that the enterprises it worked with experienced large external shocks from the pandemic.
- This has been noted and adjusted for at various points throughout the analysis.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Median annual FTE growth by segment across the entire dataset

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



Data context:

Late-stage enterprises experienced faster FTE growth compared to growth-stage firms despite being equally efficient.

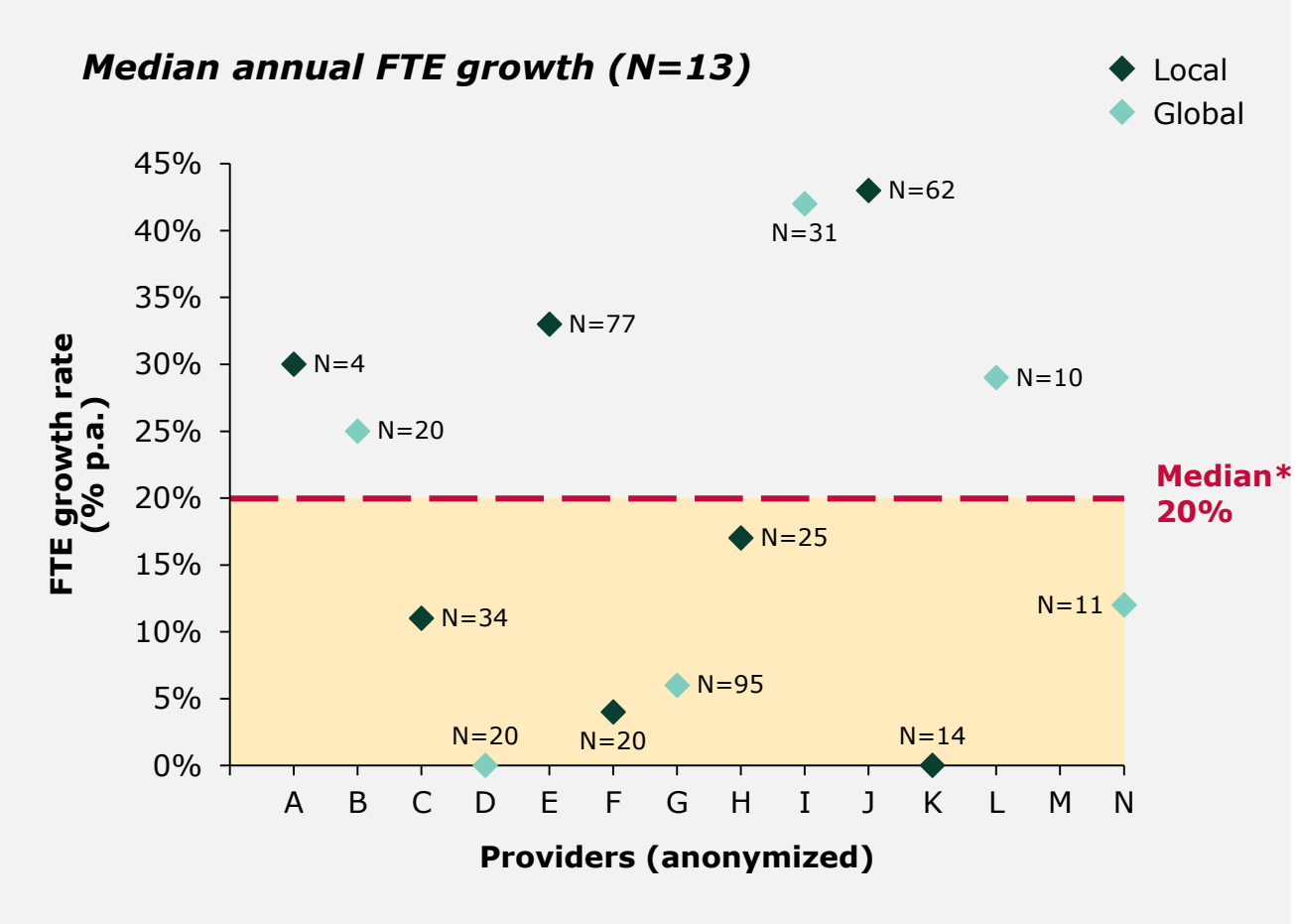
- Both late- and growth-stage firms were about equally efficient, producing around $24,500 in revenue per employee compared to $1,000 for early-stage businesses.

Enterprise stage and firm size were not perfectly coordinated.

- About 33% of late-stage enterprises were large firms ($1M+); however, a significant proportion of 42% were small firms (<$100k). Growth-stage enterprises had a similar composition.

Median annual FTE growth across the study's 15 individual providers

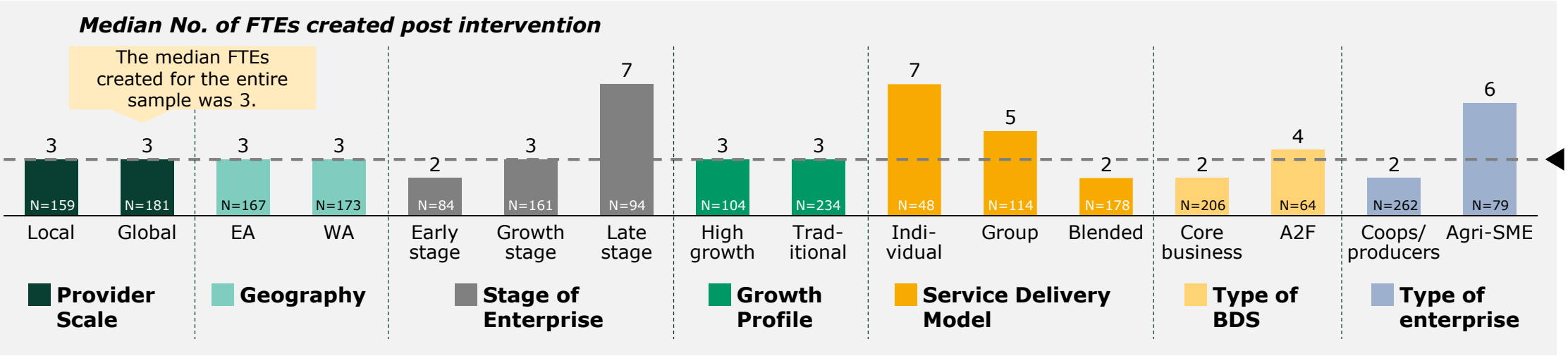
Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Median total FTEs created by each enterprise by segment across the entire dataset

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*



Data context:

The study didn't account for additionality when tracking the number of FTEs created post intervention.

- Like the amount of revenue created, similar assumptions were made when measuring the number of FTEs created per firm. The study assumed no baseline FTE growth.
- All FTE growth after Y0 was assumed to be caused by the BDS intervention.

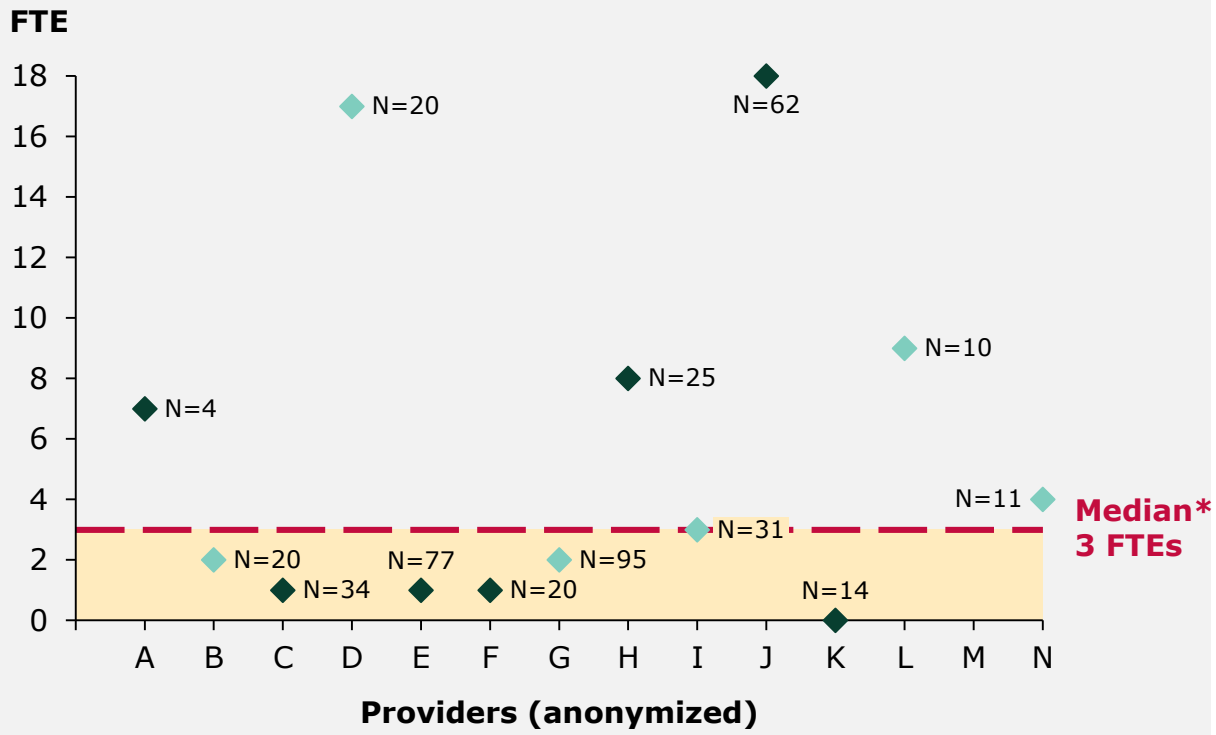
While the number of FTEs created is important to funders many providers lacked full data.

- About 25% of the sample didn't provide FTE data for Y0 making it difficult to accurately assess the number of FTEs created in the first year of the intervention.

Median total FTEs created across the study's 15 individual providers

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*

No. of FTEs created per firm post intervention (N=13)

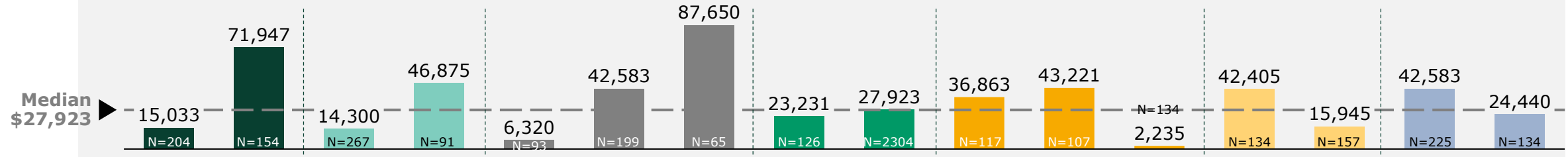


Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Various metrics were used to evaluate capital raised effectiveness, given the nuance associated with it as an 'outcome'

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*

Median capital raised (USD)



	Local	Global	EA	WA	Early stage	Growth stage	Late stage	High growth	Trad-itional	Indi-vidual	Group	Blended	Core business	A2F	Coops/ producers	Agri-SME
% of firms that raised	82%	59%	91%	43%	69%	72%	68%	82%	65%	89%	70%	60%	53%	90%	65%	80%
Cost per $1 raised	0.08	0.09	0.10	0.02	0.56	0.05	0.04	0.13	0.06	0.05	0.02	0.65	0.17	0.10	0.05	0.10

Provider Scale | **Geography** | **Stage of Enterprise** | **Growth Profile** | **Service Delivery Model** | **Type of BDS** | **Type of enterprise**

Data context:

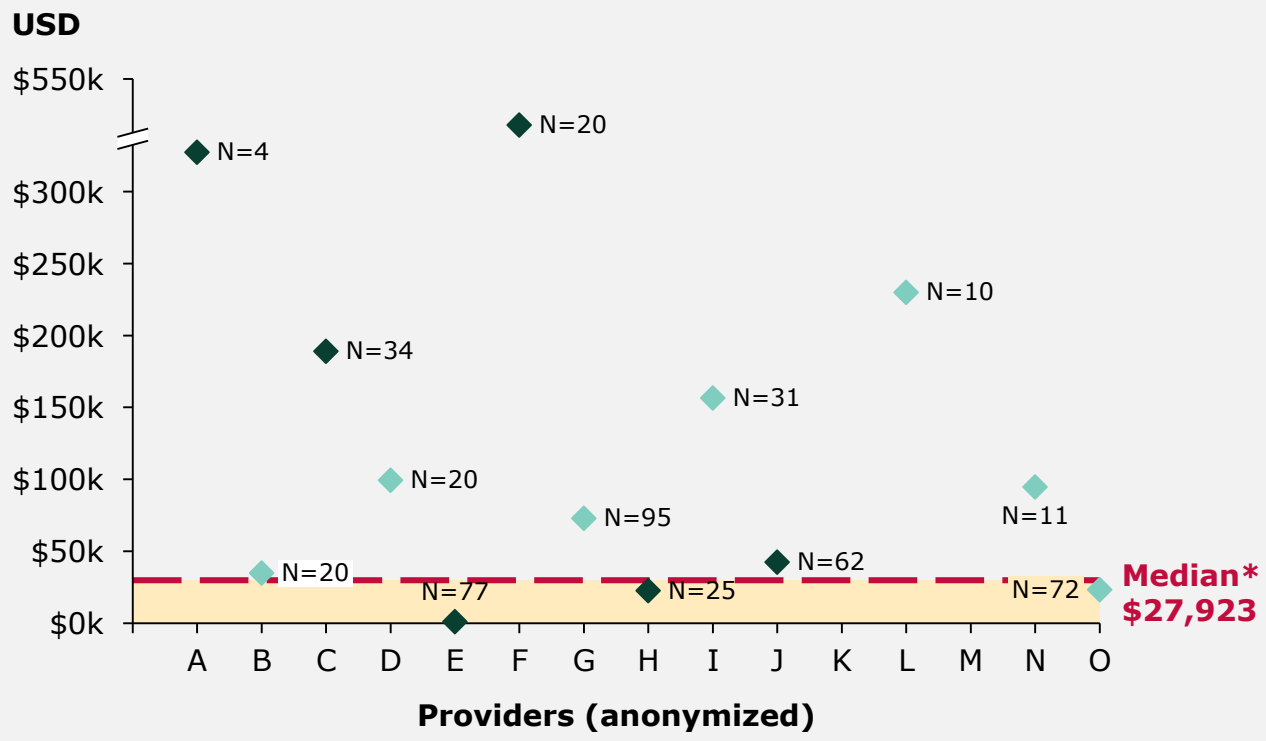
Size of enterprise plays a role in the amount of capital raised.

- Median capital raised tended to increase with the size of the firm.
- However, local providers raised more capital per $1 of revenue than global providers ($2.31 vs. $0.78).
- After adjusting for size, later-stage enterprises raised the most capital per $1 of revenue ($4.38) compared to growth-stage ($0.85) and early-stage ($1.31).
- After adjusting for size, West Africa entities raised significantly more capital per $1 of revenue ($7.10) compared to East Africa firms ($0.61).

Median capital raised across the study's 15 individual providers

Effectiveness: *How effective are BDS providers (quantitatively) at achieving desired outcomes and what are the best practices?*

Median capital raised per firm (N=13)



Not all providers focus on capital raised as a key metric.

- Different providers had different objectives (e.g., job creation, capital raised, revenue growth, which are often dictated by donors.

Context plays a role in the amount of capital raised per firm.

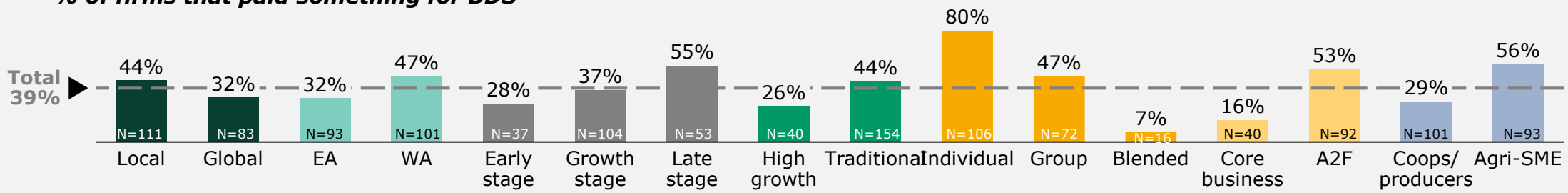
- For instance, the size and maturity of firms supported are two crucial contextual factors that play a large part in determining the actual dollar value of capital raised.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Additionally, due to low overall fee coverage, several metrics were used to assess the extent of payment.

Fee Coverage: In what contexts are subsidies necessary and where can current subsidies be replaced with more commercial sources of funding?

% of firms that paid something for BDS



Of the firms that paid something for services:

Fee coverage	9%	20%	50%	5%	5%	20%	9%	9%	19%	29%	5%	6%	17%	55%	5%	29%
Amount (USD)	80	797	1,248	80	15	484	1,000	80	500	920	45	1,425	1,042	1,100	45	1,000

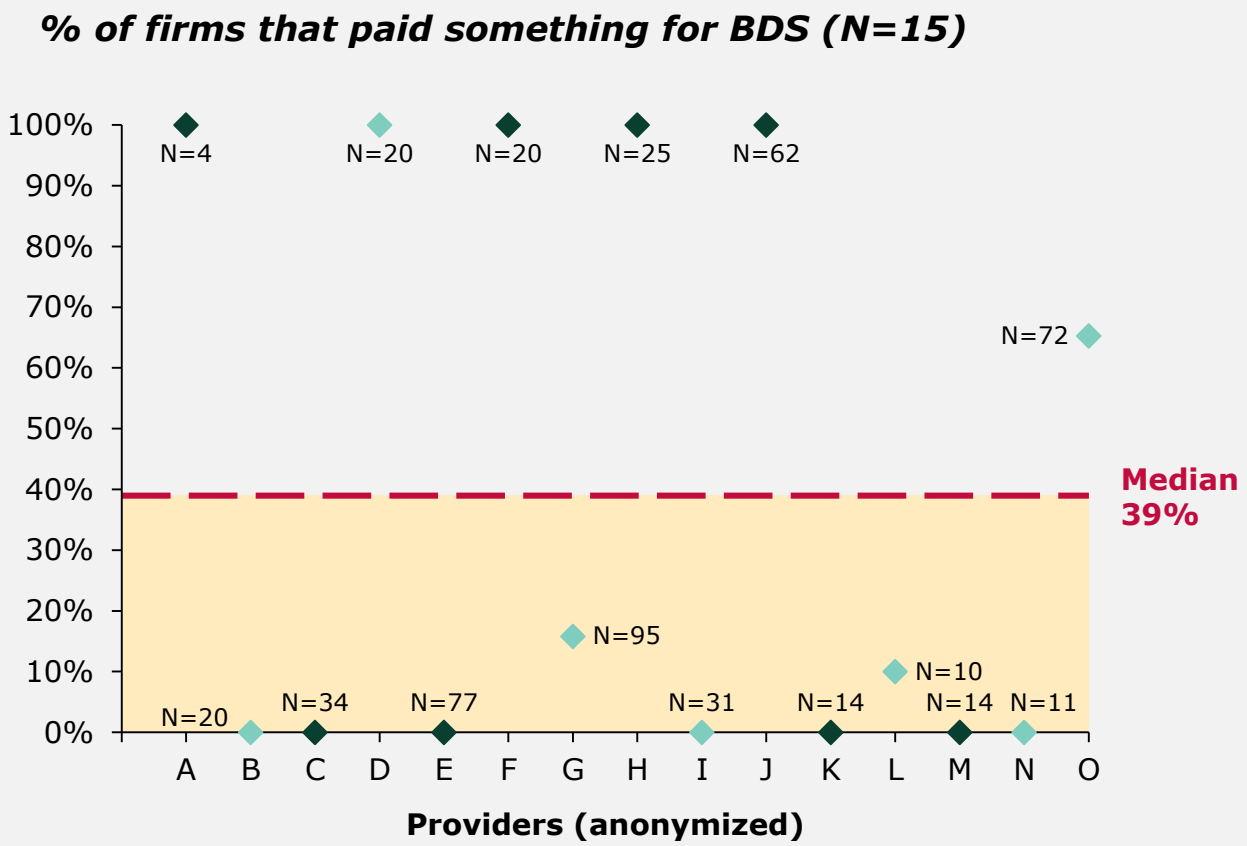
Scale | Geography | Stage | Profile | SDM | Type of BDS | Type of enterprise

Data context:

- Across the data set **only 39% of the enterprises paid any amount of fees for BDS.** The majority paid nothing.
- **The type of BDS received differed between local and global providers which had different median levels of fee coverage.** 54% of enterprises served by local providers received A2F support which had a median fee coverage of 9% compared to 0% for core business support.
- **% of firms that paid something was relatively similar (36%–38%) for all firm sizes except for large firms** ($1M+) which was 20%. However, medium firms a much higher median fee coverage for those that paid (200%).
- East Africa had more medium-sized firms ($100k-500k).
- Individual-based SDMs served more medium-sized firms ($100k – 500k).

% of firms that paid across the study's 15 individual providers

Fee Coverage: In what contexts are subsidies necessary and where can current subsidies be replaced with more commercial sources of funding?



Generally, each provider either had all of their enterprises pay or had none of them pay.

- The exceptions were Providers G and O, which made up two the three largest datasets in the sample, and Provider L which tended to work with more commercially oriented clients.

However, there was significant variation in the amount paid by enterprises within each provider.

- The amount paid by enterprises within provider varied greatly—a difference of 5x or more between the most and least amount paid was observed in several of the providers.

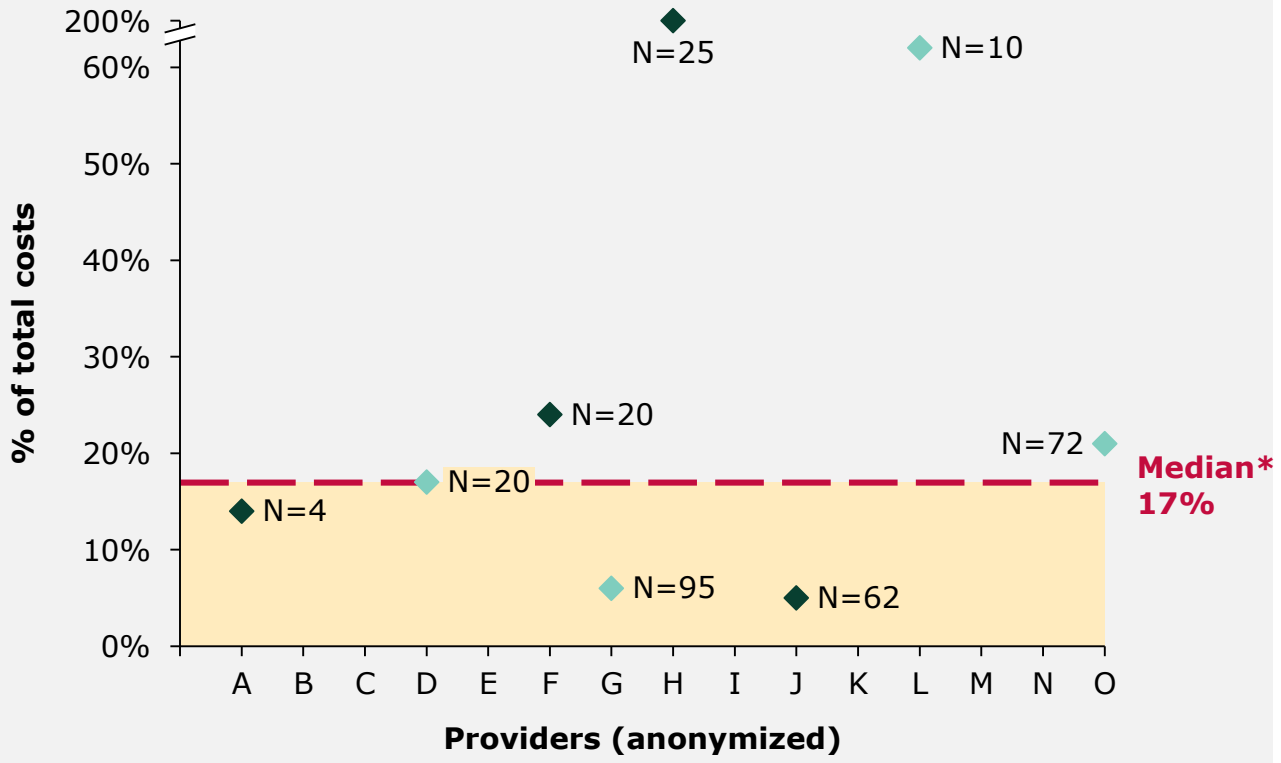
Local providers tended to be more effective at charging fees than global providers.

- 44% of enterprises serviced by local providers paid something for services, while only 32% of enterprises working with global providers paid.

Fee coverage across the study's 15 individual providers

Fee Coverage: In what contexts are subsidies necessary and where can current subsidies be replaced with more commercial sources of funding?

Fee coverage of the firms that paid something (N=8)



Provider H achieved fee coverage above 100%, implying a profit-making operations for the enterprises provided in this study

- The next highest level of fee coverage for a single provide was Provider L, which only achieved 62% fee coverage.
- Thus, all but one provider required some level of subsidy for the portfolio of companies they supported.

Notes: *Represents the median value on the enterprise-level from analysis of the combined 509 enterprise database.

Key metrics used in the study by all segments

Key metrics (median)	Local	Global	EA	WA	Early stage	Growth stage	Late stage	High growth ventures	Traditional business	Individual-based	Group-based	Blended	Core business support	Access to finance	Coops & producer	Agri-SME
Cost per enterprise (USD)	956	7,225	1,741	5,184	956	2,354	2,879	956	2,879	2,879	1,015	6,532	7,225	1,803	2,765	1,888
Cost per FTE created (USD)	239	2,804	617	616	839	508	576	319	808	262	300	2,292	2,408	478	1,032	288
Rev. growth	35%	17%	24%	28%	40%	23%	28%	28%	24%	17%	35%	11%	15%	19%	28%	16%
Rev. created (USD)	30,153	28,011	18,138	35,000	5,168	37,732	77,000	28,011	26,133	71,812	44,054	518	6,917	408	34,286	8,644
FTE growth	28%	13%	25%	20%	20%	13%	36%	39%	18%	25%	33%	9%	12%	15%	20%	28%
FTEs created	3	3	3	3	2	3	7	3	3	7	5	2	2	4	2	6
Capital raised (USD)	15,033	71,947	14,300	46,875	6,320	42,583	87,650	23,231	27,923	36,863	43,221	2,235	42,405	15,945	42,583	24,440
% of firms that raised capital	82%	59%	91%	43%	69%	72%	68%	82%	65%	89%	70%	60%	53%	90%	65%	80%
Cost per $1 raised (USD)	0.08	0.09	0.10	0.02	0.56	0.05	0.04	0.13	0.06	0.05	0.02	0.65	0.17	0.10	0.05	0.10
% of firms that paid something	44%	32%	32%	47%	28%	37%	55%	26%	44%	80%	47%	7%	16%	53%	29%	56%
Fee coverage of firms that paid	9%	20%	50%	5%	5%	20%	9%	9%	19%	29%	5%	6%	17%	55%	5%	5%
Amount paid (USD)	80	797	1,248	80	15	484	1,000	80	500	920	45	1,425	1,042	1,100	45	1,000

Key metrics used in the study by 15 case study providers

Key metrics (median)	Providers (anonymized) A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Cost per enterprise (USD)	$3,500	$6,532	$1,115	$2,742	$956	$3,291	$22,924	$2,879	$7,225	$900	$3,490	$10,750	4554	$0	$2,069
Cost per FTE created (USD)	$563	$3,266	$381	$161	$319	$3,110	$7,039	$360	$2,408	$50	$357	$1,269	N/A	$0	N/A
Rev. growth	3%	70%	24%	4%	9%	6%	-14%	13%	27%	61%	28%	22%	18%	36%	N/A
Rev. created (USD)	$378,544	$6,758	$18,857	$27,289	$121	$59,027	($347,028)	$39,335	$93,710	$59,000	$639	$133,906	$841	$457,065	N/A
FTE growth	30%	25%	11%	0%	33%	4%	6%	17%	42%	43%	0%	29%	N/A	12%	N/A
FTEs created	7	2	1	17	1	1	2	8	3	18	0	9	N/A	4	N/A
Capital raised (USD)	$327,250	$34,954	$189,111	$99,409	$1,155	$518,000	$72,940	$22,620	$156,674	$42,583	N/A	$230,000	N/A	$94,841	$23,359
% of firms that raised capital	50%	100%	100%	25%	95%	40%	15%	100%	94%	100%	0%	40%	0%	100%	99%
Cost per $1 raised (USD)	$0.01	$0.19	$0.01	$0.03	$0.90	$0.01	$0.31	$0.13	$0.05	$0.02	N/A	$0.05	N/A	N/A	$0.10
% of firms that paid something	100%	0%	0%	100%	0%	100%	16%	100%	0%	100%	0%	10%	0%	0%	65%
Fee coverage of firms that paid	14%	N/A	N/A	17%	N/A	24%	6%	200%	N/A	5%	N/A	62%	N/A	N/A	21%
Amount paid (USD)	$500	N/A	N/A	$469	N/A	$900	$1,425	$5,750	N/A	$43	N/A	$10,000	N/A	N/A	$431

ISF conducted a desk review of BDS ecosystems in more developed market contexts (e.g., USA, EU) (1/2)

Across developed markets*, BDS targeted at MSMEs is viewed as a crucial public good that can result in significant societal and economic impact but is not commercially sustainable. Thus, the BDS ecosystem relies heavily on public subsidy (especially in specific low margin sectors such as agriculture) delivered via a wide range of means.

BDS markets have followed broadly similar paths.

- Policy makers and economists in the US and Europe began emphasizing the fundamental societal and economic importance (and vulnerability) of small businesses as the modern economy took shape following WW2[1].
- In the US, formalized initiatives began to arise as public initiatives in the 1950s driven initially by local economic development agencies and eventually at a federal level through the Small Business Administration.
- This was an intentional effort to support small businesses (often in the most challenging circumstances such as low margin sectors, new ventures, minority owned) with publicly subsidized training, business assistance, loans, and grants[2].
- European markets recognized a similar needs, with key publicly-backed initiatives beginning throughput the mid-20th c.[3]

The current BDS ecosystem remains heavily reliant on public subsidies.

- In the US, the vast majority of what we can consider to be the BDS for MSMEs continues to be driven by publicly-backed resources; in particular, the SBA and programs it oversees (e.g., Small Business Development Centers) provides resources to over 23 million small businesses in the US[4].
- In particular, public subsidies are crucial for specific segments that are typically less commercially viable to operate in as a small business (e.g., agriculture).
- Key publicly backed BDS initiatives in the US that focus on agriculture include the USDA Rural Development Program for Business Development, which designs programs to provide capital, technical support, educational opportunities, and entrepreneurial skills to rural residents to start and grow businesses or access jobs in agricultural markets[5].
- Research indicates that training provided by these types of programs can address issues for small businesses that otherwise could not be addressed via commercial markets and results in significant positive impact on business survival[6].

Note: * Research focused on OECD countries and China

Sources: 1) Evgeny Tsaplin and Yulia Pozdeeva, "International Strategies of Business Incubation: The USA, Germany and Russia."; 2) Solomon et al., "Survival of the Fittest."; 3) Bruneel et al., "The Evolution of Business Incubators."; 4) Dahmen and Rodríguez, "Financial Literacy and the Success of Small Businesses."; 5) Anil Rupasingha, John Pender, and Seth Wiggins, "USDA's Value-Added Producer Grant Program and Its Effect on Business Survival and Growth."; 6) Anil Rupasingha, John Pender, and Seth Wiggins.

ISF conducted a desk review of BDS ecosystems in more developed market contexts (e.g., USA, EU) (2/2)

Even those BDS services that are often associated with commercially viable models often rely on some level of public (or donor) support to provide effective services.

Incubators and accelerators often rely on various levels of subsidy.

- Developed markets such as the US, Europe, and China have a thriving incubator and accelerator ecosystem. While nomenclature and goals tend to differ, these types of services providers broadly aim to support the growth and success of entrepreneurial and early stage businesses by providing education, mentorship, physical space, networking, and capital [1].
- These programs are often profit-oriented and seek to achieve commercial returns either through a return on investment, rent, corporate sponsorship, or direct enterprise/client fees.
- While this segment of provider is prominent and often results in significant growth for a select number of companies, it represents a very small portion of the broader ecosystem and its actual overall impact (e.g., in terms of MSMEs supported, jobs created, additionality) is very limited relative to the larger publicly backed resources[2].
- Additionally, these types of commercially-oriented providers often rely on public subsidy and support themselves, whether in direct funding, policy changes, business infrastructure, or other forms[3].
- Thus, even when BDS provisions appears to be commercially driven and viable, the underlying public-led structure that drives small business support is crucial to achieve these goals.

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