

2026 LEARNING BRIEF

Building a Sustainable Technical Assistance Market for Agri-SMEs

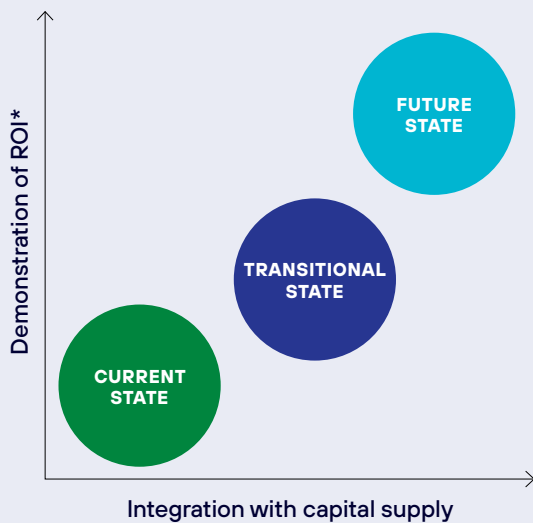


Executive summary

Agricultural small and medium enterprises (agri-SMEs)¹ are crucial for economic growth and improving livelihoods in agricultural economies, yet an estimated 80% of agricultural SMEs lack access to capital and struggle with various risks.² Technical Assistance (TA) on business planning and financial management is vital for improving their access to finance and ability to manage it, as well as generating accompanying socio-economic benefits. However, the cost of serving agri-SMEs is high due to their rural locations, and they can rarely afford the full cost of TA. Without public or philanthropic intervention, the TA market cannot reach its potential and consequently, agri-SMEs fall short of their growth and impact objectives.

Aceli Africa's experience facilitating TA to 700 agri-SMEs shows that a shift is needed to build a more effective and financially sustainable TA market, especially with regards to improving access to finance. The desired transition involves moving through three stages:

Diagram 1. Vision for a sustainable TA market



*Our focus is on ROI for three actors: SMEs, Capital Providers, and Country Governments

1. Current State: 100% Donor-funded & disconnected from capital supply. The current market is fragmented, primarily funded by donors whose interests often prioritize outputs (e.g., number of SMEs trained) over outcomes or long-term impact. This leads to misaligned incentives among donors, TA providers, and SMEs. TA

is also often disconnected from capital supply, which is ineffective in achieving the immediate objective of accessing and managing finance, and the broader objective of improving long-term financial performance. Consequently, the business case for TA is not fully appreciated and the willingness to pay remains low among SMEs and stakeholders on the demand side of the TA market.

2. Transitional State: Majority Donor-funded & partially integrated with capital supply. Aceli's early results show that integrating TA with financial institutions and tying it to a financing outcome significantly improves results for the enterprise and strengthens the lender's value proposition. In this stage, public or philanthropic capital is used to lower the risk and cost barriers of TA to encourage market participation, mirroring Aceli's approach to unlock capital supply for lenders (see [here](#) for more information). This is achieved through **targeted subsidies**; focused on the right TA interventions for the right SMEs, informed by market segmentation. Aceli focuses our TA on SME segments which offer the highest unrealized growth potential relative to the cost of delivery.

3. Desired Future State: Hybrid-funded, fully integrated with capital supply, and sustainable. The ultimate goal is a market that places economic value on the public-good benefits of TA and where public resources are deployed efficiently to catalyze both demand and supply. This requires establishing a recognized business case across all actors:

- ✘ **Agri-SMEs** access and are increasingly willing to pay for TA as value and quality are demonstrated.
- ✘ **Capital Providers** engage in and financially contribute to pre- and post-investment TA as a performance-enabling strategy for portfolio growth and risk mitigation.
- ✘ **Country Governments** recognize the **public good component** of TA for agri-SMEs, given its contribution to social welfare (e.g., job creation, food supply, economic development). They provide sustained public investment and coordinated policies, similar to models in New Zealand and Brazil, which leverage public funds to expand the reach and quality of TA.

¹ While definitions of SMEs vary, our focus in this brief is on enterprises with 5-250 employees, revenues of \$50k-\$5M, and financing needs of \$10k-2M

² ISF Advisors (2022), "The state of the agri-SME sector – Bridging the finance gap"

Background on Aceli Africa

[Aceli Africa](#) is a market catalyst addressing the financing gap to unlock the growth and impact potential of agricultural SMEs. Launched in 2020, Aceli offers financial incentives on the supply side to a marketplace of 50+ lenders, including commercial banks and innovative finance companies, to share in the risk and defray the high transaction costs of lending to agri-SMEs. As of year-end 2025, Aceli's incentives have supported \$423M in lending to 4,653 agri-SMEs that collectively provide market access and jobs for 2.2M smallholder farmers and workers in Kenya, Rwanda, Tanzania, Uganda, and Zambia. Aceli aims to mobilize an additional \$2B in lending to 20,000 agri-SMEs by 2030. Alongside financial incentives to lenders, Aceli provides:

- ✦ Capacity building for lenders to adapt their strategies, product offering, internal processes, and staff expertise to address the seasonal cash flows and specific needs of agri-SMEs;
- ✦ Pre- and post-investment TA for SMEs to prepare them to access and manage financing; and
- ✦ Data and policy analysis to address regulatory barriers to agricultural lending

Current state of the TA market

The agriculture sector in Africa has vast but unrealized potential to improve livelihoods for rural communities, feed a growing population, and propel economic growth.³ Agri-SMEs have an important role to play in linking farmers to markets and creating jobs along the value chain. However, they struggle due to a range of challenges, including the ones depicted Diagram 2.

Diagram 2. Challenges facing agri-SMEs



Aligning interests

TA is a vital ingredient to address these challenges as SMEs grow. There is a wide range of TA available to SMEs, including TA on agronomic practices for SMEs involved in production. However, in this learning brief, we focus on core business support necessary to unlock growth and attract investment.

Despite the overwhelming need for TA among agri-SMEs, the market for TA remains fragmented. While SMEs, TA service providers, and donors all seek a thriving agri-SME sector, their **individual interests are not always aligned**, resulting in sub-optimal outcomes relative to a high-performing marketplace.

Donors are the primary funders of TA and are motivated by their varying impact priorities. Their support for TA differs across level of subsidization (fully subsidized vs. cost share), choice of TA provider (local vs. international, non-profit vs. for-profit), SME segment, approach (group vs. customized) and thematic areas (e.g. market access, investment readiness, climate adaptation/resilience). Further, many donor-funded programs place emphasis on outputs (i.e., number of SMEs trained) rather than outcomes (i.e., change in practices) or impact (i.e., improved performance). Output-driven TA programs may erode the market-based principles that we believe are fundamental to an effective and sustainable TA market.


TA Practitioners are interested in achieving a viable business model where there is sustained demand for their services. TA practitioners adapt their offerings based on the demands of different funders, even if their short-term

³ World Bank (2022), "Seizing the Agri-Food Opportunity in Eastern and Southern Africa."

interest in getting paid for their services may undermine their long-term interest in SMEs being willing to pay when donor funding is not available. In addition, when donors orient their funding to deliver outputs (number of SMEs trained), they may inadvertently incentivize TA providers to lower the quality of their services, thereby reducing the value to SMEs and depressing their willingness to pay for TA in the future.

SMEs have varying interests, including: (1) addressing challenges they face in their business; (2) accessing funding, whether commercial or grants; (3) opportunity to travel for training and, in some cases, receive a stipend; (4) networking/being part of a community of entrepreneurs; and (5) obtaining a training certificate or other recognition, among others. TA programs that do not screen for SME interests to ensure alignment often end up with many SMEs that are not well suited for the program, which can undermine the experience and reduce the perceived value for those that are well suited.

Time and again, we observe that grant-based TA models often do not align with intended commercial outcomes such as accessing markets or financing. The lack of full alignment in incentives among the different actors can lead to undesired behavior and market distortion, where the value of TA is diluted. It is thus fair to question:



Is TA achieving its intended objectives, and is continued investment in TA warranted?

The case for investing in TA

Previous studies (e.g., McKenzie and Woodruff, 2014) suggest a modest effect of TA on business growth and performance. However, most studies have been conducted with a small sample size and the results have wide confidence intervals that cannot be generalized.⁴ Moreover, most evaluations focus narrowly on benefits to private firms and do not consider social returns (e.g., economic benefits for workers) or spillover effects to other value chain actors such as smallholder farmer suppliers or downstream

consumers.⁵ David McKenzie, lead economist at the World Bank’s Development Research Group, points out in his Policy Working Paper⁶ that the absence of statistically significant effects is not the same as having zero effect; a much larger volume of studies rigorously assessing a broader range of potential benefits is needed to draw conclusions with confidence.

Aceli’s experience suggests that investing in TA is particularly worthwhile where incentives facilitate alignment among stakeholders. We launched our TA offering in September 2020 at the height of the COVID pandemic and initially relied on referrals from other international development organizations and industry associations. Despite our best efforts to engage the growing pool of lenders participating in Aceli’s financial incentives program, lenders showed minimal interest in referring SMEs to the TA program or matchmaking post-program. However, as lenders expanded their appetite and capacity for lending to agri-SMEs over the ensuing years with support from Aceli’s financial incentives, they have increasingly engaged – both to build pipeline and to optimize borrower performance in their portfolios.

⁴ McKenzie, D. (2021), ‘Small Business Training to Improve Management Practices in Developing Countries: Re-assessing the Evidence for “Training Doesn’t Work”’, *Oxford Review of Economic Policy*

⁵ David McKenzie, Christopher Woodruff, Kjetil Bjorvatn, Miriam Bruhn, Jing Cai, Juanita Gonzalez-Uribe, Simon Quinn, Tetsushi Sonobe, and Martin Valdivia, “Training Entrepreneurs” *VoxDevLit*, 1(3), September 2023

⁶ David McKenzie, Christopher Woodruff, Kjetil Bjorvatn, Miriam Bruhn, Jing Cai, Juanita Gonzalez-Uribe, Simon Quinn, Tetsushi Sonobe, and Martin Valdivia, “Training Entrepreneurs” *VoxDevLit*, 1(3), September 2023

Early Results: Post investment advisory to SMEs can improve loan use and impact

Three of the higher-volume lenders in our sample offered post-investment advisory services to SMEs to help them use the funds most effectively. 31% of all the 288 SMEs served by these lenders received advisory support.

SMEs that received advisory support reported a better experience and greater impact from the loan and lender compared to those who did not receive this support (NPS of 75 vs. 52). They also experienced stronger outcomes, including higher revenue growth (72% vs. 42%) and a greater likelihood of increasing employees (79% vs. 66%).

Diagram 3. SME lender experience with advisory and without advisory

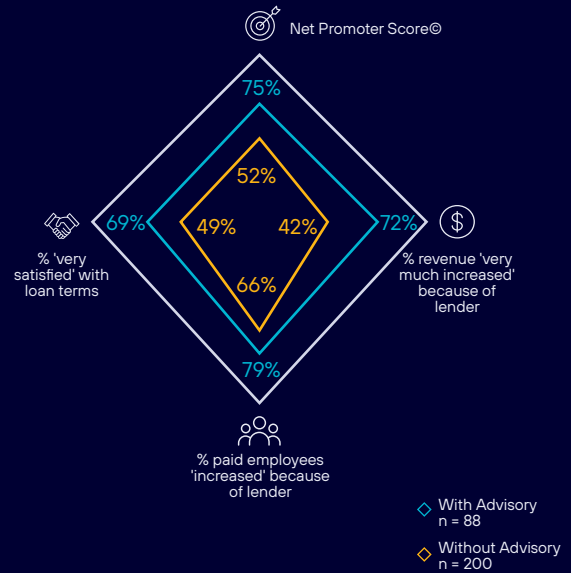


Diagram 3 illustrates the impact of TA when offered by or in collaboration with a financial institution and tied to a financing outcome. Pairing TA with finance not only results in better outcomes for the enterprise, but also strengthens the institution’s customer value proposition and market positioning. Aceli is adapting our approach to partner with lenders that are pulling for new borrowers from the capital supply side, aligned to their unique investment strategies, rather than Aceli pushing from the capital demand side.

We have found that running TA for heterogeneous groups of SMEs and trying to link them to an equally diverse set of investors (i.e., a “many to many” approach) is not effective in achieving the primary objective - accessing finance. By working in a “one too many” mode with individual lenders, which are incentivized to lend to this segment, we are able to strengthen the link between SME selection and access to finance within months of completing the program.



TA SPOTLIGHT 1: FAMILY BANK WOMEN SME COHORT



Aceli, in collaboration with [Family Bank](#), a Tier 2 bank in Kenya, and [Ronalds LLP](#) launched a five-month TA program for 25 women-led agri-SMEs in June 2025. Family Bank led the identification of target SMEs based on priority value chains and geographies. The shortlisted SMEs were then screened for motivation and fit with the program’s objectives; consequently, 50% of the shortlisted SMEs were filtered out. Some of the early results by the end of the program were:

- 95% of SMEs achieved complete, Family Bank-compliant documentation (from 0% at baseline).
- \$368k in financing disbursed during the TA period to six SMEs. This indicates a multiple of 3.68x in financing accessed; expected to increase as loans are approved.
- \$1.7m in financing to an additional nine SMEs under active review in the pipeline.
- SMEs reported increased confidence in engaging lenders, negotiating terms, and presenting their numbers.
- TA generated cost savings for the bank in terms of faster loan application turnaround and higher-quality applications.
- Aceli’s financial incentives for the bank are a major driver of lender appetite - i.e., TA and incentives are complementary.

In addition to the above, SMEs became better at articulating their financing needs; across the cohort, the combined funding request was **reduced** by 46% following the program. While many TA programs emphasize the combined financing demand of its graduates as a headline metric - and therefore have a disincentive to highlight the figure declining as a result of the program - we view this outcome as improving the likelihood that SMEs will access appropriate financing while also reducing credit risk for the lender. We have also seen across Aceli’s partnerships with 53 financial institutions in five countries that loan sizes for repeat customers are increasing, on average, by 25%. An initial focus on increasing access to finance sets the stage for an SME to access larger loan amounts in subsequent cycles.

The critical success factors for the program were:

- **Strategic selection of SMEs:** Targeting SMEs with strong market traction but limited internal systems, ensuring TA addressed real constraints to scale;
- **High engagement from the Family Bank team:** active participation and responsiveness from the credit teams strengthened alignment, trust, and turnaround;
- **Fully lender-aligned TA model:** TA content mirrored Family Bank’s credit requirements, enabling SMEs to build the exact capabilities needed for financing readiness; and
- **SME-centered approach:** Focused on practical tools, localized solutions, and business realities to ensure immediate adoption and sustainable behavior change.

“These results have created a robust pipeline of bankable women-led Agri-SMEs and have contributed meaningfully to the growth and quality of Family Bank’s Agri portfolio.” –Agribusiness Manager, Family Bank

This integrated approach is generating shared value among the different stakeholders much faster, and we are noting growing demand from other lenders for similar programs.

We appreciate that there is far more need for TA of different variants and to support agri-SMEs at various stages of

their business lifecycle than what Aceli can offer. With the increasing uncertainty in the donor funding landscape, it is an opportune time to reimagine the market for TA and make the business and impact case for continued investment.

Desired future state of the TA market

We envision a TA market that places economic value on the public-good benefits it generates (i.e., directly facilitating access to finance to underserved SMEs and indirectly increasing economic opportunities for farmer suppliers, enterprise employees, and casual labor) and where public resources are deployed efficiently to catalyze both demand for and supply of quality TA. Drawing from Aceli’s approach to unlocking financing for agri-SMEs through incentives, we believe that public or philanthropic capital should be used to lower the risk and cost barriers of TA. This provides confidence and enables more participation by market actors and adoption of market principles (i.e., consumers paying for services) over time.

Levers for developing a more financially sustainable TA marketplace. Some of the levers funders of TA can use to be more catalytic are outlined below:

1. Providing **market intelligence** to guide TA investments in SME segments that offer the highest financial and impact returns.
2. Testing approaches for **leveraging private capital for funding TA** for different SME segments (through cost-share with SMEs, capital providers and/or other stakeholders) and evolving from 100% grant-funded models.
3. Testing and developing **playbooks and impact measurement frameworks** for different types of TA and SME segments. SMEs have specific, immediate needs related to investment readiness, market access, and business transformation among others, which should inform the type of TA they access. For general TA that attempts to cover all the needs of an SME within one program, it is challenging to define, track, and measure outcomes.
4. Building the **capacity of TA practitioners** and **creating incentives** to strengthen their value proposition to SMEs.

The levers above are not exhaustive and we invite more discourse on ways in which TA funding can catalyze a more competitive and efficient market. In the following sections, we delve deeper into Aceli’s experience and learning across levers 1 and 2 above; lever 3 is emergent for Aceli as we are still developing our approach to integrating lenders into the TA process and assessing the impact of incentives on financing outcomes. Lever 4 is one that we are yet to

explore, but based on our experience, is a critical need for the sector.

TA approaches calibrated to SME profile

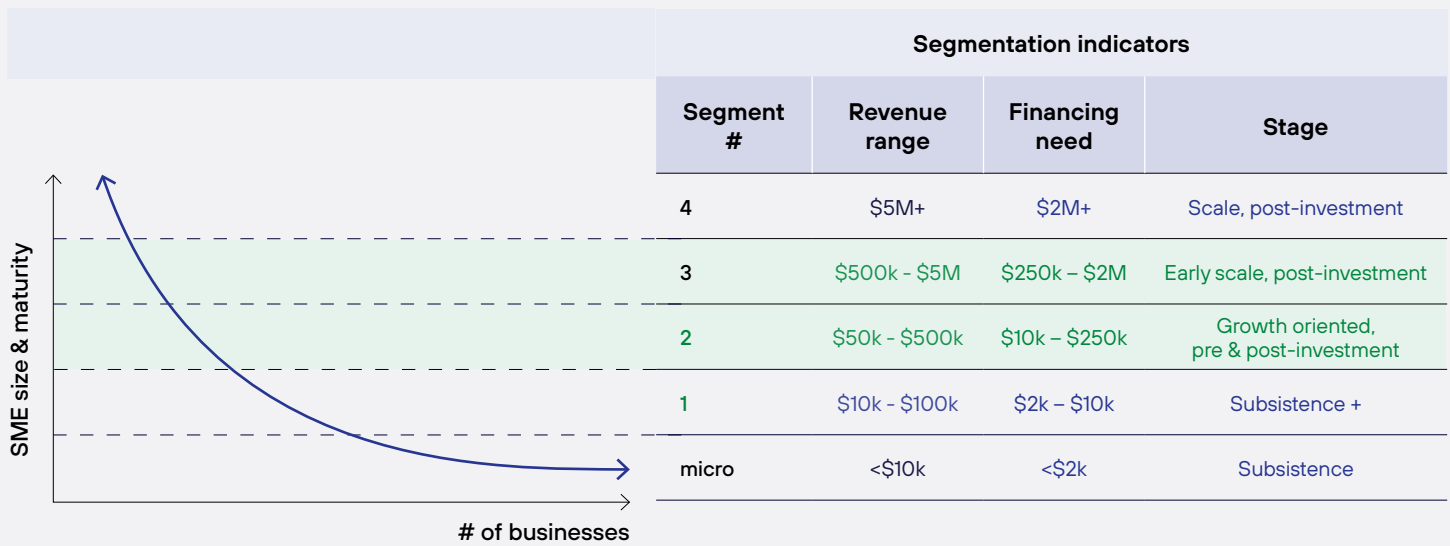
The argument for segmenting SMEs is not novel: TA implementers have been using various indicators, such as revenue, to determine appropriate delivery models for different SME segments. However, the importance of segmentation and targeted TA cannot be overstated, more so given the dwindling foreign assistance for TA and the need to optimize the return on investment of limited donor funding for TA.

Diagram 4 below provides an indicative segmentation of SMEs based on annual revenue, number of full-time employees (FTE) and stage of maturity. (Note: there is intentionally some overlap in revenues, FTEs, and stage across segments to acknowledge that SMEs do not fit neatly into tiers. Also, while this segmentation was developed for SMEs in the East African agriculture sector, it likely applies with some variation across other sectors and regions).

The diagram also illustrates how the market, by volume of businesses, is vastly greater for smaller and less mature SMEs, indicating that a TA strategy focusing only on SMEs that have already achieved a higher degree of maturity (e.g., \$1M+ revenues or 50+ employees) will exclude most of the SME market. **On the other hand, a growing body of literature from the microfinance sector indicates that only a small portion of the smallest enterprises (grouped in “micro” and “Segment 1”) will grow over time to employ 10 or more workers. Aceli has therefore chosen to focus our TA on SMEs in Segments 2 and 3.**

Within these segments, well-calibrated TA can generate significant benefits at a modest cost. For instance, the spotlight below showcases a TA program run in 2024 that **generated \$4.60 in commercial financing for SMEs in the cohort for every \$1 spent on program delivery.**

Diagram 4. Segmenting SMEs by size and maturity



TA SPOTLIGHT 2: COHORT-BASED PROGRAM FOR SMES IN SEGMENT 2



In 2024, Aceli ran a 5-month, cohort-based program in partnership with [TechnoServe](#) that included self-paced, virtual learning combined with group-based and one-on-one business advisory. 42 SMEs were onboarded across Kenya, Rwanda, Tanzania, and Uganda, with 35 graduating. 14 of the graduating SMEs accessed financing within four months post-program, amounting to \$852k in commercial loans. The total program cost was \$186k resulting in a 4.6x multiple in financing accessed relative to delivery cost. SME examples:

Example 1: Tanzanian processor of sunflower oil with annual revenue of \$163k that sources raw material from 750 smallholder farmers and has five full-time staff. This business accessed a loan of \$45k for business expansion and factory maintenance from a Tanzanian Bank receiving Aceli incentives. This is the first time the business is accessing a loan over \$25k.

Example 2: Ugandan distributor of agricultural inputs with annual revenue of \$320k, 5,000 farmer customers, and 22 full-time staff. This business accessed a loan of \$55k for working capital from a Ugandan Bank receiving Aceli incentives. This is the first time the business is accessing a loan over \$25k.

To further understand the potential for investment, impact, and additionality associated with the various SME segments, we overlay the segments in Diagram 4 with data from the 4,975 loans supported by Aceli’s financial incentives for lenders (as at November 2025).

When presenting Aceli’s data, we refer to Segments 2 and 3 as distinct segments. In Diagram 5 below, the \$100k-\$250k ticket size category straddles both segments.

Diagram 5. Mapping of SME segments to portfolio of Aceli-supported loans by ticket size categories

Segment	Ticket sizes	Median revenue	Avg #full-time workers	Avg #farmer supplies	% of loans to new borrowers*	# of Aceli-supported loans
4		\$1.5M+ Above Aceli focus range				
3	\$500k – \$1.5M	\$2.5M	72	4,137	10%	89
3	\$250k – \$500k	\$1.2M	38	2,009	18%	152
2-3	\$100k – \$250k	\$575k	27	1,175	25%	408
2	\$50k – \$100k	\$346k	17	222	34%	747
2	\$10k – \$50k	\$157k	9	108	84%	1,848
1		Under \$10k Below Aceli focus range				
Overall portfolio	\$80k avg	\$227k	14	422	62%	4,975


*Aceli defines a new borrower as an SME that is accessing a loan of \$25k for the first time from any source in the past three years.

We believe that Segment 2 offers the highest unrealized potential for enterprise growth and impact relative to the cost of delivery and should therefore benefit from more resource allocation for TA for the following reasons:

- ✦ **High volume of SMEs.** Segment 2 has a much higher volume of SMEs than Segments 3 and 4.
- ✦ **Limited access to finance.** SMEs in Segment 2 attract less financing relative to larger SMEs in Segments 3 and 4. For example, data on 3,244 Aceli-supported loans from 2020-24 indicate that 84% of SMEs receiving a loan in the \$10-\$49k range meet Aceli’s definition of ‘new borrower’⁷ compared to 18% receiving a loan of \$250-\$499k and 10% in the \$500k-\$1.5M range.
- ✦ **Absorptive capacity.** At the same time, SMEs in Segment 2 tend to have more absorptive capacity for both TA and financing as well as more growth potential relative to the even larger volume of SMEs in Segment 1.

Aceli focuses most of our TA on Segment 2 while selectively making exceptions for highly motivated SMEs in Segment 1. Our approach is cohort-based and was initially delivered 100% virtually, but over time, we have evolved to a hybrid model with more in-person touch points. From our experience, agriculture is a relational, high-contact sector which is further influenced by nuances of the value chain.

For instance, in a program we are running in partnership with NMB Bank Tanzania, the majority of participants are from the livestock value chain, with limited access to digital infrastructure. In this example, there are also cultural aspects to take into account, such as involving the community leader for accountability, not only for TA but also as part of due diligence by the bank on individual SMEs. By engaging with agri-SMEs in their operating context, we are able to maximize the value derived from the TA, yet we know that such approaches have a cost and time implication. This continues to be an area of learning for Aceli.



How can cost efficiency be achieved in TA delivery without compromising quality and impact?

We also provide targeted support to some SMEs in Segment 3 where we identify a compelling mix of need and opportunity for impact. Below is an example of an SME in Segment 3 that received targeted support.

⁷ Aceli defines a new borrower as an SME that is accessing a loan of \$25k for the first time from any source in the past three years



TA SPOTLIGHT 3: TAILORED ADVISORY ASSIGNMENT FOR SME IN SEGMENT 3



In 2023, Aceli collaborated with [Nawiri Vantage](#) to support a family-run agribusiness in the livestock value chain in Kenya with tailored advisory. The business had annual revenues of \$1.8M and distributed a diversified portfolio of meat products, sourcing from 2,700 smallholder farmers and supplying to local supermarkets. At the diagnostic stage, the following key gaps were noted:

1. Poor financial management processes (e.g., lack of segregation of duties, reconciliation, and expense tracking and monitoring, leading to incidences of fraud)
2. Lack of staff KPIs and performance management system
3. Low margins, poor cash flow management and high financing costs; over-reliance on a single distribution channel (i.e., supermarkets) and servicing high interest loans

The assignment value was \$16,450 (the SME’s contribution was 20%) and some of the outcomes one year post-intervention were:

1. Improved operations and financial management due to comprehensive Standard Operating Procedures, management reports for tracking financial performance and recruitment of qualified personnel
2. Enhanced risk management through implementation of internal controls and monitoring activities to safeguard the company’s assets
3. Diversified distribution; direct-to-consumer sales which have improved cash flows and margins
4. 100% increase in monthly revenue, 25% decrease in monthly operating costs, 1% decrease in monthly financing costs, and 55% increase in working capital accessed

While the financial and operational results from the assignment above are compelling, there is an opportunity cost to allocating significant resources to Segment 3 SMEs. Their needs are nuanced and require highly specialized resources, driving up the cost-to-serve, which is why we are selective about who we engage and require a cost-share.

Sustained public investment, coordination, and targeted subsidies are necessary for building a competitive market that crowds in private sector participation.

One of the perspectives on achieving financial sustainability in the TA market is charging SMEs. Doing so drives up the value they attach to the services provided and consequently improves outcomes for the SME. While we agree with this view in concept and require SMEs in Segment 3 to share in the cost of TA, in our experience charging depends on the SME segment and TA model and is not practical for a large portion of the market (i.e., smaller SMEs in Segments 1 and 2). We believe other approaches beyond charging should

be considered for applying market principles as we build demand for effective TA and journey towards a sustainable market for TA.


In 2021, we piloted charging for the cohort-based TA for Segment 1 SMEs; what seemed like a modest cost-share of \$100 (just 4% of the cost per SME to administer the program) for a six-month program focused on business resilience for what was at the time a fully virtual delivery model. Here’s what we found:

- ✦ Significantly fewer SMEs applied for the TA cohort requiring a modest fee (72% lower than previous cohort). The COVID pandemic was still at its height and, in hindsight, it was probably not the best time to pilot the cost-share.
- ✦ We assumed SMEs would be able to pay based on the target profile of participants. We now understand that many SMEs overstate their revenues to participate in TA programs.

- ✦ For those that indicated willingness to pay, only a small fraction were able to pay upfront and the majority requested to stagger their payments.
- ✦ The administrative burden and transaction costs of following up on small payments were impractical. In the end, we concluded that it was not worth the effort and found the cost-share to be distractive from the bigger picture of testing TA delivery models that maximize value for SMEs and lenders. We note that this was our experience, but potentially a higher volume program with fully digital payment systems would partially address some of the challenges.
- ✦ We have since scaled down our engagement with Segment 1 and re-focused our TA to Segment 2, as discussed in the earlier section.


By contrast, Aceli’s tailored advisory targeting Segment 3 SMEs is delivered on a 20% cost-share basis (with a maximum assignment value of \$20k). While the 20% cost-share seems reasonable - or even modest - the payment rate by participating SMEs stands at 60% (i.e., of the total cost-share payable), despite 79% of them reporting that the TA was a “valuable investment”. Note that Segment 3 SMEs also request for a staggered payment plan, similar to Segment 1 as discussed earlier. This further highlights the challenges of trying to implement a fully paying market if businesses with a median revenue of \$1M that have relatively more resources are not able (or willing?) to pay 40% of their bill when their portion is only 20% of the total cost.

While we believe it is worth considering an SME’s ability to pay, the bigger issue that needs to be addressed by funders and the wider ecosystem is:



How can SME willingness to pay for TA be enhanced relative to their ability to pay?

Agri-SMEs, especially from Segment 2 and above, have been known to pay upfront for programs/training affiliated with audit firms (in areas such as tax or regulatory compliance) and well-established academic institutions (e.g., the [Seed Programs](#) by Stanford Graduate School of Business and the [Agribusiness Management Programs](#) by Strathmore Business School). We can infer that there is a stronger signal of value from these programs, which motivates SMEs to pay. This begs the question:



Do public/donor funded TA programs inadvertently convey lower value, hence lower willingness to pay?

This is important because unlike audit firms and academic institutions, TA providers are not accredited, so there is limited visibility by SMEs and accountability by service providers related to quality (also due to misaligned incentives as discussed earlier). On one hand, the easy route would be to only offer TA through such accredited institutions; on the other hand, only a small, niche group of agri-SMEs would be served and the cost-to-serve per SME would be much higher. As is well known, the majority of agri-SMEs are rural-based, therefore accessibility to such programs is limited.

Public investment and coordination can play a catalytic role in expanding the reach of effective TA to underserved agri-SMEs. While TA in general can be viewed as a private good and should be subject to market forces, we argue that **TA for agricultural SMEs also has a public good component** depending on 1) the recipient of the TA and 2) the degree to which the TA both directly and indirectly **contributes to social welfare** (e.g., through market access, job creation, or improved supply of affordable food). In the case of TA for agricultural SMEs, there is an important public good component given the already significant role and even greater potential these SMEs have for transforming African economies. Without access to appropriate knowledge, tools and skills, African agricultural SMEs will continue to under-perform their potential and therefore stunt broader economic development. Even setting aside the compelling livelihood benefits at a country level and focusing on the more narrow metric of taxable commerce, we believe that government funding for TA offers an attractive return on investment.

Aceli’s view is that subsidies will continue to be required for TA to agricultural SMEs, but the level of subsidy and the implementing model can be varied by SME segment. Looking at TA Spotlight 3, one can reasonably argue that the SME should have paid full price for the TA given the SME’s size and the strong financial ROI from the TA. While we agree with this in principle, in many cases even larger agri-SMEs do not have much exposure to advisory services, beyond what is required for compliance (audit, tax, etc.). There is therefore uncertainty among SMEs over

who to engage and what to expect from such assignments – sophisticated entrepreneurs are more articulate in their priorities and will therefore vet (and pay for) TA from that lens. The role of the subsidy for this segment of SMEs is to demonstrate the value of TA, especially for those with limited exposure to advisory services, thereby generating demand for future services, which they would pay for (either fully or a more substantial contribution).

Over time, as demand for TA increases, and the market develops indicators of quality, SMEs (and other market actors) will be more willing to pay and the level of subsidy required will reduce. Achieving this will require donors, ecosystem actors (like Aceli), TA practitioners, researchers and policymakers to be more coordinated in shifting the market away from full donor dependency. Presumably as low and lower middle-income countries transition to more developed economies, they will be more willing and able to pay for these subsidies, just like middle and upper-income countries already do ([see case studies from New Zealand and Brazil in the Appendix](#)).

While the examples of Brazil and New Zealand are not specific to agriculture, they demonstrate the value these governments attach to TA for SMEs and that public resources can be invested in TA to catalyze both demand and supply of these services. Both case studies are from more advanced economies, which highlights both the on going needs for public involvement in TA as economies develop and the particular importance of subsidizing TA – albeit with a market orientation and mechanisms to ensure quality and accountability – in emerging African economies and especially in the agriculture sector.

In summary

TA is essential for the growth and resilience of agri-SMEs. In a resource-constrained environment, it is critical to structure investments in TA in a manner that optimizes the return on investment, both financial and social. Donors and governments can play a market-building role through developing programs that deliver measurable value for agri-SMEs and their stakeholders on the demand side, and creating frameworks, incentives, and learning to improve the quality of TA supply. Subsidies calibrated for different SME segments will be required to generate demand for TA and can be gradually reduced as the market develops.

Looking ahead, Aceli will continue to test and build evidence on the value proposition of TA for different sets of actors:

- ✦ **SMEs** – on the value of TA in accessing finance and improving enterprise performance and how this contributes to increased willingness to pay over time.
- ✦ **Lenders** – on the value of TA in growing their portfolios and enhancing their resilience and how this translates to increased investment in TA.
- ✦ **Donors and governments** – on the public-benefit role of TA for agri-SMEs and how policy can support the progressive reduction in reliance on donor funding.

In closing, Aceli's vision for a sustainable technical assistance market for agri-SMEs is one that blends market principles with targeted subsidy. These subsidies should complement what SMEs and capital providers are able to pay, and compensate TA providers for the public benefits that are generated when SMEs grow and thrive.

APPENDIX

Brazil Case Study

SEBRAE is an autonomous non-profit organization set up by law to promote the competitiveness and sustainable development of micro and small businesses in Brazil. Established in 1972, SEBRAE works in cooperation with the private sector and international donors to promote an entrepreneurial culture through seminars, courses, advisory, and marketing. SEBRAE provides its services through a localized network of 27 regional outlets and more than 700 service branches nationwide. SEBRAE services can also be accessed through its consultants and partners such as universities, technology centers, and professional schools. SEBRAE acts as an aggregator of programs and services for micro and small business and also has a strategic management unit that conducts a large number of research studies that contribute to public policy. SEBRAE runs an annual budget of around \$1.1 billion, for a country with a population of 216 million (i.e., roughly \$5 per person allocated to business development). It is funded by a combination of public support (0.3% compulsory contribution from the payrolls of Brazilian Firms), fees from services provided, and grants from development assistance organizations.

New Zealand Case Study

In 2010, the New Zealand Government set up an initiative known as the Regional Business Partner Network, jointly managed by Callaghan Innovation (a government agency mandated to promote innovation among businesses in New Zealand) and the Ministry of Business, Innovation, and Employment. The objective of the program is to help businesses improve their management capability, training environment, productivity, and growth. There are 15 Regional Business Partners mandated to support entrepreneurs in accessing the resources, tools, and advice to help them grow and innovate. Entrepreneurs can access subsidized services by meeting criteria such as undergoing a 'discovery' session with a Growth Advisor (similar to a business diagnostic). The Network has a pool of registered service providers and, based on the gaps identified during the discovery, the Growth Advisor makes a shortlist of suitable matches from which the entrepreneur can choose. The subsidy available is 50% of the cost of training up to a maximum of NZ\$ 5,000 (\$2,800). The annual budget for the program is \$20 million for a country with a population of 5.2 million (i.e., roughly \$4 per person).

For more information:

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