

# Technical Assistance Facility Policy

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For further information please contact:

**Regula Ritter**

Tel. +41 44 250 99 35, email: [regula.ritter@responsAbility.com](mailto:regula.ritter@responsAbility.com)

**Rik Vyverman**

Tel. +41 44 250 67 00, email: [rik.vyverman@responsAbility.com](mailto:rik.vyverman@responsAbility.com)

responsAbility Social Investments AG, Josefstrasse 59, CH-8005 Zurich

## 1. Rationale

responsAbility Ventures I (Ventures I) is a capital investment vehicle in the form of a Swiss Limited Partnership which targets small- and medium-sized enterprises (SMEs) and cooperatives (hereafter *investees*) in emerging markets and developing countries that have developed innovative and scalable business concepts to successfully create value at the base of the income pyramid (BoP). Ventures I will offer access to capital in the form of equity, mezzanine and debt to investees at business stages ranging from the early growth to expansion phase.<sup>1</sup>

In addition to limited access to capital, businesses in these markets also need to overcome operational barriers as they operate in very challenging market environments. The need for technical assistance (TA) complementing the investment activities of Ventures I is three-fold: First, Ventures I will consider investments with a high social impact that typically are not financed by the local banking system given high risks or high transaction costs. Second, Ventures I will target organizations with innovative business models that are in the early phase of development and might need TA to proof the full viability of their business models and the generation of social impact across a larger scale. Third, firms entering the expansion phase will need to manage growth and the replication of the initial business model. The TA allows investees to develop their managerial, operational, financial and corporate governance systems and expertise in order to assure sustainable business growth and the successful implementation of their BoP oriented approach.

This document provides an outline of the TA Facility and its functioning.

## 2. Key Objectives of Ventures I's TA Provision

The TA Facility established as part of Ventures I will both contribute to the development impact of the investment activity and allow for outreach to otherwise underserved or neglected BoP markets. The key objective is to strengthen the economic, social and environmental impact of investees<sup>2</sup>.

More specifically, the objectives are to:

- Support organizations in managing their start-up phase
- Provide support to organizations in managing the early growth phase and in the replication of their business models to increase outreach
- Provide support to projects benefiting the clients of the investees
- Facilitate access to know-how and expertise
- Facilitate investees' access to carbon markets
- Strengthen the whole value chain in which investees operate

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<sup>1</sup>The investment concept of responsAbility Ventures I is outlined in a separate document, available upon request.

<sup>2</sup>Throughout this document, the reference to "social" includes gender-related aspects.

- Carry out outcome / impact studies to complement monitoring & reporting systems of Ventures I
- Carry out research and market studies to support market development

### 3. Guiding Principles for TA Provision

The management of the TA Facility and the decision-making process for granting technical assistance shall comply with international good practices for the provision of technical assistance.

The following principles guide the provision of TA:

- Clear link between TA provision and current or future investments of Ventures I
- Transparent separation of TA activities from Ventures I investment activity, including separate governance and accounting
- Tailor-oriented provision of TA in defined areas of support
- Cost-sharing mechanism applied to TA provision

### 4. Areas of Support

Both, investees as well as investment fund managers or investment partners qualify as TA recipients. In the majority of cases, technical assistance is expected to be provided to investees, while TA to fund managers / partners will be limited.

TA provision is possible at the pre-investment stage and during the investment period and will be restricted to the below indicated assistance types. Assistance outside these fields must be indicated as such in the project proposal to the TAC.

The TA Facility will not be used to cross-subsidize any activities related to the administration of the Ventures I Investment Vehicle itself.

TA Recipient	Pre-Investment Stage	Investment Period
Investee	<ul style="list-style-type: none"> <li>- Business plan development</li> <li>- Support in the fundraising process</li> <li>- Feasibility studies &amp; market tests</li> <li>- Development of business skills and corporate governance (management support, operational support, financial and risk management, monitoring &amp; reporting)</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- Business expansion plan development</li> <li>- Support in the fundraising process</li> <li>- Feasibility studies &amp; market tests</li> <li>- Development of business skills and corporate governance (management support, operational support, financial and risk management, monitoring &amp; reporting)</li> <li>- Access to "talents"</li> <li>- Training and education</li> <li>- Projects benefiting the clients of the investees</li> <li>- Development of carbon credits</li> <li>- Environmental and social risk management</li> </ul>
	Excluded: <ul style="list-style-type: none"> <li>- Equipment and other capital expenditures</li> <li>- Financing for working capital</li> <li>- Financing of permanent staff</li> </ul>	
Public	<ul style="list-style-type: none"> <li>- Selected outcome / impact studies to complement monitoring &amp; reporting systems of Ventures I</li> <li>- Research and market studies to support market development</li> </ul>	

**5. Criteria for the Use of TA Funds**

In general, technical assistance needs to be linked to current or future investments of Ventures I. TA projects should clearly strengthen investees in terms of economic, social or environmental impact and therefore reduce their risk and contribute to their ability to mobilize funding.

Potential TA recipients will need to fulfill a number of minimum criteria in order to qualify for Technical Assistance through Ventures I:

- Business stage is start-up or early-growth phase and firm / organisation is already established
- Proportionate TA size to recipient’s size and funding volume provided by Ventures I
- Adequate cost sharing by recipient (see Annex I)

Project proposals need to highlight the value added of the TA in terms of economic, social and/or environmental impact. The following questions need to be answered:

- Does the TA project further the economic impact through employment creation and income generation?
- Does the TA project further the social impact of the highly scalable business model targeted towards the low-income population?

- Does the TA project contribute to a positive environmental impact of the business models?

TA provision is always connected with clear deliverables. Given the nature of assistance, typical projects will be of short-term nature (~ 1 month to 1 year).

#### **6. Conditions of TA Provision**

TA is granted on a cost-sharing basis. The cost-sharing mechanism is structured in way that TA recipients cover a substantial part of the TA expenses according to their ability to pay (see Guidelines in Annex I).

In its function as a co-sponsor of granted TA, the TA recipient is taking on the responsibility for the following tasks:

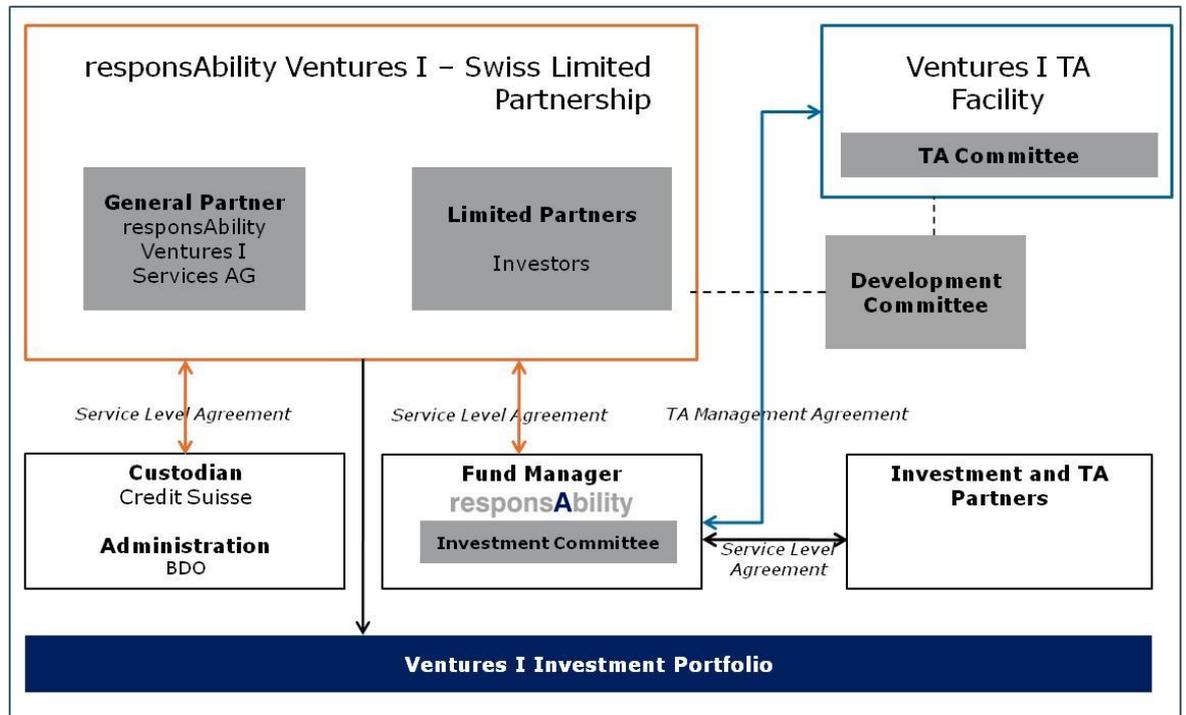
- preparing the required project proposal (including a proposal for qualified consultants)
- conducting the procurement closely steered by the TA Facility Manager
- managing the project and preparing the final report.

TA granted to prospective investees at the pre-investment stage will require the beneficiary to provide an option to Ventures I to undertake an investment in the investee. The terms under which TA is provided at the pre-investment stage remain the same as during the investment period in terms of cost sharing.

#### **7. Structure and Governance of the TA Facility**

Graph 1 provides a graphical overview on the set up of the TA Facility, which will be structured as a separate account of the Ventures I Investment Vehicle. Its legal form is an association.

Graph 1: Structure and Governance of Ventures I including the TA Facility



The operational management of the TA facility is delegated to responsAbility Social Investments AG (hereafter responsAbility).

An Technical Assistance Committee (TAC) oversees the TA Facility. All TA provisions must be approved by the TAC.

The TAC consists of of three specialists in the field of BoP investment and the development of BOP markets. They are appointed by the funders of the TAF in consensus with responsAbility. .

The duties and functioning of the TA Facility Manager and the TAC with regards to the TA Facility are described below:

**TA Facility Manager:** The TA Facility Manager handles the operational management of the TA Facility. This involves the following tasks:

- raises and manages TA Facility funds
- submits TA project proposals to the TAC
- to submit a proposal to support in the selection of implementing partner institutions
- negotiates funding arrangements

- monitors and reports on the implementation of TA projects.

The TA Facility Manager will be compensated by a TA management fee of 15% of the total project volume spent for the coverage of TA Facility management costs. The TA management fee will be covered out of the TA Facility..

**Technical Assistance Committee:** The TAC oversees the TA Facility. The TAC has the following duties:

- Approval of the TA Facility Policy and changes to the policy
- Approval of financing of TA projects
- Monitoring of the work and performance of the TA Facility Manager
- Approval of the accounts of the TA Facility prepared by the Fund Administrator

Decisions will be taken concordantly. The TA Committee meets in person or per phone conference at least twice a year and ad hocas decisions are required.

## 8. Procurement Process

The TA Facility Manager or an assigned partner steers the procurement process and provide guidance in the selection of consultants. However, as much ownership as feasible is given to the TA recipient in carrying out the procurement. Qualifying TA providers need to bring the required sectoral, technical and management expertise and specialisation to assure optimal knowledge transfer. They need to fulfil minimum criteria regarding track record, qualification and pricing. The selection process of the TA provider is an integral part of the TA proposal.

Contracted parties can include different types of organizations ranging from leading development agencies with a private sector focus, specialized consultancy firms, international financial institutions, NGOs or business schools and universities.

In the case of TA with a broader recipient group (e.g. workshops, trainings), the TA Facility Manager conducts the procurement.

## 9. Monitoring and Reporting

The TA Facility Manager is responsible for monitoring and reporting on the implementation of TA activities. The impact of the TA provision will be assessed as part of the LOG frame or "result chain analysis" of the Ventures I investment vehicle. Indicators will be based on internationally accepted standards such as the IRIS, DCED standards and will cover environmental, social and governance aspects (ESG aspects). The Manager will provide an annual report to TAC and the Board of Directors, as part of the Annual Report of the Ventures I Fund. Administrative reporting will be provided on a semi-annual basis by the Fund Administrator.

#### **10. Supporting Documents**

The following documents support this document:

- Technical Assistance Request Form/Template
- Annual Plan
- Monitoring and Reporting Concept
- Procurement Policy and Procedures, quality and cost standards for TA provision
- Procurement Policy and Procedures, quality and cost standards for TA provision

#### **11. Annexes**

- Annex 1: Guidelines - Cost-sharing Mechanism for the Ventures I Technical Assistance Facility

**Annex 1:**

**Guidelines - Cost-sharing Mechanism for the Ventures I Technical Assistance (TA) Facility**

**A. Guiding principles**

The guiding principles for cost-sharing for TA provisions to investees are the following:

- TA recipients participate to a reasonable extent in the costs of TA provided through the TA Facility.
- The level of cost-sharing is set along specific criteria taking into account the recipient’s ability to pay. These criteria include: Business stage, TA size, country or market conditions, public benefit generated by the TA.

**B. Contribution by TA recipient**

TA recipients are expected to contribute to TA costs by cost sharing. :

**Conditions for contribution by TA recipient**

<b>Partial Cost Contribution</b>	
<b>Terms</b>	
<ul style="list-style-type: none"> <li>▪ Overall cash contribution target of 25%-35%</li> <li>▪ Minimum level of 10% cash contribution.</li> <li>▪ Contribution is adjusted according to the recipient’s ability to pay (see criteria below)</li> <li>▪ In the case of research or impact studies contribution can also be in-kind</li> </ul>	<ul style="list-style-type: none"> <li>▪</li> </ul>
<b>Pre-Investment Stage TA</b>	
<ul style="list-style-type: none"> <li>▪ TA provision at the pre-investment stage provides an investment option to Ventures I</li> <li>▪ In case of Ventures I investment, above terms apply</li> <li>▪ In case of no Ventures I investment, TA recovery is nevertheless sought</li> </ul>	

**Indicative contribution by TA recipients (Investment period)**

Business Stage / Investee Type		Business Plan	Start-up	Early Growth	Further Growth / Expansion
Company/Cooperative	Cost sharing	25%-to 50%	25% - to 50%	25%-50%	50% or not eligible
	Cost sharing for pre-investment TA projects	Min. 25%	Min. 25%	Min. 25%	Min. 25%

In addition to business stage and investment size, the following criteria can be applied to determine the level of cost contribution as part of the TA Agreement:

- Country development stage (least income, low income, middle income country)
- Ease of doing business (costs and time in doing business in a market)
- Market characteristics (level of market maturity)
- Technical Assistance size
- Public benefits of TA (e.g. results of study are disseminated broadly to market participants)

**C. Implementation**

The exact terms and conditions for each TA project will be specified in the Funding Arrangement between the TA recipient and the TA Facility Manager.

The TA recipient reports to the TA Facility Manager on the implementation of the TA and provides a short final report.