BUILDING AN EFFECTIVE TECHNICAL ASSISTANCE ECOSYSTEM TO FURTHER CLEAN ENERGY ACCESS

Industry white paper & conversation starter

EEP Africa

Nordic Development Fund

February 2025

The following summarises the conclusions from a closed-door workshop on Technical Assistance (TA) for Clean Energy Access organised by EEP Africa at the 2024 Global Off-grid Solar Forum & Expo in Nairobi, held on 10 October. This white paper is intended as a conversation starter for the wider sector and should be read as such. It is by no means intended as a comprehensive overview or analysis of the TA ecosystem for the clean energy access space – this will hopefully come later. Instead, it should be taken as a summary of the observations and viewpoints expressed by the workshop participants. These included key representatives from investors, companies and TA providers active in the off-grid solar and wider clean energy access space. The session was held under Chatham House rules.

The following companies and organisations participated in the workshop and subsequently reviewed and approved the contents of this paper:

Context: Building an Effective Technical Assistance Ecosystem for the Clean Energy Access Space

Technical assistance (TA) can, at its best, be a substantial source of support to an early-stage and growing company. However, with the variety of players in the space, a complicated web of labels, approaches, providers, and focus areas has emerged. The experiences and feedback from both recipients and providers of TA are equally broad.

The key players in the TA sector include companies as the direct beneficiaries of TA; donors and funders paying for TA; TA providers including TA managers who facilitate TA to companies, and TA service providers working directly with the companies; and investors of companies as indirect beneficiaries of TA.

Interests of these players are not always 100% aligned and systemic challenges are emerging: companies are often not sufficiently engaged in the identification and evaluation of the engagements; donors and funders need to see tangible impact that is often hard to quantify for TA; TA managers and service providers are both pressured to keep transaction costs low; and investors need to see quality and appropriate TA implemented to make positive investment decisions.

Despite a seeming array of available offers, further challenges abound: TA does not always reach those that need it most, particularly locally- and women-owned companies. Visibility into a company's capacity to absorb TA is often lacking. Companies tend to have bigger problems on their plates, making externally imposed TA an additional burden. Moreover, TA needs to differ significantly along the financing continuum, yet it is not always clear who needs what, when; and who is best positioned to deliver this support.

This raises a critical question: How can we build a TA ecosystem for the energy access space that effectively responds to individual company needs and delivers high-quality support efficiently? In other words, how do we build long-term capacity within companies (effectiveness) while delivering impact value for the funders of TA (efficiency)?

Below are five key takeaways from the discussions aimed at enhancing the effectiveness of technical assistance (TA) in addressing the needs of companies and facilitating access to appropriate financing to achieve impactful outcomes. This paper concludes with a Call to Action, urging donors, investors, and TA providers to prioritize five strategic initiatives.

DEFINING TECHNICAL ASSISTANCE

Technical Assistance (TA) is the provision of non-financial support to companies, to assist them in enhancing business performance, accessing finance and/or scaling up their operations. Often applied in nascent or emerging markets, TA can be used to build capacity and derisk potential investments through various mechanisms. The goal of TA specifically in the clean energy access space is to mobilise investment and maximise the development impact of private and public cash financing to achieve SDG7.

Key Takeaways

1. Additionality and capacity to absorb

TA will not work if it is not aligned to a company's growth objectives and capacity to absorb.

At its fundamental level, TA is about spending money on items that companies often do not yet prioritise (or do not have the funds to cover) but need for their business to succeed in achieving their corporate goals - it needs to demonstrate additionality to the business. Ideally, TA empowers companies with the skills, knowledge, and resources necessary to improve operations and scale effectively. It should therefore primarily serve to enhance the capacity of organisations to navigate challenges and seize opportunities, while driving sustainable growth. In this context, TA can focus on achieving investment readiness and raising external finance, on operational efficiency and capacity building with the simple goal to reach break-even or profitability ("profitability readiness"), or on simply deepening impact of the company's work.

TA has to align with these intended purposes and the company's capacity to absorb recommendations and training. As such, customised assistance should be weighed against cohort-level engagements. Customised TA acknowledges the unique contexts and needs of individual companies and provides bespoke support to a single business. One-size-fits-all models can be useful, for example, to convey knowledge and insights to establish an initial baseline among a cohort of companies and give a conceptual idea on knowledge gaps. Where appropriate, carefully establishing a company's needs on an individual basis, particularly for locally- and women-owned companies, can be a follow-up to the cohort-level support, to deepen results.

A balance needs to be struck between the extent of the TA provided and the level of effort (e.g. on reporting requirements) associated with the TA from the company's side – otherwise TA risks being a burden instead of support for companies that are already resource-stretched. Companies further need an internal sponsor to ensure TA recommendations are taken forward within the business. At times, embedding support directly within the companies over a period of time instead of providing short-term "fly-in" support needs to be considered depending on the company's own internal resources and maturity stage. At other times, concise, targeted engagements with less effort required from the company can yield a higher added value.

2. Diagnostics and coordination for smarter TA

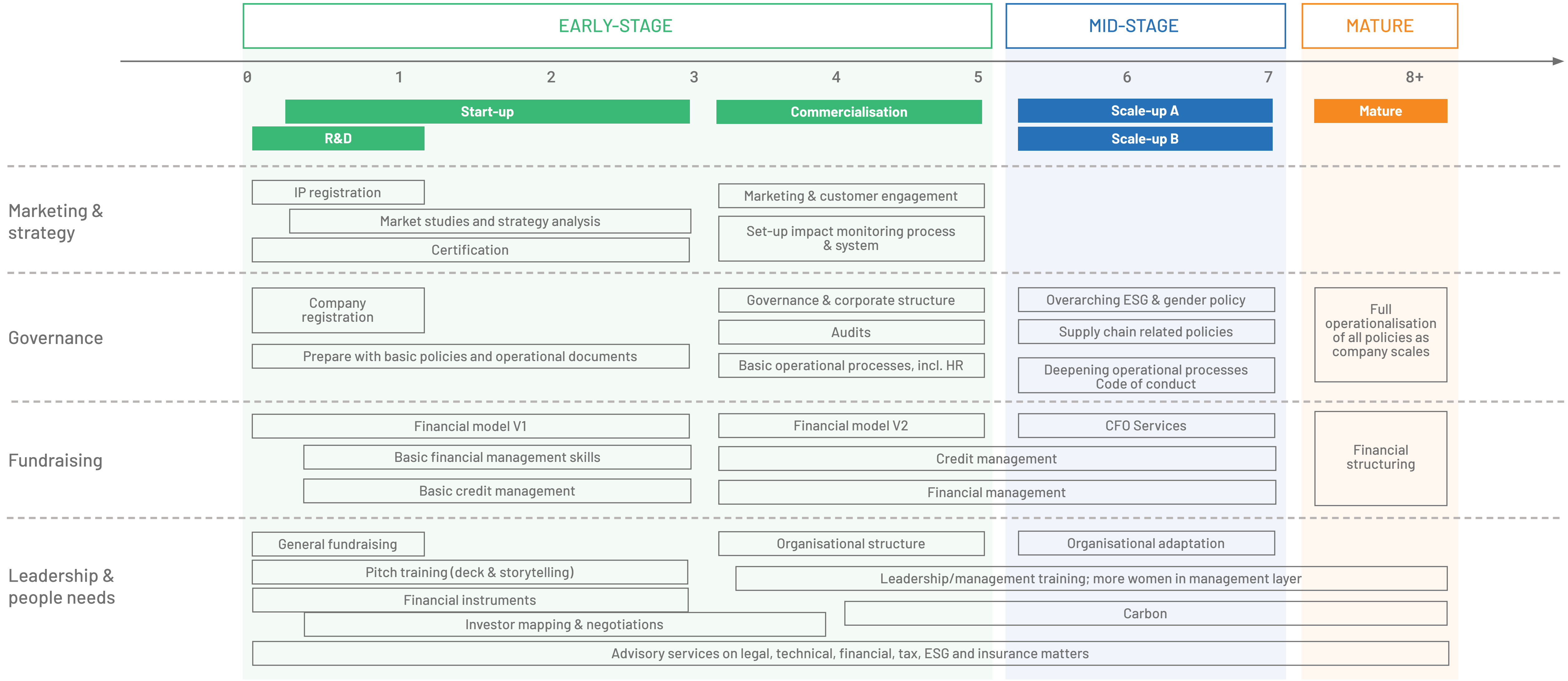
Real needs mus be identified first while avoiding diagnostics fatigue through better coordination to absorb.

A clear needs assessment mechanism evaluates specific capacities and challenges before delivering assistance. Understanding both the current state of companies and their ability to absorb TA effectively is the first step. Companies themselves, as well as investors and TA providers, need to look deep into what a company really needs to be aligned on: where the major gaps are, how they should be addressed – and with what level of priority so it can address most critical gaps. An "honest brokerage" process is required between the relevant parties to ensure that the results of needs assessments are then matched with the appropriate TA support.

All this requires close coordination between the TA provider and the company (and the investor where available) in identifying the company's gaps and appropriate TA response . For example, including a "360 diagnostics" in due diligence processes can alleviate efforts for all involved parties and ensure TA needs are identified early. That said, diagnostics fatigue by companies can become an issue that results in less effective TA. Where possible, companies need to be able to say no to TA offers and the outcomes of TA without the fear of possible repercussions on, e.g. funding opportunities.

Coordination among TA providers, investors and companies yields benefits in this context. Most importantly, it avoids unnecessary overlaps and inefficiencies in providing TA. Looking for cost-sharing of TA among investors and funders can be one option to reduce inefficiencies. Collaborative frameworks can facilitate the sharing of knowledge and resources, as well as lessons learnt, and define expectations at different stages of a company's growth journey. A degree of harmonisation across the sector in e.g. creating publicly available diagnostics tools including a suite of generally accepted KPIs and opening cohort-level online trainings to other TA programmes would be some possible action points. Creating peer learning opportunities can also allow companies to connect and learn from each other's experiences, driving further information sharing.

Typical TA needs across different business growth stages



CFO - Chief Financial Officer **ESG** - Environmental, Social and Governance **HR** - Human Resources **IP** - Intellectual Property

3. The right TA at the right time…

Company maturity and local context determine what is required when and where

TA will look very different along the financing and maturity continuum. Indeed, companies have tended to benefit from longer-term engagements (even over several years and spanning several investment cycles) that leave space for iterations and ad hoc support in addition to specifically defined engagements. This holds true for early-stage companies as well as companies at post-investment stage where TA can remain critically important to improve business effectiveness and impact. Consequently, TA providers (and managers) need to be able to pivot and adjust the focus of their support overtime.

While company growth is rarely a linear process, a few typical TA requirements can be noted at different stages: A company at pre-seed and seed stage, possibly even with products still at R&D level, will be looking for basics in terms of compliance on registrations and licensing, getting their books and management systems in order, understanding financial instruments and mapping possible investors. Moving up the financing continuum, companies at commercialisation and scale-up stage with an eye towards Series A will likely be prioritising their governance structures and professionalising business operations with an eye on efficiency in financial and credit management as appropriate. Leadership expansion with a CFO and a focus on HR and operations becomes increasingly relevant, as well as possible organisational adaptation as the company scales and grows while starting to look at compliance with ESG principles and impact delivery against SDGs.

Some TA requirements span the entire growth cycle of a company: Innovation and critical revisions around product and systems development will often require continued TA support. This holds true even for more mature companies who at times don't have the time and/or resources to invest in such projects. Impact analysis and identifying ways to deepen the sustainability of their solutions in local contexts is another continuous need among companies in the clean energy access space, for example through representative analytics of customer satisfaction data or designing behavioural change communication campaigns.

…in the right context…

Yet, context matters along this continuum as well. What challenges does the local business environment impose and how does the business need to adapt? Which operational systems are appropriate in the local context and for the stage of the business? How can a company deepen their impact in a given community more effectively? To answer these questions, engagement of local stakeholders and experts becomes crucial in the delivery of TA to ensure relevance and ownership. Such local engagement requires the hiring of local expertise and requires spending time on the ground and working directly within companies, for example on a part-time basis through fractional hires.

…by the right provider.

Who delivers the TA can be as decisive in the effectiveness and efficiency of TA as how it is procured. TA managers typically act as a facilitator for TA, often pre-investment. They have usually pre-selected a range of TA service providers to work with companies on a predetermined range of activities and have different intake models to bring companies on board. Such TA approaches can be effective in the early stages of a company's life cycle but need to have investor needs in view where investment readiness and mobilising finance is the target of TA.

The more empowered companies are to select their TA provider, the higher likelihood of buy-in to work alongside them towards successful implementation. As much as procurement policies allow, companies should therefore be able to select providers for the TA manager to consider – and have the power to dismiss a TA provider that is not meeting their needs. This holds especially true for more mature companies who have the capacity to proactively engage in the selection and review process, while earlier-stage companies might still require more guided support. Meanwhile, the closer a company gets to investment readiness, TA may be more effectively delivered by investors themselves (either in-house if capacity exists or outsourced to preferred third-party specialists depending on the TA needs). A trend towards investor-led TA especially for due diligence and valuation purposes requires more flexible financing of TA. Such investor-led TA can lower transaction costs not only for the investor delivering the TA, but also for other investors, providing a win-win scenario even where no immediate investment decision might be taken.

4. Closing the gaps in the TA ecosystem

A mapping exercise is needed for TA offers, also with a view to expanding availability of local expertise.

The current TA ecosystem faces some critical gaps that hinder effective provision of services. A common complaint appears to be that TA providers do not always fully understand the specific challenges and contexts of local businesses and investor requirements. This lack of local knowledge limits the effectiveness of TA, as generic advice may not resonate with local conditions. Visibility on local experts and TA services is lacking. A shortage of locally available, on-the-ground expertise exists, and where experts are available, they are not necessarily easily accessible to early-stage businesses for cost and time reasons.

Offering a "menu" of available TA providers, funders and programmes can significantly improve accessibility, allowing companies as well as TA managers to easily identify and select the assistance that aligns with their specific needs. Mapping the TA ecosystem for the energy access sector is essential; such an exercise should not simply offer a list of providers but enable a comprehensive understanding of how to navigate the complex landscape. Centralising and coordinating resources, such as a database of TA providers mapped by expertise and service offerings and other tools (for example, impact and performance data analytics), need to be made accessible for companies on the ground. A one-stop-shop approach for local companies can be a possible solution.

5. Measuring success of TA

TA needs to be measured through appropriate and flexible KPIs, with close attention to financing aspects

Successful TA requires clear key performance indicators (KPIs) to be measured against. Developing clear metrics and KPIs to assess the effectiveness of TA interventions further ensures accountability and enables data-driven adjustments. TA may not always be purely focused on investment readiness, but instead prioritise building a commercially self-sustaining and profitable company through organic growth (profitability readiness), and deepening impact in the communities where companies work. KPIs hence clearly need to identify the objectives of the TA and be defined appropriately, for both the company and the TA provider. This also concerns reporting requirements on all parties. Yet, while KPIs are key, flexibility is even more important for early-stage companies engaging in TA. Establishing feedback loops that enable continuous input from recipients to TA providers allows for adaptive learning and ongoing improvement of the engagements. KPIs, within reason, need to be adjustable over time to reflect possible changes in the scope of the TA engagement.

Financing is a key factor to ensure maximum long-term impact. This encompasses co-financing of TA at the design stage, follow-on financing to implement recommendations, as well as leveraging growth capital.

Success of TA will likely be more sustained if the company is required to co-finance the costs of the TA – this will greatly influence the company's empowerment in selecting the TA provider and being critical on the engagements it takes on. Such buy-in can be demonstrated through cash co-financing and being a contracting party to the TA engagement, or in-kind by dedicating non-cash resources that will aid the success of the engagement.

Recommendations coming out of TA engagements need to be supported with a pathway to accessing the sufficient financial means to implement them – for example, the introduction of a financial management or CRM system can impose a financial burden on very early-stage companies which they may not yet be able to shoulder, but the lack of which might inhibit their growth and investment perspectives.

Last but not least, leveraging capital is often an important KPI for TA managers and providers. Combining TA with funding opportunities and investment facilitation is crucial to ensure that financial resources are available to realise the company's sustainable growth perspectives. Those designing donor-funded programmes targeting private sector development need to prioritise integrated solutions that align financial support with technical assistance and investor perspectives.

Call to action

To conclude, TA needs to take a long-term view and foster understanding that TA provision is a journey. A collaborative approach is necessary in close partnership with companies, ensuring that the TA provided is genuinely responsive to their needs. Flexibility, choice, and timing are critical components of effective TA; entrepreneurs need a strong voice to select the assistance that suits them best. Empowering entrepreneurs to take the driver's seat in their TA journeys is essential for fostering sustainable growth and capacity building, so we enable companies to provide energy access connections – and then sustain them in the long run.

The support of donors and other stakeholders committed to advancing energy access in Sub-Saharan Africa plays a crucial role in transforming the landscape for early-stage companies and start-ups in this vital sector. We invite donors, investors and TA providers to take action by prioritising the following initiatives:

1. Invest in tailored technical assistance

Recognize that companies have unique needs and put them in the driving seat, including for TA service provider selection. Keep TA engagements flexible and allow room to adjust. Consult with investors. Design and apply appropriate diagnostics tools that clearly identify company needs while avoiding fatigue. Prioritise local expertise to ensure that support is relevant and context-specific.

2. Map the TA ecosystem

Support the development of a comprehensive, open and dynamic platform ("a one-stop-shop") that maps available technical assistance resources on a continuous basis and integrates with existing public resources. This "menu" of providers, funders and managers of TA will empower early-stage companies to easily identify and access the support they need, fostering greater efficiency and impact.

3. Foster collaboration

Encourage partnerships among TA providers, investors, and businesses. Collaboration enhances resource efficiency, minimises duplication of efforts, and builds a robust network for the continuous exchange of expertise and lessons learned. Donors and development partners play a crucial role as connectors to facilitate knowledge sharing and resource pooling, ultimately strengthening the entire ecosystem.

4. Incorporate feedback mechanisms and KPIs

Define appropriate KPIs for TA engagements while maintaining flexibility with feedback loops between TA providers and recipients. This will ensure that the services offered are continuously refined based on real-world experiences and challenges faced by companies, and that the right service providers continue to be engaged.

5. Emphasise long-term capacity

Focus on building the long-term capacity of companies rather than providing short-term fixes. While there is a space for short-term engagements to fix clearly defined gaps in a company (especially at the very early stages), ensuring that short-term TA is followed up with the necessary resourcing to ensure implementation is crucial to ensure that TA deliverables do not end up in the virtual desk drawer.

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The views expressed in this publication do not necessarily reflect the donor governments' official policies.

EEP Africa is hosted and managed by the Nordic Development Fund (NDF) with funding from Austria, Denmark, Finland, Iceland, NDF, Norway and Switzerland.

Published by EEP Africa
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