Overcoming Skepticism about Technical Assistance Projects: The Story of the Agribusiness Competitiveness Center in the Kyrgyz Republic

Many people in the Europe and Central Asia Region are skeptical about the value of technical assistance (TA) provided under donor projects. Governments, for example, prefer investments in hard infrastructure as opposed to borrowing money for knowledge, since the results of knowledge are not immediately visible. In the private sector, people tend to think they already know what their problems — and solutions — are. They think the only impediment to solving their problems is lack of money; the most popular response to advice from consultants is, “Yeah, but I know it myself.” So, how can a TA project be successful in this environment? This was the challenge for the World Bank–financed Agribusiness and Marketing Project (ABMP) in the Kyrgyz Republic. This SmartLesson offers lessons learned from the experience of ABMP, which began in 2005 and is expected to close on June 30, 2012.

Background

ABMP’s objective is to help the Kyrgyz Republic’s agro-processing sector via two main components: Market Development, which provides TA to agribusinesses, and Access to Credit, which provides investment lending. The TA component is implemented by the Agribusiness Competitiveness Center (ABCC), which was set up under the project specifically for this purpose and provides TA to selected processing enterprises in such areas as food processing technology, quality management, accounting, marketing and sales, equipment sourcing, and so on. After the project closes, ABCC is expected to continue servicing the sector as a consulting company.

As a first step in selecting client companies under the project, ABCC sent out questionnaires to about 400 processing enterprises. Of the 85 enterprises that responded, 27 were chosen for the short list through a quick-scan process that covered a set of key questions. The project team, together with the international consultants hired under the project, narrowed the short list to 20 potential “winners” that would participate in the project’s first TA package. At a later stage, 24 companies were similarly selected for the second TA package.

1 Such as, for example: Is the management of the company open/committed to making changes? How difficult/simple is the decision-making process in the company? How financially sustainable is the company? Does it have the ability to ensure financing for the needed investments?
ABCC has assisted 44 agro-processing enterprises. Some 68 new products have been introduced in the agro-processing sector and serve as the center for knowledge, innovation, and excellence for the sector. ABCC’s significant role in the establishment of the FTTC will afford it privileged access to the FTTC’s services, which it will be able to pass on to clients.

As of today, ABCC has developed the following resources to assist its current and future clients:

- A core set of excellent local consultants in key areas (quality management, agro-processing technology, marketing and sales, and accounting and financial management), updated on a regular basis to ensure continual availability of high-quality advice.
- Market Development Service, part of ABCC, specializing in practical assistance, helping ABCC clients with the sale of products (to help the company’s liquidity) and identification of business partners.
- Marketing Information Center, an online information platform covering such subjects as buying and selling of agricultural produce, equipment suppliers, and so on, and offering clients a call-in number for a small fee.
- Links with local and international consulting companies and information providers, and with state agencies and services, available to assist clients.
- Adherence to value chain development principles and mechanisms, which ABCC increasingly applies to help clients develop coherent strategies for upstream and downstream business links.
- Good relationship with the Associations of Markets in Kazakhstan and Russia, to promote Kyrgyz product exports to these countries.
- Going forward, ABCC is developing more new services for its clients:
  - ABCC, together with a food technology center from France, is assisting the Kyrgyz State Technical University with establishing a Food Technology Training Center (FTTC), which will help with the upgrading of technological skills of the specialists in the agro-processing sector and serve as the center for knowledge, innovation, and excellence for the sector. ABCC’s significant role in the establishment of the FTTC will afford it privileged access to the FTTC’s services, which it will be able to pass on to clients.
  - ABCC, in cooperation with Kyrgyz Hydromet, will participate in a pilot to provide weather forecasts using cell phones, which is expected to enlarge ABCC’s outreach to the farming community and provide a useful service to clients.

The selected enterprises went through detailed diagnostic studies to identify their specific problems and opportunities, and then to develop action plans to solve the identified problems or seize the new opportunities. The participating enterprises were also expected to cover at least 3 percent of the total TA costs (international plus local) incurred at the enterprise.

That is how the selection process can be recapped on paper. In reality, however, the start of the TA program was a bit disheartening, and the implementation was nowhere near as smooth. Early contacts with the enterprises selected under the first TA package, especially with their management, revealed that they applied to participate in the program out of simple curiosity, and not because they saw real value in it. Visits of ABCC consultants to the clients’ premises were treated as a courtesy, and the consultants were not expected to be too inquisitive or to excessively bother senior management. At times, ABCC consultants were literally left knocking behind the gates.

As we learned later, this attitude was based on the enterprises’ previous experiences with other TA projects funded by other donors. The clients explained that it had been a good opportunity to participate in some seminars and training sessions and maybe have one or two overseas study tours, but there was not much else that had been useful. Naturally, they expected the same of the ABCC involvement. But ABCC was different. It set out to ensure a comprehensive approach to each client’s problems — such as inconsistent quality of raw materials, stocks of unsold products, deficiencies in the technological process, inconsistent quality of the ready products, the need to find new markets, or other problems. ABCC itself was consistently developing and learning, with the aim of being able to draw on a wide range of resources to resolve the clients’ problems (see Box 1).

ABCC’s efforts have resulted in the potential client companies competing to participate in the second TA package, which is nearing its end. Of the 24 second-TA-package companies, 18 have requested an extension of ABCC support. Through its persistent and productive work (see Box 2), ABCC has built a good reputation, gained the respect of its client enterprises and donor organizations, and is being sought for other engagements.

### Box 1: ABCC’s Resources — Today and Tomorrow

As of today, ABCC has developed the following resources to assist its current and future clients:

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### Box 2: ABCC Results, Thus Far

- ABCC has assisted 44 agro-processing enterprises with improvement of technological processes, marketing and sales, food safety and quality management, and accounting and financial management.
- Some 68 new products have been introduced in the client enterprises, with their profits increasing by 25–91 percent and sales increasing by 15–169 percent (in different years at different client enterprises).
- In addition to the 44 client enterprises with which it had a long-term engagement, ABCC facilitated 109 trade deals for other agribusinesses, resulting in sales of 41,770 tons of agricultural products with total value of $14.7 million, of which 92 percent went to export markets.
- ABCC helped local traders, producers, and processors find markets in Kazakhstan, Russia, Turkey, and Bulgaria.
Lessons Learned

The first four lessons are about providing TA to the private sector, and the last lesson addresses how to sell the TA concept to the government.

1) Provide a comprehensive assistance package.

Based on the experience of the project, assistance packages are most effective when they take in the entire context and incorporate complementary components. For example, consultancy advice should be accompanied by training; sales support should go along with linking the processors back to the farmers; and development of business plans for clients should go along with financing options.

And since all actions take place in a certain political and regulatory environment, the package should include discussions of policy issues and industry-wide bottlenecks as well as other outside factors. For example, such issues as a lack of trained food technologists or a generally weak education and training system in the country are external to a particular company, but they affect all companies if not addressed. ABCC brings such wider issues to the government’s attention and, when possible, addresses them directly.

2) Consultants are critical to a project’s success — choose them carefully, and train them well.

• Engage consultants that can deliver results, not just good reports. TA projects may have a poor reputation among certain clients (justly or unjustly), because most of the consultancy engagements end in reports that bring no real changes, at least not within the clients’ expected time span. Also, consultants often make recommendations (which might be good), but leave before seeing the recommendations implemented by the client. ABCC consultants stayed with the clients to see their recommendations tested and implemented in real time. Credit also goes to the international consultancy company — hired by ABCC — for providing excellent practitioners from the processing industry.

• Use the potential of local consultants who are strengthened by good training. At least at the beginning of the engagement, there may be more trust in local than in international consultants, since the locals seem to be more familiar with the problems the companies experience. ABCC’s strategy has been to leverage the international expertise with the pool of local consultants. The international consultants provide intensive training of selected local consultants, who then are engaged with the clients most of the time. The international experts are brought in on a short-term basis for specific complex tasks. Greater reliance on local consultants has allowed for cost savings and extension of the engagements for longer periods, and it has helped build client trust and confidence in ABCC’s ability to tackle problems that take time to solve. It also has built the capacity of the local consultancy, which continues beyond project closure.

• Be sure consultants are continually upgrading their skills and knowledge and are networking. With the increasing sophistication of consumers and businesses, it is imperative that consulting service providers consistently take advantage of opportunities to learn and improve their skills.

• To gain the trust and confidence of the client, be sure the consultants are persistent, diplomatic, enthusiastic, and competent. Nothing good can be achieved without trust between the two parties, especially in such delicate matters as advice on how to run a business. As obvious as it sounds, it is not easy to resist the temptation to get discouraged and give up after initial failures. To the credit of ABCC team members, they kept diplomatically pushing the clients to open their minds — and managed to get them to do so by demonstrating, bit by bit, that they know what they’re talking about.

3) Start small, but aim for bigger things — while maintaining a long-term view and commitment.

The best way to capture the client’s interest is to show some quick results. For example: one client experienced problems with the consistency of the raspberry jam being produced in its factory. The ABCC consultants instantly identified a problem with the pH balance and taught the clients how to use the pH tester in order to prevent this problem in the future. The result was immediate: the client received a large order from Kazakhstan for this improved product. In another example, the ABCC consultants advised a client to include an extra pump in a tomato processing line. This reduced the processing time and led to significant saving in electricity costs. These examples of small changes, which lead to quick results and have the potential for big gains, illustrate the need for companies to think of process redesign, equipment upgrade or new product lines.

It is also critical to have a long-term commitment to the client relationship. Do not expect to “come, see, and win.” It takes time to get the client interested and engaged—and to build trust. ABCC has been working with some of its clients for more than two years, and over time the clients’ needs and demands keep evolving and growing.
4) **Instill knowledge seeking and an “Aha!” attitude.**

One of the greatest achievements of the project is the change in the mindset of staff and management at client enterprises. Through regular interactions with the consultants, observation of tangible results, attendance at international fairs, and exposure to the best practices in the world, the clients’ thinking patterns have changed. Now they look for innovations, for expanding their frontiers of possibilities, for being the best. For example, companies that until recently were concerned mostly about the volume of outputs are now very serious about the quality and safety of their products. One ABCC client company just recently received ISO 9001 and FSSC 22000 certification, and another major company is in the process of getting ready for application. Others will surely follow, in time.

5) **To sell TA to the government, use practical arguments and evidence.**

TA benefits, such as those described above, can accrue to the private sector only if the government is willing to borrow for it or to finance a TA project itself. How then do we convince the government to make that commitment? In addition to the usual cost-benefit analysis and arguments about the multiplication and welfare effects, which may sound at times too theoretical and abstract, the following practical actions may help:

- **Bring in from other countries proven concepts and consultants with successful track records.** ABCC was modeled on a similar agency in Georgia, which was also set up under a Bank project. That agency’s staff members were deployed as consultants in the preparation of ABMP and could share their successful experiences with the government and other counterparts.

- **Use the demonstration effect.** If possible, take the decision makers and technical staff to the country where the TA concepts have worked well and brought tangible results. Seeing these results for themselves may help convince the government officials that borrowing for such TA is a good idea.

- **Offer a test drive.** When feasible, pre-test the idea through piloting on a smaller scale to demonstrate the benefits of the proposed activities. This approach was used in the Kyrgyz Republic, for example, in connection with initiation of the weather forecast information service for farmers.

**Conclusion**

The success of a TA project depends on many factors, including 1) a good design of the project, such as the correct identification of the development problems and selection of appropriate project interventions; 2) government ownership; 3) private sector buy-in through demonstration of real examples and/or pilot testing; and 4) excellent implementation capacity, encompassing selection of the right project staff and consultants and their commitment, enthusiasm, and persistence for success. Many people and companies succeed not because they are doing some extraordinary things but because they are doing some fundamentally basic things extraordinarily well.

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