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Investing in rural people

IFAD Private Sector Engagement Strategy 2019-2024

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Abbreviations and acronyms

4P	public-private-producer partnership
ABC Fund	Agribusiness Capital Fund
COSOP	country strategic opportunities programme
DFI	development finance institution
DP	development partner
ESG	environmental, social and governance
ICO	IFAD Country Office
IOE	Independent Office of Evaluation of IFAD
MoU	memorandum of understanding
MSME	micro, small and medium-sized enterprise
MNC	multinational company
NICADAPTA	Adapting to Markets and Climate Change Project
ODA	official development assistance
ORMS	Operational Results Management System
PoLG	programme of loans and grants
PSS	Private Sector Engagement Strategy
SDG	Sustainable Development Goal
VCDP	Value Chain Development Programme
YUIF	Yield Uganda Investment Fund

Executive summary

1. The annual financing gap to achieve the Sustainable Development Goals (SDGs) cannot be met through official development assistance and government resources alone. Reaching SDG 2 (ending hunger globally by 2030) poses a particular challenge, which is being exacerbated by the effects of rising youth unemployment and climate change. Substantially scaled up financing, expertise and innovation are needed in the form of private sector funding and knowledge.

2. The private sector recognizes the untapped business opportunities in smallholder agriculture and seeks partners to facilitate its engagement in the sector. In order to transform this interest into results and scaled up impact, IFAD is proposing a new Private Sector Engagement Strategy (PSS) for the period 2019-2024 which will foster strengthened collaboration with private sector partners. Approval of the PSS will bring into effect the Proposed Amendments to the Basic Legal Texts of IFAD to Facilitate the Fund's Engagement with the Private Sector which were adopted by the Governing Council in February 2019.

3. The five principles of IFAD's engagement with the private sector proposed in this PSS are relevance, additionality, development impact, risk, and environmental, social and governance (ESG) standards. IFAD will carefully assess and mitigate all the risks stemming from engaging with the private sector, including reputational and financial risks, and those related to mission-drift and institutional capacity.

4. The PSS has two main objectives: (i) mobilize private funding and investments into rural micro, small and medium-sized enterprises (MSMEs) and small-scale agriculture; and (ii) expand markets, and increase income and job opportunities for IFAD's target groups. To achieve these, four actions are envisaged:

   - Deploy financial instruments that play a catalytic role in directing private sector financing into rural MSMEs and small-scale agriculture;
   - Use IFAD's programme of loans and grants (PoLG) to crowd in private sector investments by systematically scanning IFAD's portfolio and pipeline to identify investment opportunities for international and domestic private sector actors;
   - Develop inclusive value chains with private sector partners to foster the expansion and replication of the Fund's public-private-producer partnership (4P) approach to more projects and countries; and
   - Test and scale up new technologies and cost-effective solutions by seeking to partner with companies that can address long-standing challenges faced by small-scale producers and poor rural men and women.

5. An action plan to implement the PSS is presented in annex I. IFAD will take a gradual approach to engaging more directly with the private sector, ensure country ownership and consultation with governments, avoid mission drift by building on IFAD's selectivity and comparative advantage, and work to the extent possible with other development partners and United Nations agencies.

6. In terms of funding, IFAD will use only additional resources to avoid substitution risk. For the Eleventh Replenishment of IFAD's Resources (IFAD11), this will entail raising new resources. For IFAD12 and beyond, based on the IFAD12 Consultation negotiations and a midterm review of the PSS at the end of 2021, IFAD may consider – in addition to its own fundraising efforts from supplementary sources – to allocate a limited share of its own resources and/or Member States may consider contributing in support of private sector interventions. Allocation of resources to the private sector will not be tied to the performance-based allocation system, but

will be driven by expected results and development impact while maintaining risks under control.

7. In order to ensure transparency and oversight, the Executive Board will maintain control and approval authority over all financing provided to or through for-profit private sector entities. To receive funds, the PSS proposes to expand the scope of the current President's delegated authority to allow IFAD to accept supplementary funds from public organizations, the private sector and foundations for the purpose of financing activities related to IFAD's mandate up to and including US$5 million. Any amount above US$5 million would require the Board's approval.

8. In terms of reporting and monitoring, IFAD will adapt its Operational Results Management System (ORMS) to measure the impact and results achieved through its private sector engagement. Several ORMS indicators are already relevant for assessing this performance. In addition, all recipients of IFAD funding will be required to have a monitoring and evaluation system to produce data that can be captured by IFAD's regular reporting mechanisms to the Board.

Recommendation for approval

The Executive Board is invited to approve the IFAD Private Sector Engagement Strategy 2019-2024 contained herein.

IFAD Private Sector Engagement Strategy 2019-2024

I. Background and rationale

1. Total official development assistance (ODA) to developing countries stood at US$197.82 billion in 2017, of which only US$10.81 billion, or 5.46 per cent, went to the agriculture sector.[1] For Sustainable Development Goal (SDG) 2 alone – end hunger globally by 2030 – additional annual funding of US$180 billion is needed,[2] which is more than 16 times the ODA amount allocated to agriculture in 2017. Some 75 million young people in developing countries are unemployed,[3] with rural women faring the worst. This vulnerability is further exacerbated by the impact of climate change.

2. These figures underscore that meeting the SDGs and addressing global challenges such as youth unemployment and food insecurity require significant scaling up of action and resources.[4] This means looking beyond ODA and government budgets to devise transformational solutions. To achieve this, private sector funding, knowledge and expertise are necessary (box 1). Indeed, the private sector creates 90 per cent of the jobs in the world[5] and offers valuable opportunities for linking small producers to markets, technology, services and innovation. Recognizing the important role of the private sector in promoting growth and poverty reduction, in 2015, the Addis Ababa Action Agenda underscored the need to unlock the "transformative potential of people and the private sector" to meet the SDGs.

3. However, while the private sector is increasingly recognizing that smallholder farmers and rural micro, small and medium-sized enterprises (MSMEs) constitute an untapped business opportunity, it faces many challenges in engaging with this group. Private sector entities are therefore seeking partners that can facilitate this engagement.

4. In light of the above challenges, IFAD must scale up its support to small-scale producers and the rural population by devising innovative approaches and strategically seizing the various opportunities currently on offer, including greater partnership with the private sector. This was the impetus for the Proposed Amendments to the Basic Legal Texts of IFAD to Facilitate the Fund's Engagement with the Private Sector, which were adopted by the Governing Council in February 2019.

[1] Food and Agriculture Organization of the United Nations (FAO) AIDmonitor.
[2] FAO, IFAD and World Food Programme (WFP), *Achieving Zero Hunger: the critical role of investments in social protection and agriculture* (Rome: FAO, 2015).
[3] Rural Youth Action Plan, document EB 2018/124/R.4.
[4] According to the Update on the design of the Smallholder and Small and Medium-Sized Enterprise Investment Finance Fund (SIF) at IFAD (EB 2017/120/R.26), the "financing needs of smallholder farmers in Latin America, sub-Saharan Africa, and South and Southeast Asia exceed US$200 billion, of which less than US$60 billion is available." This means that significant scale up in funding is needed.
[5] International Finance Corporation, Jobs Study, *Assessing Private Sector Contributions to Job Creation and Poverty Reduction* (Washington, D.C., 2013).

Box 1
Defining the private sector

In the context of this strategy, the private sector includes for-profit private business companies, private and institutional investors, commercial banks, investment funds (such as private equity funds, blended finance funds and impact funds), other financial vehicles that are majority-owned and/or managed by private entities or interests, and state-owned enterprises with sound financial and governance structures that comply with private sector practices. Private companies can be local, regional or global. They can also span the spectrum in terms of size, from MSMEs (including cooperatives, corporate farms and social businesses) to large multinational companies (MNCs).

Each of these private sector entities has a different role in this strategy. MNCs are targeted mostly as partners (financial and technical); local MSMEs and rural entrepreneurs are predominantly the end beneficiary and target group, although they can also be a source of knowledge, innovation and additional investments in rural economies; the financial institutions on the other hand are the intermediaries or the conduits through which IFAD could channel its private sector investments and resources to efficiently meet the financial needs of its target groups, such as small-scale farmers, rural entrepreneurs and local MSMEs.

II. Lessons learned from IFAD and other development partners

5. The IFAD Private Sector Engagement Strategy (PSS) 2019-2024 is the outcome of a consultative process (appendix I) that built on: (i) needs expressed by private sector actors[6] and IFAD beneficiaries; (ii) lessons drawn from development partners (DPs) and IFAD's own experience under its Private-Sector Strategy from 2012-2018; and (iii) independent evaluations.[7] The PSS also builds on IFAD's comparative advantage (box 2).

Box 2
What IFAD offers to private sector partners

- Profound understanding and proven track record of working with small-scale producers, and in rural areas in diverse country contexts (e.g. in low-income countries, middle-income countries and countries with fragile situations). This means that IFAD is uniquely positioned to identify both valuable opportunities and the challenges that must be tackled in project design and implementation to ensure project success.
- Preferred creditor status and long-standing relationships with governments of Member States. This should help lower the private sector's exposure to political risk, which would be particularly valuable in unstable and fragile contexts.
- Local presence with a decentralized structure spread over 40 regional hubs and IFAD Country Offices (ICOs), which provides IFAD with a large, global footprint.
- Experience in working with a spectrum of partners, in assembling development finance for greater impact and in combining financial support, knowledge, technical assistance and policy dialogue. This wide-ranging experience enables IFAD to devise comprehensive approaches that are likely to deliver stronger results for private sector partners.

6. *Key lessons from IFAD's experience.* Under the PSS 2012-2018, IFAD used the preparation stage of country strategic opportunities programmes (COSOPs) to increase country-level engagement with the private sector. However, this approach was deemed theoretical as it lacked concrete business opportunities for private sector partners. Through its programme of loans and grants (PoLG) – 70 per cent of which supports value chain development projects – IFAD also forged partnerships between value chain private actors and small-scale producers, including through its public-private-producer partnerships (4Ps), which resulted in increased access to markets, incomes and jobs for IFAD's target groups (box 3 and

[6] Main needs identified during consultations with the private sector, include: (i) local knowledge of the rural areas to identify the right business opportunities and partners, and cost-effective solutions; (ii) specialized technical assistance; and (iii) funding instruments that reduce risks and/or are adapted to the needs of the agriculture sector.
[7] Independent Office of Evaluation of IFAD (IOE): (i) Evaluation synthesis report (ESR), *Building partnerships for enhanced development effectiveness – a review of country-level experiences and results* (2018); and (ii) Corporate level evaluation (CLE) on *IFAD's engagement in pro-poor value-chain development* (2019).

appendix II). Such partnerships therefore need to be pursued more systematically. IFAD also entered into memorandums of understanding (MoUs) with a number of multinational companies, some of which have produced results in specific projects (appendix II). However, two major lessons emerge from IFAD's existing work with the private sector:

(a) IFAD currently lacks the instruments[8] to engage directly with the private sector, notably to support MSMEs and farmers' organizations when its public sector projects alone are not able to meet the funding and technical assistance needs of these entities; and

(b) IFAD has gained substantial experience in forging 4Ps and other partnerships through the PoLG, but additional capacity is needed to enable country teams to broker more complex private sector partnerships, with both the public and the private sector itself, and to build expertise in structuring private transactions and risk.

Box 3
Inclusive value chain business models supported by IFAD

IFAD uses three models to develop value chain partnerships with the private sector:

- **Contractual arrangements,** whereby IFAD supports outgrower or contract farming schemes between private sector entities and farmers. This model was applied in the **Value Chain Development Programme (VCDP) in Nigeria** that worked with Olam International in the rice sector. Under the programme, smallholder farmers' agricultural income increased by at least 25 per cent, 3,795 jobs were created, mainly for youth and women, and some 25,000 people in remote areas were reached.
- **Cooperative-led model,** which consists of supporting farmers' cooperatives in growing their business activities and capacity to work with private sector partners. This model was used to work with cocoa and coffee cooperatives in **Nicaragua (Adapting to Markets and Climate Change Project [NICADAPTA])**. The project provided training for 1,239 managers of producers' organizations and helped them sign contracts with international buyers of cocoa and coffee.
- **Joint ventures**, which involve supporting ventures between private sector entities and farmers where the latter are shareholders in a joint processing entity. In a joint venture in **Rwanda** (the **Project for Rural Income through Exports**), two local tea factories were established with two tea cooperatives, with the latter holding 15 per cent of the shares. This initiative has benefited 20,000 people, reduced seasonal outmigration from 40 per cent to zero and raised the proportion of food exported to 97 per cent of overall production. Women accounted for 30 per cent of the beneficiary farmers.

Note: details of these projects are included in appendix II.

7. Experience with development partners. A review of DP experience (see appendix III) yields three main lessons:

(a) When an organization embarks on private sector operations, a strong internal champion is needed to drive the process. Experience also shows that the use of financial intermediaries is a cost-effective way of increasing outreach to small-scale beneficiaries and that successful collaborations focus not only on what the DP can gain from the private sector, but also on what it has to offer.

(b) Private sector financial needs are diverse and require a range of instruments, including grants, debt, equity and guarantees. Hence, it is important to avoid the one size fits all approach. Experience also shows that blended finance structures are often needed to attract private investment into high-risk/low-return market segments.

(c) The review and screening of private sector projects require specific processes, guidelines and expertise, especially regarding risk assessment and mitigation. Implementation of these processes calls for considerable internal changes, therefore initial targets should be realistic.

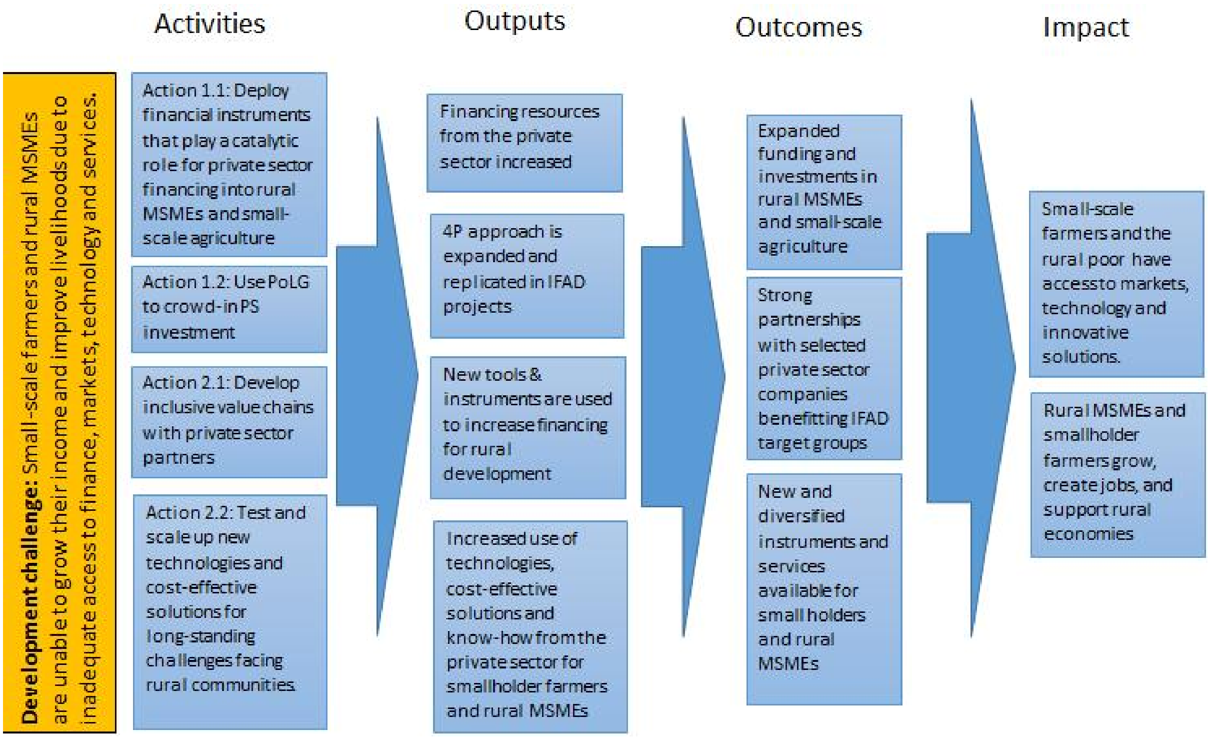
[8] Confirmed by IOE in their ESR and CLE (see footnote 7).

III. IFAD Private Sector Engagement Strategy 2019-2024

A. Goal and principles of engagement

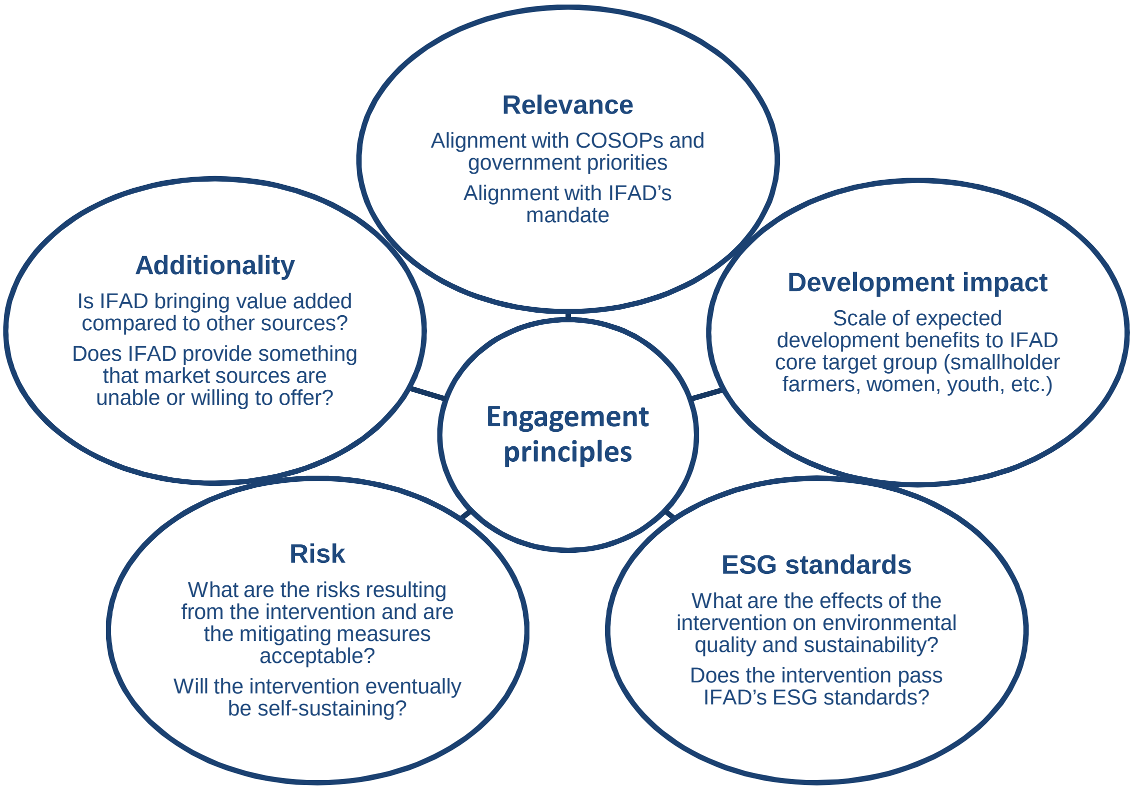
8. The goal of the PSS 2019-2024 is to strengthen IFAD's development impact, and specifically its contribution to SDGs 1 and 2, by crowding-in private sector funding and know-how to the benefit of small-scale producers and rural areas. A summary of the theory of change underlying the PSS is presented in figure 1 below.

Figure 1
Theory of change for the IFAD Private Sector Engagement Strategy 2019-2024



9. In its engagement with the private sector, IFAD will be selective and ensure transparency, integrity, independence and neutrality, as well as clear and agreed responsibilities and accountability of all partners. The review process for private sector interventions will rely on the principles of: relevance, additionality (annex II), development impact, risk, and environmental and social governance (ESG) standards. IFAD will be particularly careful in assessing and managing the risks of engaging with private sector partners (see section III.D below and annex III).

Figure 2
IFAD principles of engagement with the private sector



B. Objectives and proposed action areas

10. The strategy proposes two objectives with related actions, which have been selected based on the current needs of small-scale agriculture and private sector actors, the rural context and the above-mentioned lessons learned:

Objective 1: Mobilize private funding and investments into rural MSMEs and small-scale agriculture; and

Objective 2: Expand markets, and increase income and job opportunities for IFAD's target groups.

11. The first objective seeks to reduce the investment gap hindering inclusive and sustainable rural transformation while the second one aims to create opportunities to transform investments into productive jobs and improved livelihoods for smallholder farmers.

Objective 1

12. To achieve this objective, two actions are envisaged:

Action 1: Deploy financial instruments that play a catalytic role in directing private sector financing into rural MSMEs and small-scale agriculture.

13. Given its nascent private sector activity, IFAD will initially privilege mainly debt and risk-sharing instruments to financial intermediaries such as commercial and agricultural banks, non-bank financial institutions (e.g. leasing and microfinance institutions) and impact and blended finance facilities (appendix IV). One example of an intervention would be to capitalize on the gains of the VCDP cited in box 3 above by offering leasing finance for equipment directly to the farmers through a new partnership with the private sector company and a local financial institution. This would allow the famers to increase their investment in their own production

capacity thus raising income and potentially creating more jobs. IFAD could also mobilize concessional funding from the Green Climate Fund private sector facility, blend it with commercial sources and then channel it through a local financial intermediary to support the acquisition of solar-energy-based irrigation equipment by those same farmers. IFAD will also consider extending technical assistance or risk management tools to lower the risk associated with private sector investments in its target group.[9] In terms of instruments, geography and sources of funding, it is envisioned that IFAD private sector interventions will complement those offered by the PoLG and Agribusiness Capital (ABC) Fund (annex IV).

14. IFAD will refrain from creating new initiatives unless there is a strong justification to do so, and will mainly work through existing intermediaries and with DPs. Indeed, unlike other DPs, IFAD's technical and project experience is focused in one sector: agriculture and rural development. This focus is a strength and will enable IFAD to identify and develop agriculture investment projects overlooked by other institutions with broader mandates and with less specialized expertise in agriculture. IFAD's expertise combined with the private sector experience of the DP should constitute a win-win collaboration.

15. IFAD's approach will be to make available and offer market-based solutions, as the default, and move to offering blended finance[10] solutions as is deemed necessary to address existing market failures and fragile contexts. The review of blended finance solutions will follow the best practice principles of the development finance institutions (DFIs) to avoid unnecessary subsidization of private entities.[11]

16. Action 2: Use IFAD's PoLG to crowd in private sector investments. IFAD will systematically scan its PoLG and project portfolio to identify investment opportunities for international and domestic private sector actors in its public sector projects. This will entail identifying a pipeline of MSMEs, cooperatives/farmers' organizations and agroentrepreneurs that work with IFAD's target groups and that are in need of additional financing and/or technical assistance. IFAD will aim to identify and connect these beneficiaries to both the ABC Fund and other financiers that are interested in new investment opportunities in this space.

Objective 2

17. To achieve this objective, two actions are envisaged:

18. Action 1. Develop inclusive value chains with private sector partners. IFAD will seek to develop partnerships with agribusiness companies to integrate smallholder farmers and rural men and women into global/regional/domestic value chains. For example, IFAD could partner with a supermarket or restaurant chain in order for them to buy fresh produce from small farmers supported through IFAD projects. This is already happening in many countries where IFAD operates and will be scaled up. IFAD would also expand and replicate its 4P approach to more projects and countries, and would selectively sign MoUs in order to build multi-stakeholder partnerships to support inclusive value chain development.

19. Action 2: Test and scale up new technologies and cost-effective solutions. IFAD will seek to partner with technology and industrial companies to test and develop cost-effective solutions to address long-standing challenges faced by small-scale producers and rural communities in such areas as financial inclusion, climate change adaptation, access to inputs and information, and agricultural risk management.

[9] One example of initiatives to be scaled up is the Climate and Commodity Hedging to Enable Transformation (CACHET) tool already developed and piloted by IFAD in West Africa. This is a risk management tool that offers protection to smallholder farmers against climate and price volatility by compensating farmers when the price falls below the break-even point or production is affected by climate-related disasters and builds farmers' confidence to invest in productivity improvements.
[10] Blended finance combines concessional or donor sources of capital (such as grants, first-loss capital, concessionary loans) and commercial capital in order to make the transactions commercially bankable.
[11] The main principles include country ownership, additionality and minimum concessionality. See: www.adb.org/sites/default/files/institutional-document/457741/dfi-blended-concessional-fiance-report.pdf.)

C. Approach and proposed implementation modalities

20. An action plan for the implementation of the PSS is presented in annex I. Through the PSS, IFAD will build on its mandate and comparative advantage by:

- Scaling up engagement with the private sector gradually. IFAD will target a limited number of operations during the strategy period of 2019-2024. Once the necessary resources and internal ecosystem are in place, it will scale up its engagement. An anchor unit for the PSS – the Private Sector, Advisory and Implementation Unit – has already been created and will be progressively strengthened to lead this engagement (see the action plan). Concurrently, training at headquarters and in ICOs will be conducted to strengthen staff capacity in the area of private sector development and partnerships. This gradual approach will also entail offering few instruments during the ramp-up phase, prioritizing interventions with private sector players that IFAD is familiar with through its PoLG or other activities and partnerships with DPs.[12]

- Ensuring country ownership and engaging closely with governments. IFAD's partnerships with the private sector at country level will recognize the primacy of country ownership and buy-in through consultations with the government as early as during the identification stage. IFAD will seek non-objection from governments for any significant private sector transactions in their countries, providing a deadline of 15 working days for responses. Furthermore, it will engage with governments to improve national policies and create an enabling environment for private sector investments in rural areas. IFAD will also build the capacity of its project staff to help identify public-private partnership opportunities at the country level.

- Avoiding mission drift, and maintaining selectivity and focus. IFAD will not provide financing to large businesses. It will seek mainly to develop transformative impact-driven partnerships with such entities for the benefit of smallholder farmers and young unemployed rural men and women. Any financing provided by IFAD will focus on rural MSMEs, targeting smallholder farmers, women and youth. Since the definition of an MSME (in terms of size) is country-specific, IFAD will follow the individual country's definition and standards for MSME targeting.

- Working with other DPs, the Rome-based agencies (RBAs) and other United Nations agencies. The topic of private sector development has become a priority for many DPs, including the RBAs and other United Nations agencies. IFAD will partner to the extent possible in joint initiatives, in knowledge-sharing and establishing best practices, for example with respect to due diligence and ESG standards. This could include active participation in working groups such as the DFI Working Group on Blended Concessional Finance for Private Sector Projects. IFAD will continue to be a member of the Global Partnership for Effective Development Co-operation, the multi-stakeholder platform housed by the Organisation for Economic Co-operation and Development (OECD) to advance the effectiveness of development cooperation, including the strategic objective of scaling up private sector engagement through development cooperation.

- Seek additional resources and avoid substitution risk with the PoLG.

  (a) During the Eleventh Replenishment of IFAD's Resources (IFAD11), IFAD will not use pledges already made by Member States for the PoLG.[13] The additional funding sources envisaged for the IFAD11 period will

[12] For example the ABC Fund.

[13] These include replenishment contributions, reflows of loan repayments and already secured concessional partner loans or sovereign borrowing.

mainly consist of multilateral or bilateral donor supplementary funds, global or regional donor initiatives, including facilities and funding envelopes targeting the private sector that IFAD cannot access for its public sector interventions. IFAD will also expand its current private sector fundraising from traditional philanthropic foundations and family offices, and impact investors. In all cases, in selecting its private sector partners, IFAD will be guided by its principles of engagement and observe the established due diligence procedures to reduce risks (see table 1 below).

(b) Beyond IFAD11, based on the IFAD12 Consultation negotiations and a midterm review of the PSS at the end of 2021, in addition to its own fundraising efforts from the above sources, IFAD may consider allocating a limited share of its resources and/or Member States may consider contributing towards private sector interventions. This could be formalized, for example, through a private sector window, should Member States so wish. The amount to be allocated to the private sector will be informed by the consultations with Member States and IFAD's risk management framework.

- The allocation of amounts for private sector interventions will not be based on the performance-based allocation system formula but on the five engagement principles described in figure 2, with the objective of optimizing the risk mitigation and impact dimensions of IFAD's private sector portfolio. Furthermore, as part of its risk mitigation strategy IFAD will aim to diversify private sector interventions by engaging in a range of sectors, countries and regions and with a variety of actors.

D. Risks and mitigating measures

21. IFAD is fully cognizant that working with the private sector is risky and will therefore develop a cautious risk mitigation approach, as summarized below.

Table 1
Risks and mitigating measures

Risks	*Mitigating measures*
Risk of mission drift. IFAD may lose its pro-poor focus	The review process will ensure that each private sector intervention adheres to IFAD's principles of engagement (including the specific focus on smallholder farmers, rural youth and women), relevance to IFAD's mandate and alignment with country priorities. Final approval will rest with the Executive Board.
Reputational and ESG risk. Working with multinational companies or private funds/investors may entail reputational and ESG risks	Apply IFAD's internal due diligence process for private partners. This process will be aligned with and informed by: (a) 2018 United Nations Sustainable Development Group and Partnership Results Group; (b) 2015 Guidelines on a Principle-based Approach to Cooperation between the United Nations and the Business Sector; [a] (c) 2016 OECD-FAO Guidance for Responsible Agricultural Supply Chains; [b] (d) Committee on World Food Security (CFS): Principles for Responsible Investment in Agriculture and Food Systems; [c] and (e) CFS: Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security [d] For project-specific investments, IFAD will also ensure adherence to the Social, Environmental and Climate Assessment Procedures of IFAD and alignment with rigorous ESG standards.
Financial risk. Engaging with the private sector may affect IFAD's overall risk profile, and, in the case of direct contracting by IFAD, could expose the Fund to the risk of potential financial losses and to fiduciary risk.	**Assuming approval by Member States of the use of IFAD's own resources,** similar to other DFIs, IFAD's private sector activities will be limited to a portion of the Fund's resources, which will be determined for each replenishment period in line with IFAD's risk management framework. On this basis, the Fund will decide the sources of capital to be deployed to the private sector, and the size of inflows over a specified period. The risk management framework will also outline strategic priorities for investment, developing risk profiles at country and project level, and setting prudential risk limits, among other measures. At the project level, thorough due diligence and risk rating will be performed for each project.
Risk related to institutional capacity. Initially, IFAD may not have the required staff capacity, resources or processes to implement the strategy in full.	IFAD has set up an anchor unit for the PSS – the Private Sector, Advisory and Implementation Unit – and will slowly build staff capacity through training and replacing retiring or departing staff with new staff that have private sector expertise (this is already happening with the creation of a new Risk Management Unit in the Financial Operations Department and the recent hiring of senior managers with private sector experience). IFAD will use expert consultants until sufficient internal capacity and business volume are built. Specific guidelines, systems and processes for working with the private sector will be developed. The approach of working with DPs and gradual scaling up of engagement also mitigate this risk.

[a] www.unglobalcompact.org/docs/issues_doc/un_business_partnerships/guidelines_principle_based_approach_between_un_business_sector.pdf .
[b] http://www.oecd.org/daf/inv/investment-policy/rbc-agriculture-supply-chains.htm.
[c] www.fao.org/3/a-au866e.pdf.
See also: Principles for Responsible Investment: www.unpri.org/pri/what-are-the-principles-for-responsible-investment.
[d] www.fao.org/docrep/016/i2801e/i2801e.pdf.

E. Governance and approval processes

22. The processes for governance and approval of private sector engagement will be as follows:

(a) Financing provided to/through for-profit private sector entities. The PSS, once approved, proposes that the Executive Board approve all IFAD financing both from IFAD's own resources and from new supplementary funds raised to support IFAD private sector operations. Such funds are provided for the benefit of developing countries that are Members of the Fund, to or through private sector organizations and enterprises, and can be used to provide financing to for-profit private sector entities or be channelled through grants, loans, guarantees or equity investments.

(b) Accepting supplementary funds. The PSS proposes to expand the scope of the current President's delegated authority in order to allow IFAD to accept supplementary funds from public organizations, the private sector and foundations for the purpose of financing activities related to IFAD's mandate up to and including US$5 million. Any amount above US$5 million would require the Board's approval. The acceptance of such funds would be subject to IFAD's internal due diligence process for private sector partners, as required (see table 1 above).

(c) Approval of new financing instruments. Following approval of the PSS, IFAD will not deploy any new financial instrument to fund the private sector directly before both: (i) having the proposed instrument carefully reviewed (including by the Audit Committee, as appropriate); and (ii) having the proposed project that includes such instrument go for a full review and approval by the Executive Board.

F. Reporting, measurement and monitoring

23. A midterm review reporting on the progress and results of the PSS will be shared with the Board at the end of 2021. As mentioned in the recently approved IFAD Cofinancing Strategy and Action Plan , IFAD will also update the Grants and Investment Projects System to capture the amounts estimated at design and differentiate between contributions received from the private sector in cash and in kind. IFAD will also adapt its Operational Reporting Management System (ORMS) to ensure adequate reporting of the results achieved through its private sector interventions. Several of the ORMS core indicators are already relevant for such reporting. In parallel, any new private impact/blended investment funds or financial intermediary financing that IFAD plans to support will be required to have a monitoring and evaluation (M&E) system to produce data that can be captured by IFAD's regular reporting mechanisms to the Board. Indicators that IFAD may use to measure impact from these interventions could include the amount of private capital mobilized to the benefit of agriculture and smallholders, and the number of new jobs created, disaggregated by sex and age.

24. IFAD will also conduct selective impact assessments focusing on specific dimensions of private sector collaboration, including on job creation and gender and youth inclusion (see box 4).

Box 4

Assessing the impact of "impact investing"

IFAD is currently conducting an impact assessment of its Yield Uganda Investment Fund (YUIF), an innovative "impact investment" initiative bringing together public and private investors and service providers with the objective of stimulating the growth of small and medium-sized agribusinesses (SMAs) in Uganda by providing them with long-term financing products. Investees are selected by YUIF based on their potential for both financial and social returns. YUIF has therefore a double obligation: to secure financial gains for its investors and to ensure that investments achieve social returns for the most in need. To determine the credibility of YUIF, it is imperative to rigorously assess to what extent these obligations are fulfilled. YUIF will therefore draw on an integrated set of tools, including a third-party impact monitoring tool, the M&E systems of IFAD and the YUIF manager, and the impact assessment.

The impact assessment being conducted by IFAD is one of the most robust ever conducted on this type of initiative. It aims to measure the impact on the smallholder farmers that are connected to investee SMAs in terms of key socio-economic indicators linked to IFAD's strategic objectives.

Approximately half of the Fund's investees will be included in the assessment. For each investee, data from beneficiary (treatment) and non-beneficiary (control) households will be collected at baseline and about five years after the investment. The methodology developed for the impact assessment will allow impacts to be estimated at the investee level and, through aggregation, across the whole YUIF. The results of the assessment will provide robust evidence of YUIF's social returns and, combined with IFAD's monitoring tools, will increase transparency and generate important lessons to improve on this promising development approach still in its infancy.

G. Conclusion

25. Sustainable solutions to achieve rural poverty reduction and income-generation for the growing number of unemployed young rural men and women and undernourished people require substantial financing, expertise and innovation. Private sector solutions and funding can help address these needs. For IFAD to access the necessary resources, it must better position itself to catalyse private finance and know-how for socially and environmentally responsible purposes, and channel it towards poverty reduction, keeping in mind its comparative advantage and maintaining its focus on small producers, women, youth and marginalized rural populations. The PSS 2019-2024 responds to IFAD's new business model and decentralized structure and proposes a bold but gradual approach for strengthening its engagement with the private sector. This will allow IFAD to create complementarity with its public sector interventions and to gain experience through learning by doing, and feeding the lessons learned back into its work.

Action plan for implementation of the IFAD Private Sector Engagement Strategy 2019-2024

This action plan describes the main actions required for implementing the IFAD Private Sector Engagement Strategy (PSS) 2019-2024. These are: (i) institutional set up, capacity-building and training; (ii) operational policies and guidelines; (iii) systems and processes; and (iv) cooperation and outreach. Note that following approval of the PSS, IFAD will not deploy any new financial instrument to fund directly the private sector before: (i) having the proposed instrument carefully reviewed (including by the Audit Committee, as appropriate) and (ii) having the proposed project which includes such instrument go for a full review and approval by the Executive Board.

The implementation of this action plan will have budgetary implications, which will be addressed through the 2019 and 2020 budgets approved by the Board using savings or redeployment of existing resources. IFAD is also looking into secondment opportunities from development partners, additional human resources available from its Junior Professional Officer programme and the hiring of consultants to complement its private sector expertise.

In each category, the action plan defines concrete **actions** to be taken, the distribution of **responsibilities**, the **milestones** to be achieved, the **timeframe** to be followed and the additional **institutional support** needed. These are indicative and conditional on the timely approval of the PSS and other key outputs such as IFAD's new financial architecture.

Actions	Responsibility*	Milestone	Timeframe	Institutional support
1. Institutional set up, capacity-building and training				
Action 1.1: Set up a Private Sector, Advisory and Implementation Unit (PAI), which will be responsible for leading, coordinating and providing the technical expertise for IFAD's private sector operations.	OPV	Announcement through a President's bulletin.	Completed – May 2019	HRD
Action 1.2: Recruit and assign staff to PAI and consolidate IFAD's existing private sector-related activities (such as the Agribusiness Capital Fund and Smallholder and Agri-SME Finance and Investment Network within PAI to ensure a strategic approach to private sector engagement.	OPV	Nomination of a PAI Head and assignment of staff within PAI.	Q2-Q3 2019	HRD
Action 1.3*:* Nominate focal points with private sector expertise across all IFAD departments.	• PAI: Overall coordination; • PMD (regional divisions and IFAD Country Offices [ICOs]): Project and portfolio management; • OPR: Results management; • ECG: Environmental, social and governance (ESG), and gender issues; • RIA: Impact assessment • LEG: Legal aspects;	Creation of an inter-departmental PSS coordination group with clear definition of responsibilities within IFAD.	Q3 2019	HRD

Actions	Responsibility*	Milestone	Timeframe	Institutional support
	• FMD: Financial management; • RMU: Risk management; • GPR: Global engagement and outreach.			
Action 1.4: Identify key needed skills and develop training modules on private sector topics for staff working on new private sector operations.	PAI (PMI), FOD, HRD	Three training modules developed on relevant topics with certification (financial modelling/analysis, due diligence, negotiating transactions, etc.). 1 training delivered/year.	Q1 2020 2020-2021	PAI, HRD and other departments to identify relevant trainers
2. Operational policies and guidelines				
Action 2.1: Develop key documents to establish the framework for IFAD's private sector transactions, notably the: (i) risk management policy; (ii) ESG policy, (iii) Non-sovereign financing policy and project complaint mechanism; and (iv) additionality and development impact assessment framework.	• PAI: Overall coordination • RMU: Financial risk management • ECG: ESG risks • OPR, RIA: Additionality and impact assessment framework	Guidelines and policies approved to review and process private sector transactions.	Q2-Q3 2020	LEG
Action 2.2: Develop basic financial instruments and related policies and guidelines, which would allow IFAD to engage directly with financial institutions and other private sector entities.	PAI, FOD	Basic financial instruments deployed targeting the private sector.	Q2-Q3 2020	LEG
3. Systems and processes				
Action 3.1: Develop a business origination and review process for private sector projects using the existing project delivery team concept and building on the existing review process of IFAD's public-sector operations, while taking into account the private sector context.	OPR, PMI	Procedures document finalized and approved.	Q4 2019- Q2 2020	PMD (Regional divisions/ICOs), (Operational Strategy and Policy Guidance Committee, design review meetings, Quality Assurance Group, LEG
Action 3.2: Set up a standardized credit risk rating system for private sector projects, to assess each private sector transaction and monitor operations across the portfolio.	Risk Management Unit (FOD), new financial committee (to be	Finalization of credit risk rating system for private sector operations	Q2 2020	

Actions	Responsibility*	Milestone	Timeframe	Institutional support
	established)			
Action 3.3: Define ESG impact and safeguard rating system, as well as indicators for monitoring results.	OPR, ECG	Finalization of ESG review procedures.	Q2 2020	PAI
Action 3.4: Establish: (i) an additionality and development impact assessment system, coupled with clear supervision and reporting duties for financial institutions to report on their operations; and (ii) a development impact assessment framework to track results, which ensures consistent reporting through the Operational Results and Management System.	RIA, OPR	Finalization of additionality assessment system and development impact assessment procedures and system.	Q3 2020	PAI, FOD
Action 3.5: Prepare funding agreement templates	LEG (a private sector desk is being established)		Q2-Q3 2020	Outside counsel
4. Cooperation and outreach				
Action 4.1: Develop operational partnerships to build a pipeline and identify investment opportunities.	PAI	Partnership and cofinancing with development partners successfully established.	Ongoing	FOD, ERG
Action 4.2: Ensure effective multilateral coordination with other multilateral development banks (MDBs) on private sector engagement to ensure adherence to best practices.	PAI	Participating in MDB forums on relevant topics. IFAD is already a member of the Global Partnership for Effective Development Co-operation and is looking to join the Development Finance Institution Working Group on Blended Concessional Finance for Private Sector Projects.	Ongoing	OPR, GPR and other departments, IFAD internal task force on common principles for blended concessional finance
Action 4.3: Provide effective outreach regarding resource mobilization from the private sector and the envisaged lending to the private sector.	GPR, PAI	Amount of resources mobilized from the private sector and foundations.	Ongoing	All IFAD departments

* IFAD departments and divisions: Sustainable Production, Markets and Institutions (PMI); Private Sector, Advisory and Implementation Unit (PAI); Environment, Climate, Gender and Social Inclusion Division (ECG); Global Engagement, Partnership and Resource Mobilization division (GPR); External Relations and Governance Department (ERG); Financial Operations Department (FOD); Risk Management Unit (RMU); Financial Management Services Division (FMD); Human Resources Division (HRD); Office of General Counsel (LEG); Programme Management Department (PMD); Operational Policy and Results Division (OPR); Office of the President and Vice-President (OPV); Research and Impact Assessment Division (RIA).

Concept of additionality

1. In response to the need for a common definition and approach to the concept of additionality, a group of multilateral development banks[14] (MDBs) formed the MDB Task Force on Additionality. In 2018, the task force published the MDBs' Harmonized Framework for Additionality in Private Sector Operations.[15] This annex outlines the MDBs' joint concept of additionality upon which IFAD's additionality framework will aim to build.

2. The private sector is an important engine of economic growth and sustainable employment, which explains why many development finance institutions (DFIs) are seeking to increase engagement with private actors. However, channelling public resources to private entities in order to achieve development objectives raises concerns about whether public resources should be used to support profit-making entities.

3. This concern prompted the development of the concept of additionality which is now well embedded in the processes and modus operandi of most DFIs. Specifically, the term additionality means that DFI interventions in support of the private sector should make a contribution beyond what is available in the market and should not crowd out private sector actors. That is, DFIs' private sector interventions should respond to market failures that lead to the absence of commercial financiers willing or able to offer the inputs or services offered by DFIs.

4. Overall, additionality, or the value added that DFIs could bring into a transaction, can be financial or non-financial. Financial additionality captures the fact that the terms, conditions and/or structures of finance provided by the DFI are materially different from what is available commercially on the market. The different types of financial additionality include the provision of:

   - Unavailable and innovative financing structures and/or instruments that lower investment costs and/or risk for the private sector partner, for example:
     - Provision of funds on more suitable terms than commercial sources, such as increased amounts, lower interest rates and longer tenor or grace periods, thereby rendering a project commercially viable; and
     - Blended concessional financing instruments.
   - DFIs' own account equity which strengthens the financial soundness and creditworthiness of a project, for example through:
     - Equity investment in impact funds.
   - Resource mobilization from other private sources by decreasing the perceived and/or real risk of an investment, for example through:
     - Deployment of financial instruments such as risk participation agreements or guarantees as they actively shield investors from a part of the investment risk;
     - DFIs' active role to help mobilize funding from commercial sources, including through sharing due diligence findings or structures that mitigate risks for commercial financiers.

[14] The African Development Bank, Asian Development Bank, Asian Infrastructure Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank, International Finance Corporation and Islamic Corporation for the Development of the Private Sector.
[15] See www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/resources/201809-mdbs-additionality-framework.

5. Non-financial additionality captures DFI interventions that contribute to better project impact and development outcomes which would not have materialized under commercial financing. The different types of non-financial additionality fall into the following categories:

- Non-financial risk mitigation by DFIs, such as country, regulatory, project, economic cycle or political risks, for example through:
  - Sharing their deep knowledge and understanding of the political, social and economic context;
  - Capitalizing on trusted long-term partnerships within the project area and thus playing the role of an "honest broker";
  - Their presence in a project provides confidence to investors regarding political risk, environmental, social and governance (ESG) considerations and the development impact.
- Policy, sector, institutional or regulatory change, which DFIs' involvement in a project can be designed to trigger, for example through:
  - Demonstration effects if a project explores alternative ways to achieve policy goals;
  - Policy dialogue and support.
- Standard-setting among partners, for example through:
  - Building the capacity of private sector partners to improve ESG standards.
- Knowledge, innovation, and capacity-building provided by DFIs, for example through:
  - Advisory services and sharing of technical expertise;
  - Providing a network for knowledge exchange among stakeholders.

6. The MDBs' common approach to the concept of additionality rests on several guiding principles, notably:

- All private sector projects are required to demonstrate financial and/or non-financial additionality.
- Additionality assessment takes place at project or programme level and needs to be backed by evidence and contextual knowledge. As such, it differs by country, sector, market and client type.
- Additionality is identified and demonstrated by project teams while Management is accountable to Board members. Independent evaluation offices may consider project additionality as part of their ex post evaluation activities.

Risk management

1. Bearing in mind the potential risks associated with the private sector interventions and to protect IFAD's balance sheet, notably its contributions (IFAD's capital), Management will be adopting a conservative approach in the implementation of the IFAD Private Sector Engagement Strategy 2019-2024. IFAD's Risk Management Unit has undertaken a preliminary analysis of the risk framework required to assess private sector projects. Some of the initiatives are part of the broader efforts to strengthen IFAD's financial and business profile to deliver its mandate supported by sound risk policies and a strong governance structure.

2. The risk management approach to private sector can be summarized as follows:

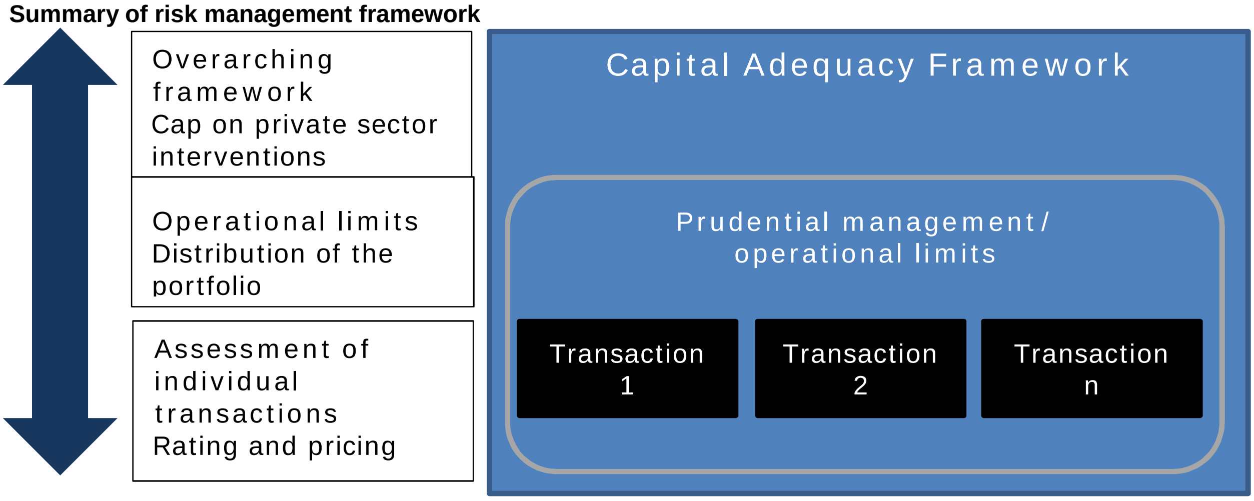
   (a) First, each new private sector operation will be subject to a detailed risk assessment. The Risk Management Unit will independently assess each operation to evaluate the creditworthiness of the beneficiary (with an internal rating assigned) and the adequacy of the instrument proposed. The assessment will include the evaluation of the pricing, which shall be commensurate to the risk embedded in each transaction to sufficiently cover expected losses. Initially, debt instruments will be largely privileged over equity investments.

   (b) Second, the exposure to the private sector will be subject to different prudential operational limits at instrument, sector and country level to ensure that the risk is well distributed among IFAD's potential borrowers.

   (c) Third, all private sector transactions will be computed in line with IFAD's Capital Adequacy Framework,[16] the key risk management tool for ensuring that all operations (private and public) are implemented with a level of capital (paid resources) maintained above the required prudential limits.

3. As part of IFAD's Capital Adequacy Framework, it is expected that the resources available for private sector interventions will be initially limited to a maximum percentage of capital usage of 5 per cent (subject to Board approval). Accordingly, IFAD will ensure that the potential amount of losses will be contained and will not affect its balance sheet. Ultimately, the reduced scope of interventions in the private sector will mean that the PSS has a neutral impact on IFAD's mission and policies.

Chart 1
Summary of risk management framework



[16] A capital adequacy framework can be defined as the approach used by a financial institution to compute the ratio of capital required to support the risk in lending (and in other operations such as investments). For instance, if a financial institution lends US$100 million to a country, it will have to compute a portion of this amount to cover potential losses. Typically these will be unexpected losses because expected losses are supposed to be covered by the pricing of the transaction; as such, expected losses are computed in line with International Financial Reporting Standard 9, which requires financial institutions to set provisions for each transaction to account for potential losses.

Complementarities between IFAD's private and public sector operations and the Agribusiness Capital Fund

IFAD's private sector operations	***IFAD's public sector operations*** *(programme of loans and grants)*	*Agribusiness Capital (ABC) Fund*
Indirect investments targeting smallholder farmers and rural micro, small and medium-sized enterprises, e.g. lines of credit, risk participation and guarantees mainly to financial intermediaries to catalyse more funding than what the ABC Fund has mobilized.	Loans and grants to governments for projects targeting poor smallholder farmers.	Direct and indirect investments targeting the "missing middle" private sector, (mainly debt and in a limited number of countries).
Investment size could vary.	Investment size limited by performance-based allocation system (+ cofinancing).	Direct investments from EUR 220,000 to EUR 800,000. Indirect investments to financial intermediaries between EUR 0.8 million and EUR 4 million.
Possible operations in about 100 countries.	Operations in about 100 countries.	Initial focus on 10 members of the African, Caribbean and Pacific Group of States, expansion to 15-20 countries within the next 10 years.
Focus could be wide-ranging, including youth, women, climate change resilience, new technologies, food security and food systems.	Investments and technical assistance aim to foster a conducive business environment, through investments in infrastructure, institutional strengthening, improved resilience to climate change, market linkages and improved standards.	Investments aim to drive inclusive rural economic development. Technical assistance in the pre- and post-investment stage facilitates business incubation and/or business development of investees. Focus on youth and women.

External institutions and persons consulted

INVESTORS/FAMILY OFFICES

Bronfman Rothschild (Wealth Advisory)
Godeke Consulting (advises Family Offices/High Net Worth Individuals)
Factor[e] ventures
Paul Tregidgo, Independent Investor, former Vice-Chairman, Credit Suisse; Duncan Goldie-Scot, Independent Investor
Innovare Advisers
Wealth & Giving Forum
Blue Haven Initiative

INVESTOR FUNDS/NGO FUNDS

Capria
Incofin
Care Enterprises
Clarmondial
Investisseurs & *Partenaires*
MCE Social Capital
NESsT
Shared Interest
Women's World Banking/WWB Asset Management
Lady-Agri Impact Investment Solution
Catholic Relief Services
Enclude
SIMA Funds
Goodwell Investments
Ankur Capital
Bamboo Capital Partners
Injaro Investments
East Africa Venture Capital Association

IMPLEMENTERS

Fintrac
Opportunity International
Stage Six
Value for Women
World Food Bank
Trade Mark East Africa

MULTILATERAL/BILATERALS/UN agencies

Food and Agriculture Organization of the United Nations
World Food Programme
International Labour Organization
UN Capital Development Fund
UN Development Programme
UN Sustainable Development Unit and UN SDG Fund
African Development Bank
Asian Development Bank
European Bank and Reconstruction and Development
Inter-American Development Bank
World Bank
International Finance Corporation
US Overseas Private Investment Corp.
UK Department for International Development
US Agency for International Development

COMMERCIAL BANKS

Credit Suisse
DWS Investments/Deutsche Bank

FOUNDATIONS

The Howard W. Buffett Foundation
Ford Foundation
Bill & Melinda Gates Foundation
Rockefeller Foundation
Open Society Foundation/Soros Economic Development Fund

CORPORATIONS

Bayer
Chipotle
Mars
Tetra Laval
Unilever
Mastercard
Saba Industries

INSURANCE

MiCRO

OTHERS/NETWORKS

Alliance for a Green Revolution in Africa
Aspen Network for Development Entrepreneurs
CGAP
Convergence
Initiative for Smallholder Finance
MIX Market
Opportunity Collaboration.
SDG Knowledge Hub/International Institute for Sustainable Development
Toniic
Global Steering Group for Impact Investment

Examples and case studies

VCDP Programme - IFAD partnership with Olam and smallholder farmers in Nigeria

Project title:	Value Chain Development Programme (VCDP)
Country/Region:	Nigeria (States of Benue, Anambra, Ebonyi, Taraba, Niger and Ogun)
Dates: Year Start/ Year End:	2015 – 2021
Purpose of the Programme	The programme aims to utilize public and private investment in the agricultural sector to increase efficiency, alleviate poverty, increase food security and accelerate economic growth on a sustainable basis. It specifically aims to improve cassava and rice value chains for smallholder farmers.
Methodology of the programme:	The programme utilizes a market-led approach to engage with smallholder rice farmers, providing them with funding, productive capacity investment and infrastructure investment, thereby increasing their productivity. It also guarantees farmers a reliable and profitable market for their crop at prevailing market prices.
Stakeholders and Partners:	Public sector partners: Federal Government of Nigeria, IFAD Private Sector partner: Olam International
Project cost/investment	Total Public Sector and Multilateral Funding: $104.73 (USD Million) IFAD: $74.85 (Loan: $74.38 / Grant: $0.47) National Government: $15.60 Domestic Beneficiaries: $8.07 External Co-financing Total: $6.21 Total Private Sector Funding (Olam): $57.01
Key Partner Obligations	Olam: Provides 15% of inputs to farmers on credit, commits to buying 75% of rice paddy, facilitates farmer payments via direct transfer, and builds rice collection depots. Nigerian Government (Facilitator/coordinator): provides 50% grant to farmers on inputs for first 2 years, supervises funds utilization, and facilitates farmer insurance. IFAD: Coordinates Commodity Alliance Forum, provides technical assistance, supervises and implements project and provides infrastructure funding. Farmers: Meet Olam's quality/quantity standards, agree to track rice paddy movement to prevent side-selling, serve on pricing committee.
Impacts/Key outcomes:	• Partnership started in 2015 with 30 farmers on a pilot basis, expanded to 1,349 farmers by 2016; 4,976 farmers by 2017 cultivating 6,609 ha. • More than 25,200 MT of rice paddy purchased by Olam from smallholder farmers. Olam rice purchase total: $9.8 million. • VCDP beneficiaries (smallholder farmers, processors and marketers) increased real agricultural income by at least 25%/avg in programme areas. • 3,795 new jobs in farming value chains, mainly youth and women SMEs. • 25,000 people in remote areas benefit from selling their produce to Olam.
Lessons learned/Key success factors:	(a) Working with credible private sector operators like Olam International to facilitate market access and input service delivery to smallholder farmers; (b) improving the quality and branding of processed rice by smallholders to enhance market prices and increase income; (c) rehabilitating or constructing feeder roads connecting markets and producing communities to facilitate the shipment of farmer produce; (d) developing arable land to increase the access of women and youth to land; (e) identifying viable business opportunities within the two commodity chains for youth; and (f) engaging with state governments regarding public policies to improve farmers production.
Information Sources	https://operations.ifad.org/documents/654016/e186f287-8f12-4738-9499-9b89093e5f0a

Yield Uganda Investment Fund

Project title:	Yield Uganda Investment Fund
Country/Region:	Uganda
Dates: Year Start/ Year End:	Started: 2016, First close: Q4 2016 at €12 million, Second close: Q4 2017; Investment period: 5 years; Term 10 years, extendible for 2 successive years
Purpose of the Fund	Yield Uganda Investment fund is an agriculture impact investment fund, which invests in Small & Growing Agribusinesses (SGAs) operating across value chains in Uganda.
Methodology of the Fund:	Yield Uganda Investment Fund specializes in investments in small and medium agribusinesses in the form of innovative and tailored financial solutions, using equity, semi-equity and debt designed to generate Euro returns of 16% (equity) and 11% (debt). The fund seeks to invest in agriculture value chains in the inputs supply, processing, and storage sectors in Uganda. The fund considers investments between €250,000 million ($0.27 million) and €2 million ($2.16 million).
Stakeholders and Partners:	Public sector partners: European Union (EU) delegation to Uganda, IFAD, NSSF Uganda (National Social Security Fund of Uganda) / Private Sector partner: Pearl Capital Partners (PCP) Uganda, KPMG Uganda
Fund investment:	IFAD on behalf of the EU: €10 Million (US $10.75 million) /NSSF: €2 Million (US $2.1 million).
Key Partner Obligations	IFAD and EU delegation to Uganda: €10 million investment and additional €3 million Business Development Support (BDS) facility from the EU through IFAD. PCP Uganda: Fund Management and due diligence; making investments in the range of €250,000 to €2 million; fund raising with a target fund size of €25 million KPMG Uganda provides BDS support which includes corporate governance, project management, strategy support, accounting, budgeting, auditing and tax compliance, innovation and technology transfer, human resource management, marketing studies, and adoption of international product quality and safety standards.
Impacts/Key outcomes:	The fund has been operating for a year and a half and has made five investments with a total committed capital of EUR 3M. These investments are expected to create formal linkages with an additional 4,730 farmers and create 230 permanent jobs. Key expected impacts include improving rural household livelihoods, improving access to markets, creating jobs and employment, ensuring food security, generating income and foreign exchange and new export opportunities, all fundamentally contributing to the country's economic growth and goal to eradicate poverty.
Lessons learned/Keys to success:	• Minority stake investment in family businesses has proven to be a challenging strategy. • Companies develop unrealistic growth plans due to the opportunity of funding. • It takes 3-5 years to reposition businesses. Growth has to be phased, including a process of building institutional capacity and relationships, and testing business models at higher scale. A phased funding approach with milestones for follow-up expansion is best suited for the SMEs the fund has invested in or considering investment.
Information Sources	https://www.slideshare.net/ExternalEvents/pearl-capital-partners-yield-uganda-investment-fund http://www.globalaginvesting.com/pearl-capital-partners-announces-first-close-yield-uganda-investment-fund/ http://pearlcapital.net/index.php?option=com_content&view=article&id=69

Babyloan Crowdfunding Platform – Mali

Project title:	Babyloan Mali, crowdfunding platform
Country/Region:	Mali, Koulikoro and Sikasso regions
Dates: Year Start/ Year End:	October 2017 – ongoing
Purpose of the Project	The Babyloan online platform enables the Malian diaspora community in France to pool and lend small amounts to rural microentrepreneurs in Mali supported by IFAD to develop small businesses.
Methodology of the Project:	Through its project Rural Youth Vocational Training, Employment and Entrepreneurship Support Project (FIER), IFAD provides vocational training and entrepreneurship support to young people in Mali to develop revenue generating activities in the agricultural sector. As part of starting their businesses, they are linked to microfinance institutions partnering with Babyloan, which is the European leader in online lending crowdfunding. In France, the project initiated target outreach to the Malian diaspora.
Stakeholders and Partners:	IFAD grant and IFAD Financing Facility for Remittances Private Partners: Babyloan Mali (unit of ABC Microfinance) and Malian Diaspora, NGO: Groupe de Recherche et de Réalisations pour le Développement Rural (GRDR)
Investment cost / Funding:	IFAD: $425,000; IFAD Financing Facility for Remittances: $20,000 Bablyloan Mali: $84,850
Key Partner Obligations	IFAD: Provides support to Babyloan to adapt the crowdfunding platform by creating a dedicated space to Mali. Links young people supported by IFAD's Rural Youth Vocational Training, Employment and Entrepreneurship Support Project (FIER) and the Rural Microfinance Programme (PMR) with Malian migrants and their organizations through the Babyloan Mali platform. Babyloan, Mali: Provides an online crowdfunding platform that creates a link between the young rural people in Mali who need finance, and Malians living in France who are keen to help their communities at home. GRDR: Supports the initiative by informing migrants in Paris metro area about the platform.
Impacts/Key outcomes:	During Oct 2017 – Nov 2018, online lenders made 1,772 crowdfunded loans totalling €100,370 to 167 Malian entrepreneurs on the Bablyloan platform (€597/per business). In its effort to engage the Malian diaspora in France, the targeted outreach to the Malian community in France resulted in 64 loans totalling €1,354. The entrepreneurs, located in southwestern Mali [Guihoyo (119); Tioribougou (20); Didieni (13); Sagabala (12); Other (3); with 92%] work in livestock; 8% in small-scale agriculture.
Lessons learned/Keys to success:	In the area of diaspora microfinancing, lessons learned include that there is strong interest among the diaspora for financing projects in their countries of origin. However, the uptake is slow due to the innovative nature of the platform and the migrants' distrust vis-à-vis solidarity vehicles. The Babyloan Mali project provided useful information to develop projects with a focus on "field returns" for target lenders and better information to the diaspora on business locations, which did not initially align to the targeted geographies. To accelerate diaspora subscription, the project will focus its second year of implementation on the Kayes region, from where most Malian migrants settled in France
Information Sources	https://www.ifad.org/web/latest/story/asset/39640148 https://webapps.ifad.org/members/eb/118/docs/EB-2016-118-R-23-Rev-1.pdf https://www.babyloan.org/fr/mali

CAIM-Better Cotton Initiative – India

Project title:	Convergence of Agricultural Interventions in Maharashtra distressed District programme (CAIM) – Better Cotton Initiative
Country/Region:	India, State of Maharashtra, Districts: Akola, Amravati, Buldhana, Wardha, Washim and Yavatmal.
Dates: Year Start/ Year End:	CAIM started in 2009; scheduled to close: June 2019. CAIM started implementing BCI in the 2014-15 season, obtaining its BCI license in Nov 2014.
Purpose of the Project	The overall goal of CAIM is to contribute to the development of resilient production, sustainable and diversified households activities both on-farm and off-farm for livelihoods, thus strengthening household capacity to face production and market challenges without falling back into poverty and distress. Globally, the Better Cotton Initiative supports sustainable cotton growing. In the CAIM-supported villages, the BCI project aims to produce sustainable cotton that improves the livelihoods, ensures gender equality and prevents child labour.
Stakeholders and Partners:	Public Sector Partners: CAIM, IFAD Private Sector Partners: BCI and IDH, The Sustainable Trade Initiative. From the season 2015-16 onwards, this initiative is part of the Better Cotton Fast Track Programme and Better Cotton Growth and Innovation Fund (BCI-GIF).
Investment / Project Cost	2014-2018: CAIM invested $2,287,968; BCI-GIF invested $1,268,592
Key Partner Obligations	CAIM: Farmers cluster development and project implementation IFAD: Provides project framework; access to farmers; partial financing costs of training to the farmers and infrastructure BCI: Provides the system for sustainable cotton production; assists CAIM with capacity-building; implements project monitoring and impact evaluation IDH: Technical consultant, credibility fee, staff capacity-building.
Methodology of the project:	Farmers are organized into Learning Groups (LG) supported by Field Facilitators and managed via Production Units (PU), each covered 2-4 CAIM village clusters. CAIM provides regular trainings on BCI principles in the project village clusters BCI teaches farmers pest scouting, how to recognize harmful pests, and control with reduced use of chemical sprays. BCI promotes the production of agriculture inputs at home, e.g. biodynamic compost, homemade pesticides, like Taral Khat, yellow sticky traps, etc. BCI provides market access to LG members.
Impacts/Key outcomes:	<u>Coverage of farmers</u>: The Better Cotton GIF project is the largest project under the Fund. Project growth: 42,000 farmers in 2014 to 150,000 farmers in 2018. <u>Cultivated area</u>: BCI achieved its cumulative target for 2018-19: 160,000 ha. <u>Reduction in harmful chemical use</u>: BCI Farmers have reduced pesticide consumption by 28% vis-à-vis comparison farmers. <u>Use of organic fertilizer:</u> BCI Farmers have reduced synthetic fertilizer use by 13%; they are using organic fertilizer 68% more than comparison farmers. <u>Yield</u>: BCI Farmers get 5% higher yield than comparison farmers. <u>Profits</u>: As a result of higher income and lower costs, BCI farmers' profit per hectare was 42% higher than for non-BCI comparison farmers.
Lessons learned/Keys to success:	. CAIM partnership enabled quick outreach to significant numbers of farmers and facilitated close monitoring. . Using environmentally appropriate technologies increased farmers' incomes. . Government partnership was new for BCI-India: success indicates potential for considerable scaling up. . The BCI monitoring system verifying that BCI standards were adopted.
Information Sources	https://operations.ifad.org/documents/654016/fae0db03-aa08-481d-bd61-cc174510ed5a

NICADAPTA- Supporting coffee and cocoa value chains in Nicaragua

Project title:	NICADAPTA (Adapting to markets and climate change project)
Country/Region:	Nicaragua
Dates: Year Start/ Year End:	2014-2020
Purpose of the Project	The value chain project aims to increase smallholder participation and strengthen local private sector cooperatives in coffee and cocoa value chains through alliances with private sector buyers. It also seeks to raise living standards of rural families by improving access to markets, increasing incomes and reducing their vulnerability to climate change. Engaging private sector buyers with the private sector producers aims to build and strengthen private sector on the ground.
Methodology of the Project:	NICADAPTA is investing in sustainable development of coffee and cocoa productivity and strengthening institutions to address climate change. This includes training cooperatives to access markets, improve coffee and cocoa quality, and increase yields. Investments in productive infrastructure, e.g., water storage and means to standardize size/ quality of cacao and coffee beans, are deployed in combination with water and environment management and training in good agricultural practices. Cooperatives develop business plans that are presented to the project for investment. Each business plan is reviewed and financed through a mix of matching grants and loans from the project.
Stakeholders and Partners:	Public Partners – IFAD; Central American Bank for Economic Integration (BCIE); Government of Nicaragua - Ministry of Family, Community, Cooperative and Associative Economy (MEFCCA). Collaboration agreements established between MEFCCA and public institutions in productive technology, agro climatic information and export certification. Private/Market Partners – Ritter Sport; other international commodity buyers Beneficiaries: 42 Cocoa and coffee cooperatives, 650 production facilities, and 92 storage facilities covering nearly 40,000 smallholder households
Project Investment / Cost:	Total cost: US $37.05 million. IFAD DSF grant: US $8.06 million, IFAD loan: US $8.06 million, ASAP grant: US $8.0M Other: Republic of Nicaragua (US $3.35 million), beneficiaries (US $2.58 million) and BCIE (US $7.0 million)
Key Partner Obligations	IFAD: Project funding, review and select cooperative business plans with the Ministry MEFCCA: Executing agency | Cooperatives - Aggregate and market produce to achieve better conditions for farmers, serve as credit facilities for production/non-production-related loans, provide training/extension services, and sell inputs at low cost to members.
Impacts/Key outcomes: (as of October 2018)	<u>Increase in Agriculture productivity</u>: 42 rural producer organizations had partnership agreements with public or private entities. A sample study of 11 investment plans shows changes in average productivity between harvests of 2016/2017 and 2017/2018 for coffee increments of 4.6 qq/mz (59.7%) and cocoa of 3.51 qq/mz (65%). <u>Increase in Climate Resilience</u>: Area of land reached under climate resilient practices – 12,781 ha. 962 coffee and cocoa producers were able to adapt to climate change. <u>Quality improvement of cocoa and coffee production</u>: Project supported improvements to 650 production and processing facilities; and rehabilitated or constructed 21 market facilities and 92 storage facilities. Ritter Sport reported 5% less produce was rejected, calling attention to value of project investment in storage centres/fermentation facilities. <u>Capacity building</u>: Project supported training for 1,239 producer organization managers (Males:939/Females:300) in business/management and provided 17,049 households training in technology and climate change adaptation with gender focus.
Lessons learned/Keys to success:	Post-harvest infrastructure and training generate improved quality, diversification of products and direct trade. Several co-ops increased incomes by launching their own coffee or chocolate products and brands for national markets and bypassing intermediaries. Increased resilience is achieved through increased asset ownership, diversified product ranges, and long-term employment at cooperative. Sustainable practices, e.g., planting resistant/adapted varieties, use of organic fertilizer, decreased use of chemical inputs, water harvesting.
Information Sources	https://www.ifad.org/documents/38714170/39135645/IFAD+and+public-private+partnerships+-+selected+project+experiences/52a2253a-feef-4445-9d96-e5708c748eb5

Betrimex and Organic Coconut Value Chains: Modeling 4P in Vietnam

Project title:	Public-Private-Producers-Partnership (4P) – Organic Coconut Value Chains
Country/Region:	Vietnam, Ben Tre Province, Mekong Delta
Dates: Year Start/ Year End:	2014 – ongoing
Purpose of the Project	To support small-scale coconut farmers switching to organic production; to improve coconut value chains; and increase profitability in both domestic as well as export markets by marketing value added products (e.g., organic coconut juice and milk), to increase revenues for smallholder producers.
Stakeholders and Partners:	Public Sector: IFAD project - Adaptation to Climate Change in the Mekong Delta in Ben Tre and Tra Vinh (AMD) Private Sector: Betrimex Beneficiaries: Producers (small-scale coconut farmers)
Investment cost / Funding:	IFAD: Funds the AMD project (ASAP: $12,000,136 / IFAD: $22,000,077) AMD: $54,000 (from the IFAD-funded AMD project) Betrimex: $144,445
Methodology of the Project:	In the Public-Private-Producers-Partnership (4P) model, Betrimex provides agricultural inputs (e.g., organic fertilizers, bioplat protection) quarterly, offers training services, conducts, quality verification and enters into long-term agreements with the producers (including the purchase of 100% of the produce at a fair price), as part of their commitment to support the producers to make the transition into organic certified production, while the producers commit to supplying their production to the company as per agreed conditions. AMD Ben Tre supports by providing a matching grant and acts as a liaison between the company, farmer organizations and local authorities.
Key Partner Obligations	IFAD/AMD Ben Tre: Provides co-funding for project activities; supports and advises re: establishment of farmer groups; liaises with Betrimex, farmers and local authorities throughout project implementation; certifies the contracts. Betrimex: Provides inputs to farmers in compliance with standards of organic cultivation; offers capacity-building on agrochemical management and farmer group organization; verifies organic coconut production. Producers (small-scale coconut farmers): Signs supply contracts with Betrimex, commits to production standards; complies with organic standards; attends technical trainings; maintains records of their farming activities.
Impacts/Key outcomes:	Key impacts: During the project, Betrimex had expanded its organic material zone to 184 ha with the participation of 336 households (of which 21 poor and 136 near-poor households. 322 farmers were included, out of which 69 were women. The income of farmers increased by an average of 183% and a total of 731 jobs were created.
Lessons learned/Keys to success:	Betrimex developed a concentrated material area and then gradually expanded for better management. This approach helped in piloting and organizing training, providing technical assistance and monitoring of the project activities. Developing farmer groups was highly effective in supporting fundamental changes to farm management and production practices. Producers sometimes accepted higher prices from buyers outside of the project, which requires a review of contract structures.
Information Sources	http://ibavietnam.com/wp-content/uploads/2018/06/Organic-Coconut-Production.pdf http://betrimex.com.vn/en

Rwanda – Joint shareholding in the tea sector

Project title:	Project for Rural Income through Exports (PRICE)
Country/Region:	Rwanda / Nshili and Mushubi (Southern Rwanda) / East and Southern Africa
Dates: Year Start and Year end	Start date: 20/12/2011, Current completion date: 30/06/2020
Purpose of the Project	Promote sustainable increased returns to farmers from key export-driven agricultural value chains (tea, coffee, horticulture, sericulture) through increased volumes and quality of production, improved marketing and effective farmer organizations
Methodology of the Project:	One component of the project supports a joint shareholding between two tea processing factories that were privatized earlier by the government and two small farmer tea cooperatives. The project builds on a previous IFAD-supported project, the Smallholder Cash and Export Crops Development Project (PDCRE).
Stakeholders and Partners:	Public Sector Partners: Government of Rwanda, National Agriculture Export Board (NAEB); Banque Rwandaise de Développement (BRD), IFAD Private Sector Partners: Nshili-Kivu Tea Factory and New Highland Tea Co Farmers: tea cooperatives formed by the government: COTHENK and COTHEGAB
Project Cost / investment:	Total project financing: US$65,845,455 IFAD: US$57.2 million National Government: US$5.23 million Beneficiaries: US$96,000 Private sector local: US$608,871
Key Partner Obligations	IFAD: brokering, loan funding, feasibility study during design, monitoring and evaluation. NAEB: Formation and training of tea cooperatives, securing them a 15 per cent shareholding in tea factory, and provide land and infrastructure. BRD: lender to cooperatives to finance tea expansion and purchases of fertilizer and other inputs. Farmers Cooperatives: represent farmers at factory board meeting and at the national level and invest in tea and provide green leaves to the factory. Private Sector: invest in tea processing and provide technical assistance and logistics (transport, fertilizer).
Impacts/Key outcomes:	The project established a new institutional arrangement to tea value chain linkages (processing factory, farmer production), and created new roles for farmers to produce green leaves of good quality and quantity and for companies to process green leaves and market tea, and provide technical assistance and logistics. D
Lessons learned/Keys to success:	The project was designed to incentivize partners to work together to achieve shared success, by ensuring that the factory needed to secure supplies from the farmers to be profitable and financing farmers' shares in the factories. However, unless the cooperatives can significantly increase productivity at each site, their viability is at stake and they need consistent support and monitoring, as well as their early involvement in project planning and implementation.
Information Sources	IFAD – IDS. Brokering development: Enabling factors for 4Ps in agricultural value chains. 2015. Summary of Rwanda Case Study.

Jordan/ Open Society Foundation–Graduation Model for Refugee & Host Communities

Project title:	Small ruminant Investments and Graduating Households in Transition Project (SIGHT) Project
Country/Region:	Hashemite Kingdom of Jordan (six Governorates of Mafraq, Irbid, Jerash, Ajloun, Madaba and the outskirts of Amman)
Dates: Year Start/ Year End:	2018 – 2022
Purpose of the Project	To promote graduation into sustainable livelihoods for economically marginalized and vulnerable women, men and youth from among the Jordanian host communities and Syrian refugees with grant-based income-generating packages for on-farm and off-farm enterprises.
Methodology of the Project:	The IFAD-financed SIGHT project includes a component on applying the Poverty Graduation model to Syrian refugees and host communities in Jordan. While the Graduation approach has been applied successfully in many contexts, there is not substantial experience among fragile and refugee contexts. The Economic Advancement Programme (EAP) of the Soros Foundation is interested in testing the approach in fragile context before dedicating more resources to scale. By partnering with IFAD on the SIGHT project, the Foundation is able to join a project with significant scale and scope to test the model, which otherwise it could not do on its own. With co-financing from EAP, IFAD was able to substantially expand the number of both refugee and host community members that will benefit from the project.
Stakeholders and Partners:	Public Sector: Ministry of Planning and International Cooperation; Ministry of Agriculture; IFAD; UNHCR Private Sector: Open Society Foundation National NGOs: Jordan River Foundation and The Jordanian Hashemite Fund for Human Development (JOHUD)
Project Funding:	IFAD Loan: USD 8.4 million IFAD Grant: USD 0.5 million IFAD FARMS Trust Fund: USD 3.9 million Swiss Development Cooperation Grant: USD 2.5 million Government of Jordan: USD 4.6 million Soros Foundation/EAP: USD 1 million
Key Partner Obligations	Government: Project lead IFAD: Funder, supervision & technical support Soros/EAP: Project Funding & learning
Impacts/Key outcomes:	The project has only recently started, however the projected impacts is to increase the income of 3,650 households (2,025 of which are Syrian refugees) / 17,520 people (of which 10,125 are Syrian refugees) by providing sustainable production capacity based on the Graduation model. Of these at least 420 vulnerable households (or 2,500 people) will be supported by the EAP grant directly, an expansion of beneficiaries above what IFAD would otherwise reach, directly attributable to the Foundation support.
Lessons learned/Keys to success:	The scale and scope of IFAD-supported programmes and projects can be attractive to private foundations as a means to test and learn from new approaches to poverty reduction, which otherwise would not be feasible via their own resources alone.
Information Sources	https://www.ifad.org/web/operations/project/id/2000001478/country/jordan

Partnership with Mars

Title:	Global partnership between IFAD and Mars
Country/Region:	Targeted countries: Indonesia, Philippines, Cambodia, India and potentially West Africa
Dates: Year Start/ Year End:	Formalized a five-year global MOU in September 2017; Country partnership ongoing in Indonesia since 2012
Objective of the Partnership	Increase market access for smallholder farmers and small and medium enterprises; provide training and capacity-building to smallholders and rural SMEs (i.e. productivity and quality output, access to inputs and credit, environmental sustainability, financial inclusion and literacy, gender inclusion); advocate jointly for inclusive and sustainable rural transformation and agricultural investment.
Methodology of the Partnership:	Identify country opportunities to enhance participation by smallholders in projects supported by IFAD that can be linked to Mars' supply chains; bring discussions to country level to explore further alignment and partnership fit. Align on joint advocacy issues and champion where relevant and opportune.
Stakeholders and Partners:	Public Sector: IFAD; various national government partners Private Sector: Mars
Project Funding:	Mars: $700,000 co-financing in India; in-kind technical support in Indonesia; market access in Cambodia IFAD: $400,000 co-financing in India; $100,000 co-financing in Cambodia; potential project-level finance for country-based collaborations
Key Partner Obligations	IFAD: Finance and technical expertise through PoLG and grant window for projects that may be jointly financed by Mars Mars: Market partner, co-funder and technical expertise
Impacts/Key outcomes:	Indonesia (cocoa): Partnership began in 2012 and by 2015 the program operated in 150 villages and contributed to raising smallholder farmer incomes by 15% through increased productivity, strengthened technical extension, and knowledge transfer from Mars to cocoa growers, while creating new markets. The partnership is being expanded in the new IFAD investment to further improve productivity and address post-harvest loss resulting in increased market access and higher prices for smallholders. India (groundnut): IFAD and Mars are co-funding a project to conduct research and apply new methods to reduce aflatoxin in the groundnut (peanut) supply chain in the state of Gujarat in India. Mars is interested in developing a local peanut supply chain to supply its processing facility in India, and IFAD is interested in applying the research and methodology gained to its related project in Andhra Pradesh. Cambodia (Rice): IFAD and Mars are co-financing a small grant project on sustainable rice production in Cambodia, which may lay the ground for a larger collaboration through the IFAD-supported ASPIRE project and IFC-funded project in the region. IFC will work on investment on the ground, ASPIRE will support knowledge management and policy.Priorities for 2019 include exploring development of yellow pea supply chain in India and market access for turmeric growers; expanding market access to coconut farmers in the Philippines through IFAD-financed RAPID project; and exploring policy and market access on cocoa in Ghana.
Lessons learned/Keys to success:	Successes to date: committed partners on both sides; MOU makes clear joint priorities and focal points; commitment for long-term goals. Challenges to date: alignment between company crop/country priorities with IFAD PoLG; Mars does not buy directly, thus need to engage traders, local aggregators; not much scope for increasing numbers of new smallholder suppliers.

Private sector strategies and areas of interventions for selected United Nations organizations and development partners

Agency	*Private sector engagement*	*Key links*
Food and Agriculture Organization of the United Nations (FAO)	FAO engages with private sector entities including SMEs, cooperatives and producers' organizations, local companies and MNCs, so long as their products, programmes and method of operations are in line with FAO's mandate. It will be developing a new Private Sector Strategy in 2019. The main areas of engagement include: development and implementation of technical programmes; PPPs for agribusiness development; knowledge management and dissemination; resource mobilization. FAO's Innovative Finance Group develops and reviews opportunities for new funding mechanisms (e.g., Impact Bonds) and its Investment Centre handles discussions, interactions with investment funds, largely regarding investment allocations. Specific to PPPs, FAO typically works primarily in two partnership modalities: developing agricultural value chains and partnerships for joint agricultural research, innovation and technology transfer (esp., Asia, Africa, not LAC). To a lesser extent, it also uses PPPs for building and upgrading market infrastructure and partnerships for the delivery of business development services to farmers and small enterprises.	- Establishing effective partnerships with the Private Sector for agribusiness development (PDF, March 2018) http://www.fao.org/3/I8772EN/i8772en.pdf - Public-Private Partnership for Agribusiness development – A Review of International Experiences (PDF, 2016) http://www.fao.org/3/a-i5699e.pdf - Territorial tools for agro-industry development – A Sourcebook http://www.fao.org/3/a-i6862e.pdf
World Food Programme (WFP)	WFP is preparing a new PSS. Their PSS covers technical and knowledge partnerships with private companies, fundraising from the private sector, as well as new financing initiatives around PPPs, blended finance, shared value, and Islamic social finance. WFP currently has $ 7 billion in resources and is seeking to raise another $ 3 billion from the private sector and other sources to fill the funding gap. Most of the funding is expected to come from individuals, and not necessarily high net-worth individuals. WFP also works through WFP USA, its separate US-based non-profit organization, which it is reorganizing to support fundraising. Corporate partnerships are based on "Shared Value" approaches supporting more comprehensive partnerships featuring technical expertise, in-kind and in-service donations, employee engagement, and project funding. To support innovation, WFP has a fundraising/partnership "Accelerator" that develops WFP mechanisms to work with new partners and opportunities (e.g., Impact Investors/Investment Funds, Impact Bonds). Since WFP contracts with many food and agriculture companies worldwide, its funding partnerships with them must adhere to conflict of interest policies. WFP has an ongoing programme called the "Farmers to Market Alliance", a platform they have created to work with various entities (MNCs, NGOs, AGRA, etc.) in the East and Southern Africa region to provide comprehensive support to farmers and connect them to markets. Other relevant interventions	WFP Corporate Partnership Strategy (July 2014) https://documents.wfp.org/stellent/groups/public/documents/communications/wfp282072.pdf Summary Evaluation Report of the Corporate Partnership Strategy (May 2017) https://www.alnap.org/system/files/content/resource/files/summary/wfp-pe-corporate-partnerships-strategy-summary-evaluation-report.pdf

Agency	*Private sector engagement*	*Key links*
	include their home-grown school feeding programme, and their post-harvest loss programme.	
United Nations Development Programme (UNDP)	UNDP's Private Sector Strategy (2016 – 2020) aims to position UNDP as a partner of choice for the private sector and foundations in SDG implementation, while maximizing the impact of the private sector and philanthropy on sustainable development. Its Istanbul International Centre for Private Sector in Development leads UNDP's global work on private sector and foundations and supports UNDP's offices globally. It supports the private sector and foundations to become transformative partners in development through research, advocacy for inclusive business, facilitation of public-private dialogue and brokering partnerships. To expand its work with foundations and align global philanthropy to the SDGs, it has partnered with Rockefeller Philanthropy Advisers to develop the SDG Philanthropy Platform. It has also initiated UNDP SDG Impact Finance to work with the private sector on how best to invest in enterprises and markets in ways that help achieve the SDGs. In the agriculture sector, for the past decade, UNDP has relied on its Green Commodities Programme to work with governments, farmers, global companies (through PPPs), local businesses and other stakeholders to build national commodity sectors and a joint commitment to action. It works to support sustainable practices in palm oil, cocoa, coffee, pineapple, fisheries, soy and beef, focusing specifically on: multi-stakeholder dialogue, enabling environment and farmer support.	UNDP Private Sector Strategy (2016 – 2020): http://www.undp.org/content/undp/en/home/partners/private_sector/OurStrategy.html UNDP - Green Commodities Programme: Private Sector Partners http://www.undp.org/content/gcp/en/home/our-partners.html UNDP Istanbul International Centre for Private Sector in Development http://www.iicpsd.undp.org/content/istanbul/en/home.html SDG Philanthropy Platform https://www.sdgphilanthropy.org/ SDG Impact Finance http://undp.socialimpact.fund/
United Nations Environment Programme (UNEP)	The UNEP regards private sector as ranging from microenterprises to cooperatives to multinationals. It includes for-profit enterprises; companies or businesses regardless of size, ownership or structure; as well as private financial institutions, businesses trade associations and organizations that represent private sector interests. UNEP's revamped approach to private sector partnership since 2017 includes: simplified policies and new guidelines; web-based interface; partnership portals; coordination hub; better accountability and improved risk management. Its strategy also calls for closer cooperation with the UN Global Compact. The UNEP collaborates with the private sector on promoting sustainable food systems and agriculture in three distinct workstreams: Food waste; Sustainable Rice Platform (includes Mars, Louis Dreyfus Commodities, Kellogg's and Olam); and One Planet Sustainable Food Systems Programme which collaborates with Nestle and other private sector stakeholders on food systems.	UN Environment Programme, Private Sector Engagement (PowerPoint), May 2018 http://wedocs.unep.org/bitstream/handle/20.500.11822/25430/Private%20Sector%20Engagement%20CPR%2024%20May%202018%20final.pdf?sequence=36&isAllowed=y Report by the Secretariat on UN Environment Programme's Private Sector Engagement, 21 May 2018 http://wedocs.unep.org/bitstream/handle/20.500.11822/25430/Report%20to%20the%20CPR%20on%20Private%20Sector%20Engagement%2021.05.pdf?sequence=16&isAllowed=y
UNICEF	UNICEF's Private Sector IMPACT Plan for 2018-2021 aims to expand UNICEF's country offices and deepen their engagement with the private sector, which includes multinational, national, and local business and foundation partners. The strategy is driven, in part, by UNICEF's Office of Innovation, which approaches UNICEF's global challenges with startup thinking, technology focus, and partner outreach to create scalable solutions.	Private Sector Collaboration: Innovation http://unicefstories.org/about/ Private Fundraising and Partnership - 2017 Annual report https://www.unicef.org/about/annualreport/files/PFP_2017_AR.pdf

Agency	*Private sector engagement*	*Key links*
	The Office of innovation has established a $11.2 million UNICEF Venture Fund, which allows UNICEF to quickly assess, fund, and grow open-source solutions that can improve children's lives. The Fund makes $50,000-$100,000 investments in portfolios of emerging technology being developed by companies. In food and agriculture, UNICEF will also seek partnerships and funding from corporations and foundations to address food shortages that are having the greatest impact on children.	
UN Global Compact (UNGC)	The UN Global Compact is a voluntary initiative based on CEO commitments to implement the SDGs. It has articulated its own Food and Agriculture Business Principles. It has 359 active SME, national, or global signatories and participants (in addition to 93 non-communicating businesses); of these, 93 are classified as SME, national, or global Food Producers, who have subscribed to the UNGC Principles. In addition to engaging business to align to the SDGs and understand the UN system, it is an information clearinghouse, UNGC's Financial innovation for the SDGs initiative seeks to develop innovative private financial instruments that have the potential to direct private finance towards sustainability solutions. Within its financial solution work, UNGC has the Innovation Platform to launch financial solutions that address SDGs. It also hosts an SDG Investment Program.	Food and Agriculture Business Principles https://www.unglobalcompact.org/docs/issues_doc/agriculture_and_food/FABPs_Flyer.pdf Financial Innovation Platform for the SDGs https://www.unglobalcompact.org/take-action/action-platforms/financial-innovation Transforming Partnerships for the SDGs https://www.unglobalcompact.org/docs/publications/Transforming_Partnerships_for_the_SDGs.pdf
UN Women	UN Women's partnerships with the private sector help advance gender equality across all corporate operations, from value chains to workplace practices. While UN Women's work with the private sector is extensive in engaging partners on setting standards (e.g. Women's Empowerment Principles; Gender Innovations Principles) and engaging in campaigns, it does not have a robust partnership and implementation capacities. It has a partnership with Unilever, which saw its commitment to the Global Framework on Women's Safety reach 5 million women in the global supply chain linked to the corporation's tea business. Other partnerships include Citi, Elizabeth Arden, P&G, PROYA Cosmetics, Bill & Melinda Gates Foundation, Ford Foundation, Rockefeller Foundation, Open Society Foundation. In agriculture, UN Women has partnered with IFAD, FAO and WFP in the "Accelerating Progress towards the Economic Empowerment of Rural Women" initiative. It also has implemented several projects focused in rural areas in China, India, and Zimbabwe. It aims to empower rural women to claim their rights to land, leadership, opportunities and choices, and to participate in shaping laws, policies and programmes.	UN Women: Rural Women http://www.unwomen.org/en/what-we-do/economic-empowerment/rural-women
World Bank	The WB's Agriculture Global Practice portfolio consists of about 160 projects representing about US$16 billion in lending commitments. Its focus is on (i) increasing smallholder agricultural productivity (ii) linking farmers to markets and strengthening value chains through support for improved infrastructure, information technology, post-harvest handling; (iii) facilitating rural non-farm income by improving investment climate and skills development; (iv) reducing risk, vulnerability and gender inequality and (v) enhancing environmental services and sustainability. In 2018, the World Bank, through IBRD/IDA commitments, pledged $6.8 billion new commitments to agriculture. The four focus areas in agriculture: food	World Bank's Global Agriculture practice http://www.worldbank.org/en/about/careers/programs-and-internships/recruitment-drive-for-chinese-nationals/agriculture The World Bank Group and the Private Sector http://www.worldbank.org/en/about/partners/the-world-bank-group-and-private-sector#2 GAFSP https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_c

Agency	*Private sector engagement*	*Key links*
	security, climate-smart agriculture, food systems jobs, and agribusiness and value chains. WB's GAFSP's (Global Agriculture and Food Security Program) private sector window uses blended finance approaches to invest across the food supply chains. GAFSP funding is co-invested alongside IFC funding. Since 2010, the GAFSP Public Sector Window has allocated $1.2 billion and the Private Sector Window has deployed approximately $311 million to support 61 agribusiness investment projects in 27 countries. WB also supports agricultural development through PPPs, usually managed by IFC. It also engages investors by offering them opportunities to invest alongside World Bank agricultural programmes through IFC's syndicated-loan program; IFC's Managed Co-Lending Portfolio Program; and The IFC Asset Management Company.	orporate_site/agribusiness/priorities/enhancing+food+security/gafsp_landingpage CHANGING LIVES: Private Sector Solutions for Helping Small Farmers https://www.ifc.org/wps/wcm/connect/b183a973-f4d4-454b-8eff-c74ce017f4aa/ChangingLives_Nov17_FINAL_updated_Feb2018_web.pdf?MOD=AJPERES
International Finance Corporation (IFC)	In FY2017, IFC's investments in agribusiness and forestry totalled more than $1.7 billion, including funds mobilized from other investors. Its investments in climate-smart agriculture totalled more than $800 million. In the Agriculture sector, IFC's two focus areas are: Agriculture Finance: IFC provides customized short and medium-term working capital as well as long-term financing. Its investments include both credit line and risk participation, and in some cases, are complemented by advisory service. Global Trade Liquidity Programme and Global Warehouse Finance Programme (GWFP) are some of its agriculture finance programmes. In its efforts to have a broader development impact and reach smallholder farmers and SMEs, IFC invests in banks and larger companies as intermediaries. Its Global Agri-Finance Advisory Programme work in three areas: (1) Building capacity of client financial institutions in agri-finance (2) Linking financial institutions to sustainable supply chains (3) Linking insurance to agri-finance. Agribusiness: IFC invests across the agribusiness supply chain to help boost production, increase liquidity, improve logistics and distribution, and expand access to credit for small farmers. Its three focus areas in agribusiness include: (1) enhancing food security by increasing production, reducing losses and raising incomes, (2) supporting environmental sustainability by helping the sector reduce its footprint and (3) promoting inclusive development by focusing on opportunities for women and small farmers. It also uses PPPs to finance large-scale agribusinesses. The 2017 impact of IFC agribusiness clients: 464,000 jobs supported, 131,000 jobs for women supported, 3.7 million farmers reached, $15 billion in domestic purchase of goods and services. Additionally, IFC collaborates with more than 30 governments, 20 foundations and corporations, and multilateral and institutional partners. In FY18, its DP committed more than $469 million for blended finance initiatives across multiple sectors.	IFC and Agri-Finance https://www.ifc.org/wps/wcm/connect/44c74a0049585fb1a082b519583b6d16/IFC%2B%2Band%2BAgriFinance%2B-%2BGeneric%2BPresentation%2Bv-4.f?MOD=AJPERES&CACHEID=44c74a0049585fb1a082b519583b6d16 IFC and Agribusiness https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/agribusiness/overview IFC Priorities in PPPs https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/ppp/priorities IFC DP https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/partnerships/dp+n+f

Agency	*Private sector engagement*	*Key links*
African Development Bank (AfDB)	The AfDB identifies private sector development as one of its fundamental areas of focus to reduce poverty and support sustainable growth in Africa. The Bank focuses its approach on: improving the business environment, supporting private companies, strengthening institutions and financial systems, promoting regional integration and trade, and attracting resources from other donors. The Bank uses several financial instruments ranging from senior secured debt to direct equity, including quasi equity instruments. While the Bank holds some direct equity positions in financial institutions, the majority of the equity investments are channelled through private equity funds. AfDB's private sector initiatives are built around five areas, with agriculture/agribusiness covered under Feed Africa, the Bank's commitment to Africa's agricultural transformation. AfDB's Boost Africa Investment Programme seeks to raise EUR 1 Billion and use a blended finance approach to create 25-30 separate funds over a 7-8 year period (some funds to invest in agribusinesses). The Agriculture Fast Track Fund ($23M Multi-Donor Trust Fund; funded by USAID; Sweden) functions as a project preparation facility and provides grant funds to form a pipeline of bankable food security projects and increases the number of investment-ready agriculture PPPs by defraying front-end project development costs and risks. The Jobs for Youth initiative focuses primarily on agriculture, industry and ICT with a Rural Microenterprise ($54M) project launched in Malawi, Nigeria, and Burkina Faso. AfDB is supporting large-scale value chain development projects (e.g., Sudan, Uganda) and financing agriculture climate adaptation projects (e.g., Horn of Africa, Sudan).	AfDB Private Sector (Resource Page) https://www.afdb.org/en/topics-and-sectors/sectors/private-sector/ Feed Africa: The Road to Agricultural Transformation in Africa https://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/Brochure_Feed_Africa_-En.pdf Agriculture and Agro-Industries https://www.afdb.org/en/topics-and-sectors/sectors/agriculture-agro-industries/ Boost Africa Investment Programme https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/boost-africa-empowering-young-african-entrepreneurs/ Agriculture Fast Track Fund https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/agriculture-fast-track-aft-fund/
Asian Development Bank (AsDB)	AsDB focuses on four areas to promote rural development and achieve food and nutrition security: (i) increasing the productivity and reducing pre- and post-harvest losses of food crops; (ii) improving market connectivity and value chain linkages; (iii) enhancing food safety, quality, and nutrition; and (iv) enhancing management and climate resilience of natural resources. To support public–private partnerships, the AsDB Office of Public–Private Partnership provides transaction advisory services and a project preparation facility that helps governments and private sector partners establish a pipeline of bankable PPP projects. In the agriculture sector, AsDB has shifted its strategic focus from agriculture to a comprehensive multi-sector food security engagement with the goal of curbing food insecurity, particularly among the poor and vulnerable. In support of agriculture PPPs, AsDB's Private Sections Operations Department (PSOD) considers innovative transactions such as (i) partial risk guarantees to banks' lending to farmers, (ii) supply chain finance, (iii) connections to agribusiness private equity funds, (iv) project finance to well-structured PPP projects, and (v) direct equity investments in agribusiness companies. In 2017, AsDB's private sector operations mobilized nearly $5.95 billion of external co-financing. Of the $20.1 billion ADB committed in 2017, private sector investments accounted for nearly $2.3 billion, a 31% increase over 2016	Operational Plan for Agriculture and Natural Resources – Promoting sustainable Food Security in Asia and the Pacific 2015 - 2020 https://www.adb.org/sites/default/files/institutional-document/175238/op-agriculture-natural-resources.pdf ADB Annual Report - 2017 https://www.adb.org/sites/default/files/institutional-document/411996/adb-annual-report-2017.pdf ADB's work in Agriculture and food security https://www.adb.org/sectors/agriculture/support

Agency	*Private sector engagement*	*Key links*
	(and the highest level to date): $2.0 billion to debt and $287 million to equity investments (a threefold increase over 2016).	
Inter-American Development Bank (IDB)	The IDB Group is a family of three multilateral entities - IDB, IDB Invest and IDB Lab (formerly the Multilateral Investment Fund): IDB Invest promotes the economic development of Latin America and the Caribbean (LAC) by supporting the private sector and state-owned enterprises through loans, equity investments, and guarantees. IDB Invest also offers advisory and training services. IDB Lab is an innovation laboratory that mobilizes capital, knowledge and networks. It experiments with high-risk models for engaging and inspiring the private sector. In 2017, the IDB Lab approved 67 projects for $85 million ($47 million for technical cooperation; $38 million for loans and equity investments). In agriculture, IDB's main goal is to accelerate growth of agricultural output with challenges of increasing population and adapting to the impacts of climate change. The IDB supports greater access to markets, better agricultural services and increased investments. The IDB also supports technology adoption and public-private partnerships to finance investments in value chains. Its agriculture-related initiatives include: AgroLAC 2025 is multi-donor funding platform supported by contributions from Global Affairs Canada and Dow that seeks to mobilize $30-$50 million in the next three to five years. It will support investments in Trade and Access to Markets, Sustainability, and Agri-Environmental Planning. The Climate-smart Agriculture Fund for LAC, a concessional finance facility, invests in small, medium and large-scale agribusinesses developing climate-smart projects.	**AgroLAC 2025** https://www.iadb.org/en/sector/agriculture/agrolac/home Climate-Smart Agricultural Fund https://www.ndf.fi/project/climate-smart-agriculture-fund-latin-america-and-caribbean-csaf-ndf-c86 IDB Partnership Report: 2016 https://publications.iadb.org/bitstream/handle/11319/8235/2016-Partnership-Report.PDF?sequence=1&isAllowed=y
Islamic Development Bank (IsDB)	The IsDB has priorities in Science, Technology, and innovation; Infrastructure, Health, Education, Women and Girls. Though agriculture is not a priority area, IsDB last funded a small portfolio of sustainable agriculture projects in 2017 in Burkina Faso, Mali, Cameroon, Morocco, Senegal, and Indonesia. Its Agriculture and Rural Development department develops and implements the Bank's strategy, assistance framework, plan of action and work programme in the agriculture and rural development sectors. The IsDB works in tandem with the Islamic Cooperation for Development of the Private Sector, which funds projects in multiple sectors, including agriculture, that are aimed at creating competition, entrepreneurship, employment opportunities and export potential. It also supports projects that promote the development of Islamic finance, attracts co-financiers and advises governments and private sector groups on how to establish, develop and modernize private enterprises and capital markets.	IsDB Agriculture and Rural Development Department https://www.isdb.org/sector/agriculture Islamic Cooperation for Development of the Private Sector https://icd-ps.org/en

Agency	*Private sector engagement*	*Key links*
USAID	Over the past decade USAID has invested in its Global Development Lab to create a broad platform for innovation and partnerships. The Global Development Alliance programme remains its core partnership programme requiring partners to have a minimum 1:1 match, but funding is typically awarded to projects with a 1:3 or 1:4 match. USAID's Development Credit Authority is financing guarantees (typically 50%) to banks. Over the past two years, it has approved \$5M guarantees to local banks (e.g., Ethiopia, Nepal) to support SME lending and guarantees up to \$20M to guarantee debt financing to banks/MFIs working in predominantly rural areas. Its INVEST program deploys USAID resources (grants, guarantees, technical expertise) to enhance access to investments lower transaction costs, and mitigate risk in agriculture and other sectors. USAID's Partnering to Accelerate Entrepreneurship (PACE) invested in accelerators to catalyse private investment in early-stage enterprises (109 agricultural SMEs, 46% of SMEs in the project). The 2017-2021 Global Food Security Strategy, which encompasses the Feed the Future programme, emphasizes research to ensure a pipeline of innovations, tools and approaches designed to improve agriculture, food security, and resilience. Between 2011-2016, Feed the Future helped develop and deploy over 900 innovations and is advancing a pipeline of 50,000 innovations to address food security globally. In 2016, its partnerships with extension agencies, producer groups and other local actors helped 10.9 million smallholder farmers and producers apply agricultural technologies to more than 6.2 million hectares in 19 countries in Africa, Asia and Latin America, reducing poverty by an average of 19%.	USAID Development Credit Authority: Agriculture https://usaid-credit.exposure.co/categories/stories/from/agriculture USAID Office of Private Capital and Microenterprise https://www.usaid.gov/pcm Working with Investors: Unlocking Capital https://www.usaid.gov/sites/default/files/documents/1865/Unlocking_Capital_for_Development_FINAL.pdf Feed the Future Business Partnerships https://www.feedthefuture.gov/partnership/businesses/ PACE: Accelerating Entrepreneurs https://www.usaid.gov/sites/default/files/documents/15396/PACE_Executive_Summary_09.20.17_web.pdf
DFID	DFID takes a long-term view to financing agricultural development and will provide significant support to partner institutions (e.g., Adaptation for Smallholder Agriculture Programme (IFAD): £150 million over 10 years; Africa Enterprise Challenge Fund (AECF): £26.2 million over 15 years; Global Agriculture and Food Security Program (GAFSP): £136 million/6 years).It tenders several projects to support private sector development: Commercial Agriculture for Smallholders and Agribusiness (CASA) is a £29.9 million project scheduled to launch in 2019 to build the commercial viability of SME agribusinesses with significant smallholder supply chains and attract more investment into these businesses. In 2018, DFID, funded £3.0 million for Agri-tech Catalyst round 7: agriculture and food systems innovation, a competition to increase the pace of development and scale of uptake of agricultural and food systems innovation by farmers and food systems actors (such as manufacturers, processors, retailers, distributors or wholesalers) in Africa. DFID's private sector investment is conducted through its wholly-owned subsidiary, CDC, formerly Commonwealth Development Corporation, which has made 11 investments in 2017-2018 in agribusinesses and agricultural investment funds (CDC's total portfolio £5.3B; invested in 715 business in Africa; 338 in India).	DFID's Conceptual Framework on Agriculture https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/472999/Conceptual-Framework-Agriculture2.pdf CASA: Commercial Agriculture for Smallholders and Agribusiness https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/721360/CASA-detail1.pdf CDC Investment Site https://www.cdcgroup.com/en/ CDC's Investment Screening Tool https://d3s6ftg26lsiet.cloudfront.net/wp-content/uploads/2018/07/06125405/Development-Impact-Grid.pdf

Agency	*Private sector engagement*	*Key links*
BMZ	BMZ's overarching commitment to agriculture is its One World – No Hunger initiative aimed at raising the income levels of smallholders, creating more employment and improving the regional availability of food in selected rural target regions through innovation in the agro-food sector. It involves developing innovations in production, processing and marketing of staple foods in cooperation with private sector partners. The programme commitment is EUR 206 million euros until end of 2021. In 2017, BMZ launched its Marshall Plan with Africa to channel and target resources to support long-term and sustainable development. Its commitment to agriculture is primarily through ensuring smallholders have access to finances, market access. BMZ's primary PPP mechanism is the develoPPP.de programme which is designed to foster private sector engagement in areas where business opportunities and the need for development action overlap. It will support German businesses investing in or trying to operate in developing countries up to EUR 200,000. It will also engage in more direct and larger financing partnerships with companies that have demonstrated positive social benefits, such as job creation, local innovation, etc. Launched nearly 20 years ago, the programme has committed over EUR 232 million to agricultural-focused partnerships and helped develop projects related to SAP support for digital accounting for coffee producers in Uganda; Biopartenaire's cashless payment systems in Cote d'Ivoire cacao sector; Gebana's training programmes for organic mango producers in Burkina Faso.	One World – No Hunger https://www.bmz.de/en/publications/type_of_publication/information_flyer/information_brochures/Materialie254_hunger.pdf Marshall Plan with Africa: Chapter 4 – Agriculture http://www.bmz.de/en/countries_regions/marshall_plan_with_africa/contents/chapter_04/01/index.html develoPPP.de Programme https://www.developpp.de/en/our-programme-funding-for-development-partnerships-with-business/ Models for PPP partnership through GIZ http://www.coraltriangleinitiative.org/sites/default/files/resources/Session%204.4.pdf

Examples of financial instruments to be deployed by IFAD

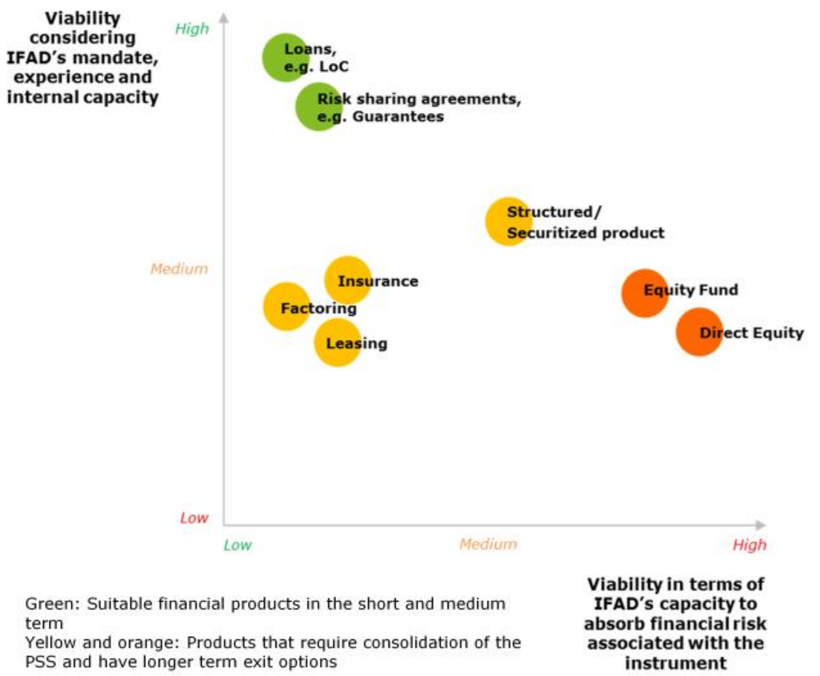
1. Initially, and in line with the gradual approach to private sector operations, IFAD is primarily planning to reach out to the smallholder agriculture sector indirectly, i.e. through financial intermediaries (FIs) that have so far been unable to provide funding to this target group. These could be commercial banks (with focus or planned focus on MSMEs and agriculture), as well as non-bank financial institutions, such as microfinance institutions, leasing companies or impact investment facilities. IFAD could offer a range of financial products which would raise these FIs' investment and liquidity capacity and/or decrease their financial risk and in turn provide the necessary incentive to on-lend to smallholders, farmer organizations and agricultural MSMEs. Investing through FIs will allow IFAD to capitalize on their experience and knowledge of the local market,[17] catalyse additional funding, diversify its clientele and reach larger groups of small farmers more efficiently.

2. Specifically, IFAD could offer lines of credit (LoC) and risk sharing agreements. IFAD will make particular efforts to structure these instruments such as they provide appetite for their recipients to fund small holders and rural SMEs.

3. General technical description of both financial instruments is provided below.

4. Both LoCs and risk sharing agreements are relevant and appropriate for IFAD's mandate and ability to absorb risk in the short and medium term, which is highlighted by the figure below.

Figure 1
Viability of different financial products for deployment at IFAD in the short and medium term
Source: own figure

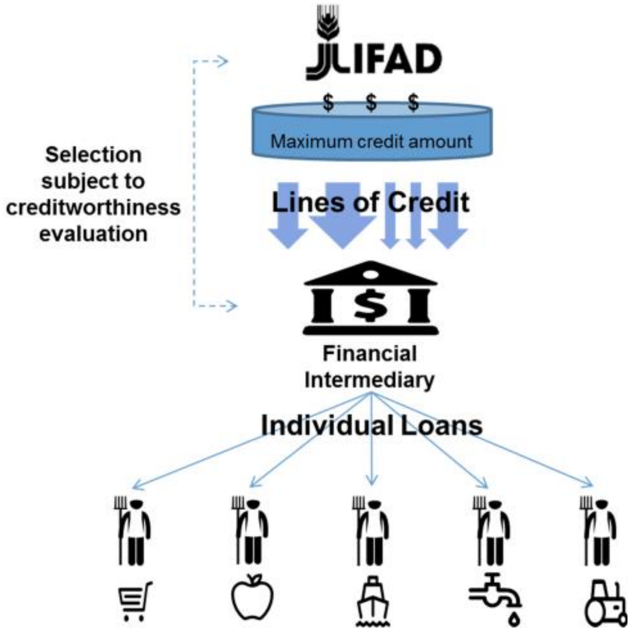


5. Lines of credit (LoCs) are unsecured long-term debt instruments which IFAD could issue to banks or non-bank financial intermediaries. They establish a maximum credit amount which the FIs can access at any time, as long as the limit is not exceeded and all requirements (timely repayment, development impact etc.) are met. The tenor, interest rate, size of payments, and other rules are set

[17] Financial intermediaries selection will be subject to a creditworthiness evaluation (e.g. asset quality, liquidity management, capitalization, governance)

upfront. LoCs usually provide vital long-term resources to financial intermediaries which would enable them to on-lend to smallholders, farmer organisations and agricultural MSMEs, thereby reaching a larger number of beneficiaries than would otherwise be possible (see figure 2 below).

Figure 2
Line of Credit mechanism
Source: own figure



6. Risk sharing agreements are agreements that IFAD would enter into with financial intermediaries in order to induce them to lend to smallholders and rural MSMEs. Upon extension of the agreement, such as a guarantee, IFAD would cover part of the credit risk stemming from the FI funding activities to smallholders, their organizations or MSMEs working with them. Hence, the guarantee could be used to catalyse funding to IFAD's target groups who would otherwise be unable to access commercial loans or other funding instruments due to a lack of credit history and/or assets that could serve as collateral, thereby expanding available credit. Figure 3 illustrates this mechanism.

Figure 3
Guarantee mechanism
Source: own figure