



Investir dans les populations rurales

Conseil d'administration

Cent trente-septième session
Rome, 13-15 décembre 2022

Examen à mi-parcours de la Stratégie de collaboration avec le secteur privé 2019-2024

Cote du document: EB 2022/137/R.9

Point de l'ordre du jour: 4 b) v)

Date: 17 novembre 2022

Distribution: Publique

Original: Anglais

POUR: EXAMEN

Mesures à prendre: Le Conseil d'administration est invité à examiner l'examen à mi-parcours de la Stratégie de collaboration avec le secteur privé 2019-2024.

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Examen à mi-parcours de la Stratégie de collaboration avec le secteur privé 2019-2024

I. Introduction

A. Contexte

1. Ces dernières années, le FIDA a pris d'importantes mesures pour renforcer sa collaboration avec le secteur privé. Une étape essentielle dans ce parcours a été l'approbation par le Conseil des gouverneurs, en février 2019, d'une modification de l'Accord portant création du FIDA, par laquelle il autorisait le Fonds à financer directement des organisations et des entreprises du secteur privé. Les modifications apportées aux textes juridiques fondamentaux du FIDA sont entrées en vigueur en septembre 2019, avec l'adoption par le Conseil d'administration de la Stratégie de collaboration avec le secteur privé 2019-2024 (EB 2019/127/R.3).
2. Le présent document présente un examen à mi-parcours de la Stratégie de collaboration avec le secteur privé et vise à évaluer la pertinence de la stratégie à la lumière des changements survenus au sein de l'organisation et en dehors depuis son adoption. L'examen à mi-parcours porte sur les progrès réalisés par rapport aux objectifs et aux mesures prévues, recense les difficultés rencontrées et les domaines à améliorer, et formule des recommandations. Fait important, il ne constitue pas un examen de la collaboration globale du FIDA avec le secteur privé.

B. Méthode

3. Le présent examen à mi-parcours analyse la pertinence et les progrès de la Stratégie de collaboration du FIDA avec le secteur privé 2019-2024 et se fonde sur un ensemble de données quantitatives provenant du plan d'action de la stratégie et de données provenant de systèmes et de documents du FIDA. L'examen à mi-parcours s'appuie également sur les conclusions de divers bilans¹ réalisés par le personnel du FIDA. Ces données ont été complétées par des entretiens et par des ateliers associant un large éventail de parties prenantes institutionnelles (voir appendice VI).

II. Contexte

4. La Stratégie de collaboration avec le secteur privé a été adoptée en septembre 2019, deux mois après que le Rapport 2019 sur l'état de la sécurité alimentaire et de la nutrition dans le monde a indiqué que 800 millions de personnes se couchaient chaque soir le ventre vide. Depuis, des événements défavorables liés aux changements climatiques, la pandémie de COVID-19 et les conflits, notamment la guerre en Ukraine, n'ont fait **qu'aggraver les difficultés rencontrées par les populations pauvres des zones rurales**.
5. Pour les petits exploitants et les ménages ruraux imbriqués dans des systèmes alimentaires, la pandémie et les mesures de confinement se sont traduites par des difficultés d'accès aux intrants, aux marchés et aux financements². De même, la guerre en Ukraine a entraîné une forte hausse des prix des principales denrées alimentaires, des engrais et des carburants.
6. La pandémie de COVID-19 et la crise ukrainienne sont survenues pendant les premières années de la Stratégie de collaboration avec le secteur privé et ont pesé sur sa mise en œuvre. Par exemple, la nécessité d'organiser des réunions virtuelles

¹ Bilan sur la collaboration avec le secteur privé de la Division Proche-Orient, Afrique du Nord et Europe (2022), rapport « Lessons learned from IFAD's inclusive rural and agricultural finance experiments in WCA (2009-2020) » (en anglais seulement) et rapport de situation sur les chaînes de valeur sur la période 2010-2021.

² Oman, S., Kongongo, F., Kelly, S. et Ilie, E. 2021. Assessing the impact of COVID-19 on agrifood manufacturing small and medium enterprises in sub-Saharan Africa. Rome, Organisation des Nations Unies pour l'alimentation et l'agriculture et Vienne, Organisation des Nations Unies pour le développement industriel.

est devenue courante et, s'agissant de la conception de projets, le FIDA a dû ajuster ses processus et **procéder aux vérifications préalables virtuellement**. Dans le même temps, le processus de décentralisation renforcé du FIDA s'est traduit par une plus grande présence sur le terrain, **augmentant ainsi les possibilités de collaboration** avec le secteur privé.

7. Les premières années de mise en œuvre de la Stratégie de collaboration avec le secteur privé ont aussi été le théâtre d'évolutions au sein de l'organisation et en dehors, qui ont créé de nouvelles opportunités pour le FIDA. Parmi elles figurent la note de crédit du FIDA, les progrès réalisés et les engagements pris lors de la COP 26, et les recommandations du Sommet sur les systèmes alimentaires.

III. Constatations

8. **La stratégie fixe deux grands objectifs:** objectif 1 (O1) – mobiliser des financements et des investissements privés à destination des microentreprises et petites et moyennes entreprises (MPME) en milieu rural et de la petite agriculture; O2 – agrandir les marchés et accroître les revenus et les possibilités d'emploi des groupes cibles du FIDA au moyen de la collaboration avec le secteur privé. La Stratégie de collaboration avec le secteur privé énonce quatre mesures à mettre en œuvre pour atteindre ces objectifs principaux: i) O1.1 – orienter les financements privés vers les MPME en milieu rural par le déploiement d'instruments financiers; ii) O1.2 – mobiliser les investissements du secteur privé au moyen du programme de prêts et dons du FIDA; iii) O2.1 – développer des filières inclusives en collaboration avec des partenaires du secteur privé pour élargir les partenariats public-privé-producteurs du FIDA; iv) O2.2 – reproduire à plus grande échelle de nouvelles technologies et des solutions économiques pour aider les petits producteurs et les populations rurales.
9. **L'examen à mi-parcours a révélé que les objectifs et domaines d'action de la stratégie restaient pertinents.** Leur importance ne cesse de croître dans le contexte des crises actuelles où l'accès au financement, aux marchés, aux revenus et aux possibilités d'emploi s'est détérioré. Les mesures prévues par la stratégie étaient essentielles pour catalyser le financement et pour accroître les revenus et les possibilités d'emploi des petits producteurs et des populations rurales pauvres, notamment les femmes, les jeunes et les autres groupes défavorisés.
10. **Les modalités de mise en œuvre de la Stratégie de collaboration avec le secteur privé se sont révélées efficaces pour assurer l'exécution malgré le contexte de crise.** La démarche prévue dans la Stratégie de collaboration avec le secteur privé est celle d'un approfondissement progressif de la collaboration du FIDA avec le secteur privé au moyen du programme de travail, assurant une conformité totale avec le mandat du FIDA, une exécution constante et une collaboration étroite avec les gouvernements et autres partenaires. Le FIDA a veillé tout particulièrement à ce que les partenaires du secteur privé avec qui collaborer partagent ses vues (pour des exemples, voir appendice II).
11. **Le FIDA a mis en œuvre avec succès un nouvel axe de travail prévoyant des financements directs du secteur privé (O1.1).** L'Unité de la collaboration avec le secteur privé – conseil et appui a été établie en tant qu'unité spécialisée chargée d'appuyer et de coordonner la structuration, la mise en œuvre et la supervision des opérations non souveraines (ONS). L'approche du FIDA pour la collaboration par des ONS – domaine où les préoccupations quant à une dérive de la mission étaient les plus fortes – est fondée sur une recherche rigoureuse d'additionnalité, d'impact et de complémentarité avec les interventions du secteur public et les efforts d'autres partenaires clés du développement dans l'écosystème. Avec la création du Fonds fiduciaire pour le secteur privé, l'élaboration de directives et d'outils internes (voir encadré ci-dessous), conjuguée au renforcement de plusieurs divisions et départements, a consolidé le cadre de mise en œuvre et de gouvernance des ONS. Le Programme de participation du secteur privé au

financement (PPSPF) a été créé en 2021 pour institutionnaliser l'exécution des ONS. Le FIDA, pleinement conscient des risques liés au financement direct du secteur privé, a mis au point une approche prudente d'atténuation des risques (appendice V).

Encadré 1

Processus institutionnels, directives et cadres relatifs aux ONS*

- i) Création de l'Unité de la collaboration avec le secteur privé – conseil et appui
- ii) Cadre des ONS et création du Fonds fiduciaire pour le secteur privé
- iii) Directives relatives à la mise en œuvre et à l'examen des ONS
- iv) Directives sur le risque de crédit lié aux ONS
- v) Modèles juridiques pour les ONS
- vi) Outil d'assurance qualité des ONS
- vii) Cadre d'impact des ONS
- viii) Directives relatives à la passation des marchés pour les ONS
- ix) Note d'examen des Procédures d'évaluation sociale, environnementale et climatique et matrice du plan de gestion environnementale et sociale des ONS
- x) Méthode de tarification des ONS
- xi) Politique en matière de diffusion des documents concernant les ONS

* Plus de détails sont fournis à l'appendice II.

12. À ce jour, le bilan du FIDA en matière d'approbations et de décaissements des ONS est prometteur, ce qui confirme la pertinence du positionnement et de l'offre du PPSPF. En septembre 2022, le Conseil d'administration avait approuvé six ONS et une prise de participation de 8,4 millions d'EUR dans le Fonds d'investissement pour l'entrepreneuriat agricole (Fonds ABC)³. Ces six investissements devraient toucher 403 000 bénéficiaires directs au total et 1,4 million de bénéficiaires indirects, dont 60% de femmes et 35% de jeunes, pour un investissement global de 25,5 millions d'USD et un coût total cumulé du projet de 166,2 millions d'USD (pour plus de détails, voir appendice II). Ces ONS sont des exemples de financement contracyclique en réponse à la crise de la COVID-19 et, plus récemment, à la guerre en Ukraine. Qui plus est, la réserve de projets potentiels s'accroît. Le PPSPF est encore récent, sa mise en œuvre n'est pas encore achevée et ses résultats ne peuvent pas encore être confirmés. Des efforts sont donc nécessaires pour appuyer la mise en œuvre, la complémentarité et l'ancrage dans le programme de prêts et dons au service des objectifs fixés dans les programmes d'options stratégiques pour les pays (COSOP) (pour plus de détails sur l'ancrage, voir appendice II) et au niveau institutionnel.
13. **Le PPSPF offre au FIDA une plateforme lui permettant de renforcer son rôle d'assembleur de financements.** Le PPSPF offre une boîte à outils d'instruments financiers (instruments de fonds propres, de dette et d'atténuation des risques) et des modalités de déploiement qui pourraient être exploités pour susciter un intérêt plus vif de la part d'acteurs du secteur privé plus ou moins importants, non seulement dans les domaines de l'agriculture et du climat, mais aussi du genre, de la nutrition et de la jeunesse. Si les ambitions du FIDA pour le PPSPF restent élevées, il faudra renforcer encore les capacités aussi bien au siège que sur le terrain.
14. **Malgré le potentiel du PPSPF, la mobilisation de ressources s'est révélée être un défi.** Le PPSPF s'est avéré prometteur du point de vue des gains de développement et de l'effet de levier obtenu à partir de la contribution initiale du

³ Première ONS du Fonds, cette prise de participation a bénéficié d'une contribution de la Direction suisse du développement et de la coopération.

FIDA (25 millions d'USD) et, bien que des efforts aient été consentis en matière de communication et de sensibilisation, il faudra travailler encore pour améliorer l'offre du PPSPF en interne et à l'extérieur. Le modèle innovant du programme et son expérience limitée à ce jour, ainsi que les crises mondiales, n'ont pas facilité la collecte de fonds. Pour que le PPSPF se développe, un appui soutenu est requis. Cet appui est particulièrement important, le programme ayant besoin de ressources supplémentaires (estimées à 140 millions d'USD en actifs sous gestion) pour atteindre le seuil de rentabilité et être financièrement viable. Cet objectif peut être tenu si le FIDA parvient à mobiliser des ressources supplémentaires pour le PPSPF. À défaut, il faudra revoir l'impact escompté (voir l'appendice II). Pour accroître la pertinence du programme, le PPSPF pourrait être mis à profit non seulement pour servir les pays à faible revenu, les pays à revenu intermédiaire de la tranche inférieure et les pays en situation de fragilité, mais aussi pour renforcer l'offre du FIDA aux pays à revenu intermédiaire de la tranche supérieure.

15. **Les approches visant à attirer les investissements du secteur privé dans le programme de prêts et dons (O1.2), encore plus nombreuses et variées, se sont aussi perfectionnées.** Il s'agit notamment de financements ruraux à destination d'un large éventail d'entreprises, d'activités des institutions financières participantes et de petits producteurs, sous la forme de dons de contrepartie, de fonds de garantie et de lignes de crédit régulières ou mixtes. Le FIDA a également apporté un soutien non financier en fournissant une assistance technique à la production ou aux entreprises afin de réduire les risques liés aux investissements du secteur privé. En parallèle, **il est admis que les ressources financières, le personnel et les capacités de l'unité de gestion de projet (UGP) sont limités**, et qu'il y a des lacunes dans la boîte à outils s'agissant des interventions du secteur privé, des budgets de conception, de l'expérience en entreprise et des capacités d'analyse du marché.
16. **Les projets relatifs aux filières et les partenariats public-privé-producteurs (O2.1) ont été fréquemment utilisés pour collaborer avec le secteur privé au moyen du programme de prêts et dons.** Depuis l'adoption de la Stratégie de collaboration avec le secteur privé, 39 projets relatifs aux filières ont été approuvés, ce qui représente 81% du nombre total de projets approuvés pendant la même période (2020-2021) (voir appendice II). Cependant, le nombre total de projets relatifs aux filières n'a pas augmenté ces cinq dernières années (2017-2021), car le FIDA tend à se concentrer sur des projets moins nombreux mais de plus grande ampleur pour chaque cycle de reconstitution. De plus, l'examen à mi-parcours a déterminé que, faute d'incitations financières claires, les entités du secteur privé n'avaient pas toujours les moyens ou la volonté de collaborer directement avec les petits producteurs ruraux (voir appendice II).
17. **La collaboration avec le secteur privé au moyen du programme de prêts et dons ne s'est pas traduite par un fort cofinancement privé.** Le financement par le secteur privé dans le programme de prêts et dons reste faible, comptant pour environ 6% de tous les cofinancements. Il y a à cela plusieurs raisons: i) le FIDA n'assure pas systématiquement le suivi des résultats de la mobilisation; ii) les acteurs du secteur privé sont uniquement intéressés par le cofinancement d'activités appuyées par le FIDA commercialement viables; iii) la collaboration avec les acteurs du secteur privé au stade de la conception n'est pas suffisante pour les intégrer dans les projets du FIDA; iv) s'agissant des projets du secteur public, la conception et le décaissement ont pris trop de temps (voir appendice VI).
18. **Les activités visant à intégrer des solutions du secteur privé dans le programme de travail du FIDA au service des objectifs des COSOP (O2.2) se sont développées de manière encourageante.** L'examen à mi-parcours montre que la plupart des progrès accomplis par le FIDA l'ont été dans le domaine des solutions technologiques. Parmi ces activités, on peut noter la promotion d'applications de gestion des risques climatiques, la numérisation des institutions

financières coopératives rurales à petite échelle, et des applications de terrain reposant sur l'intelligence artificielle, s'appuyant sur le rôle du FIDA en tant qu'agrégateur de marchés, passeur de connaissances, partie prenante clé et fournisseur de conseils techniques. L'adoption, en 2019, de la Stratégie relative aux technologies de l'information et des communications au service du développement (ICT4D) et du plan d'action y afférent, et la création d'une équipe ICT4D et d'un groupe de coordination ont contribué à accroître l'utilisation de solutions numériques provenant de partenaires du secteur privé.

19. **La mise en œuvre de la Stratégie de collaboration avec le secteur privé tirerait avantage du renforcement de la coordination, du suivi et des incitations.** Tout au long de la période couverte par l'examen à mi-parcours, les responsabilités liées à la mise en œuvre de la stratégie sont restées fragmentées, les tâches et les rôles étant dispersés entre divers départements. L'Unité de la collaboration avec le secteur privé appuie et coordonne les ONS et supervise certaines activités du secteur privé, telles que le Fonds ABC et le Réseau de financement et d'investissement en faveur des PME agricoles et de l'agriculture paysanne (SAFIN); la Division de l'engagement, des partenariats et de la mobilisation des ressources à l'échelle mondiale (GPR) est chargée de la collecte de fonds et de la collaboration avec les partenaires du secteur privé, notamment les grandes entreprises multinationales; la Division environnement, climat, genre et inclusion sociale (ECG) joue le rôle de chef de file en matière de financements et de garanties sensibles aux enjeux climatiques; le Département de la gestion des programmes (PMD) est chargé de la gestion des programmes de pays, dans lesquels les investissements souverains et non souverains doivent être complémentaires, tandis que le Département de la stratégie et des savoirs (SKD) fournit une expertise technique, des services de relevé des mesures et des données. Cette fragmentation est encore aggravée par le manque: i) de normes claires, d'indicateurs clés de performance et de mesures d'incitation pour la collaboration avec le secteur privé; ii) d'un système institutionnel de suivi des différentes formes d'engagement, de collaboration et de résultats.
20. **Un degré de complémentarité satisfaisant a été atteint au niveau du programme de travail et avec les organismes ayant leur siège à Rome, même si davantage pourrait être fait.** Par exemple, la visibilité acquise par le FIDA grâce au Fonds ABC s'est révélée essentielle pour recueillir davantage d'analyses afin de faire en sorte, au stade de la conception, que le PPSPF soit complémentaire du Fonds ABC et du programme de prêts et dons. Le FIDA et le Fonds ABC partagent sans arrêt des informations sur les perspectives de projets. Les résultats sont encourageants, mais des améliorations pourraient être apportées au processus de renvoi. L'Unité de la collaboration avec le secteur privé collabore également avec le programme Organisations paysannes dans les pays d'Afrique, des Caraïbes et du Pacifique (FO4ACP) et avec le Mécanisme du FIDA/d'ECG pour l'action climatique dans l'élaboration d'un programme de financement climatique via le Programme élargi d'adaptation de l'agriculture paysanne (ASAP+) de manière à améliorer l'accès des organisations paysannes aux interventions de résilience climatique. Pour ce qui est de la collaboration entre les organismes ayant leur siège à Rome, il est à noter que le Programme alimentaire mondial a été associé à au moins deux projets récents en tant que partenaire. On ne connaît pas à ce jour le nombre exact de projets lancés avec les organismes ayant leur siège à Rome ou avec d'autres partenaires de développement puisque le FIDA ne recueille pas de données agrégées sur les interventions liées à la Stratégie de collaboration avec le secteur privé. À l'avenir, il faudra explorer et suivre plus activement les possibilités de collaboration avec les organismes des Nations Unies et les institutions financières internationales concernés.

21. **La capacité du FIDA à assurer la collaboration du secteur privé a été renforcée en combinant des recrutements, des détachements et des formations, mais les processus internes ont empêché le Fonds de tirer pleinement parti de ces efforts.** L'Unité de la collaboration avec le secteur privé a recruté à l'extérieur du personnel technique expérimenté pour structurer et déployer les ONS et a bénéficié des services d'experts détachés par les Gouvernements allemand, japonais, suédois et suisse. Parallèlement, les départements et divisions concernés (notamment le Bureau du Conseil juridique, le Bureau de la gestion globale des risques, la Division des politiques et des résultats opérationnels, la Division du Contrôleur financier, la Division environnement, climat, genre et inclusion sociale, la Division des services de gestion financière, le Département de la gestion des programmes et le Groupe assurance qualité) ont également renforcé leurs capacités s'agissant de fournir une expertise spécialisée tout au long du cycle de développement des ONS.
22. Par ailleurs, le FIDA a étoffé ses équipes chargées du climat et des filières, créé une nouvelle équipe ICT4D et prévu des conditions d'expérience dans le secteur privé pour certaines fonctions techniques. Cependant, plusieurs postes sont restés vacants pendant des périodes prolongées en raison de processus internes tels que les réaffectations et la décentralisation. La collaboration avec les équipes chargées de la jeunesse, de la nutrition et du genre n'a pas encore été explorée activement. La collaboration du FIDA avec les investisseurs à impact et d'autres acteurs pour mieux communiquer sur son offre est également un domaine dans lequel des améliorations sont à apporter. En outre, si des formations ont été dispensées au personnel du FIDA sur la collaboration avec le secteur privé et aux UGP sur le développement de filières profitant aux pauvres, une approche plus systématique reposant sur l'analyse des lacunes dans les compétences devrait être adoptée.

IV. Recommandations

23. **La Stratégie de collaboration avec le secteur privé devrait insister davantage sur le renforcement du rôle d'assembleur de financements du FIDA, sur le renforcement de la résilience des bénéficiaires du FIDA et sur la création de possibilités de collaboration avec le secteur privé au niveau institutionnel dans le cadre des objectifs des COSOP et de programmes de pays porteurs de transformations bien intégrés.** Une telle approche pourrait se concentrer sur la mise en place d'une réserve de projets visant à promouvoir les marchés ruraux et le secteur agricole intermédiaire. Elle pourrait aussi catalyser davantage de financements de l'action climatique pour appuyer les efforts d'adaptation et d'atténuation des petits producteurs et des populations rurales pauvres, ainsi que l'utilisation de produits de réduction des risques et de solutions technologiques du secteur privé. L'examen à mi-parcours montre également que les programmes financés par des fonds supplémentaires et le propre pouvoir de mobilisation du FIDA offrent des possibilités précieuses de collaborer avec le secteur privé et de réunir davantage de financements, comme dans le cadre de l'initiative de mise en place d'une plateforme de banques publiques de développement (voir appendice II). La possibilité d'envisager un renforcement du financement privé dans la Treizième reconstitution des ressources du FIDA (FIDA13) sera également présentée aux États membres en temps voulu.
24. **Le dispositif de mise en œuvre de la Stratégie de collaboration avec le secteur privé doit être renforcé en mettant l'accent sur la coordination et sur la création de synergies.** Le FIDA doit promouvoir une meilleure coordination et davantage de cohérence dans la mise en œuvre de l'ensemble de la stratégie afin de créer des synergies et des gains d'efficacité opérationnels fondés sur un système de rôles et de responsabilités clairement établi, sur l'obligation de rendre compte des résultats (indicateurs clés de performance), sur des incitations et sur des systèmes de collecte et de suivi des données. Cela pourrait passer par la désignation de points focaux régionaux au sein du Département de la stratégie et

des savoirs afin de faciliter la collaboration avec le Département de la gestion des programmes. Par ailleurs, le traitement des ONS et autres mécanismes appuyant la collaboration avec le secteur privé doit être rationalisé pour favoriser à la fois des gains d'efficacité et l'intérêt des entités du secteur privé.

25. **Le personnel et les capacités des UGP doivent encore être mis à niveau et renforcés, aussi bien sur le terrain qu'au siège.** L'Unité de la collaboration avec le secteur privé et l'Unité de gestion des talents effectueront une analyse des déficits de compétences afin de guider ces efforts. Il sera veillé, en particulier, à ce que les équipes de pays et les UGP aient accès à des possibilités d'apprentissage et à des formations sur des sujets liés au secteur privé.
26. **Une stratégie de financement pour le PPSPF devrait être mise en œuvre.** Le PPSPF a besoin de l'appui financier des donateurs et des investisseurs pour maintenir son exécution, devenir durable et obtenir l'impact escompté à long terme. Le FIDA continuera à explorer diverses possibilités de collecte de fonds et renforcera ses efforts pour accroître la visibilité et l'offre du PPSPF auprès des États membres et des partenaires privés. Il ouvrira également une discussion avec les États membres sur les différentes options de financement à l'occasion de la Consultation sur FIDA13.
27. **L'évaluation des résultats de la collaboration avec le secteur privé doit être améliorée.** Une approche systématique de la définition et de l'évaluation des activités du secteur privé et du cofinancement sera mise en place. Le FIDA doit définir, suivre et évaluer les interactions avec le secteur privé et produire des données agrégées sur la collaboration, y compris les activités de cofinancement et la collaboration entre les organismes ayant leur siège à Rome.

V. Suivi

28. Un dispositif de suivi global de la Stratégie de collaboration avec le secteur privé – couvrant tous les objectifs fixés et toutes les mesures prévues par la stratégie – sera établi, l'objectif étant de fournir des mises à jour régulières sur l'état de la mise en œuvre et de déterminer les meilleures pratiques en vue d'investissements futurs au moyen d'opérations souveraines ou non.

Completion status of the PSS Action Plan

Actions	Responsibility	Milestone	Timeframe	Institutional Support	Status
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.	May 2019	HRD	Completed
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	Completed
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; FMD: Financial management; RMU: Risk management; GPR: Global engagement and outreach.	Creation of an inter-departmental PSS coordination group with clear definition of responsibilities within IFAD.	Q3 2019	HRD	Completed
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).	Q1 2020	PAI, HRD and other departments to identify relevant trainers	- Skills gap analysis through HRD - Finalization of training module by PMI/PAI; - Timeline of trainings for 2023 and beyond.
		1 training delivered/year.	2020/2021		PS modules during ESA (2020) and NEN (2021) Operations Academy.

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.	<ul style="list-style-type: none"> • 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	Completed
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	Ongoing
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/ICO, Operational Strategy and Policy Guidance Committee, design review meetings, Quality Assurance Group, ECG, LEG	To be finalized (NSO review guidelines)
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 established)	Finalization of credit risk rating system for private sector operations	Q2 2020	ECG for safeguards	Ongoing (credit risk rating system)
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, ICF	Completed (SECAP Review note and ESMP matrix available for NSOs)
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 enables 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,, ICF,FOD	(i) Completed (NSO Framework, Appendix 8: Assessing additionality and development results); (ii) NSO Impact Framework.
Action 3.5: Prepare funding agreement templates	LEG (a private sector desk is being established)		Q2-Q3 2020	Outside counsel	Ongoing. LEG is working on various templates. Some are finalized, others are under review.

4. Cooperation and outreach					
Action 4.1: Develop operational partnerships to build a pipeline and identify investment opportunities.	PAI	Partnership and co-financing with development partners successfully established.	-	FOD, ERG	Ongoing
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 Cooperation and is looking to join the Development Finance Institution Working Group on Blended Concessional Finance for Private Sector Projects.	-	OPR, GPR and other departments, IFAD internal task force on common principles for blended concessional finance	Completed
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.	-	All IFAD departments	Ongoing

PSS Objectives and Actions: A review of progress to date

O1.1 - “Deploy financial instruments that play a catalytic role in direct private sector financing to rural MSMEs and small-scale agriculture”.

1. In the context of the PSS O1.1, IFAD worked on three main tracks to initiate this new work stream: (i) Institutional; (ii) Operational; and (iii) Resource Mobilization.
2. **(I) Institutional track.** The Private Sector Advisory and Implementation Unit (PAI) was established as a specialized unit to support and coordinate the delivery of all Non-Sovereign private sector Operations (NSOs). PAI was also assigned the responsibility for the oversight of selected private sector-focused initiatives, notably the Agri-Business Capital (ABC) Fund and the Smallholder and Agri-SME Finance and Investment Network (SAFIN). Currently, PAI includes dedicated investment professionals with varied experiences, both from the public and private sectors (AfDB, IaDB, Oikocredit, Eastern Africa Development Bank, Deutsche Bank, J.P. Morgan). PAI also benefited from secondment of two senior investment officers from the Governments of Sweden and Japan, and of two junior professional officers from the Governments of Germany and Switzerland. These proved very useful at early stages to sustain delivery without putting pressure on IFAD’s budget.
3. Together with the creation of the PAI unit and the Private Sector Trust Fund (PSTF), the development of several internal guidelines and tools have solidified the required framework for the operationalization and due governance of direct investing in private partners. These included: the Framework for non-sovereign private sector operations and Establishment of a Private Sector Trust Fund (EB 2020/129/R.11) (2020), Non-Sovereign Operations Design Guidelines (Q1 2021), Credit Risk Guidelines for Non-Sovereign Operations (Q3 2021), Legal Templates for NSOs: Loan Agreement (LA), Term Sheet (TS), Letter of Information (LOI), Legal Due Diligence Checklist, Mandate Letter (ML), Non-Disclosure Agreement (NDA) (Q4 2021, ongoing), Non-Sovereign Operations Quality Assurance Tool (Q3 2021), Non-Sovereign Operations Impact Framework (Q4 2022), Procurement Guidelines for Non-Sovereign Operations (Q3 2020), SECAP Review Note and ESMP Matrix for Non-Sovereign Operations (Q4 2020), and the Non-Sovereign Operations Disclosure Policy EB 2022/136/R.5 (Q4 2022).
4. A new template will be developed in the Grants and Investment Projects System (GRIPS) specifically for NSOs. Subsequently in 2023, IFAD will develop an NSO module in its online Operational Results Management System (ORMS) to ensure adequate monitoring and reporting of the results achieved through the PSFP projects lifecycle.
5. Additional institutional processes entailed also adherence to the Blended Finance Principles for DFIs, ensuring best practices in the use of wider-reaching financial instruments for blended finance operations.
6. **(II) Operational track.** The Private Sector Financing Program (PSFP) was approved in February 2021 with the ambition to mobilize private funding and other investments to deliver economic, social, and environmental benefits to rural poor and small producers in Low Income Countries (LICs), Lower-Middle Income Countries (LMICs), and Fragile States. The PSFP has a unique positioning in the impact investing space by way of its tolerance to lower expected returns and small ticket-size transactions, permitting IFAD to reach players that are not currently reached by other organizations.
7. The PSFP is the umbrella program to institutionalize the delivery of NSOs. It takes a direct approach of investing in private sector enterprises which target specific groups of beneficiaries. Although the recipients of funds are the enterprises themselves, the desired development impact does not stop there; the ultimate beneficiaries of NSO interventions are the rural poor, in alignment with IFAD’s

mandate. Such multi-layered outcome is designed into NSO projects from the start, and careful attention is taken in the selection of the private sector partners: must be socially-committed entities that provide solutions to the key challenges faced by the rural poor, and that can deliver the specific targeting of beneficiaries IFAD requires, by mission and vision, during project implementation. Accordingly, NSOs are intended to add to, and complement the solutions already available through IFAD's PoLG by utilizing the private sector as venue.

8. Additionally, the PSFP has the potential to deliver impact outside of traditional public sector channels in countries with debt distress, conflict, or weak governance. However, the efficacy of NSOs is heavily dependent on the choice of the private sector partner. Relevance and alignment to IFAD's mandate is one of the five Investment Screening Criteria evaluated by the PSFP during the project origination phase, together with additionality, impact, E&S standards and risks as stipulated in the Framework for IFAD Non-Sovereign Private Sector Operations.
9. Depending on the amount of resources raised, the PSFP is expected to reach between 5.7 and 13.9 million beneficiaries over the period 2021-2030. Targeted outcomes for NSOs include (i) increased employment, (ii) strengthened livelihoods, (iii) development of human capital through training, (iv) increase in SME efficiency and outputs, and (v) decrease in negative environmental impact of SMEs or FIs.
10. These target are achievable provided that IFAD is able to mobilize additional resources for the PSFP, otherwise the break-even point and the program's expected outcomes will need to be readjusted (see Appendix II for details on PSFP's financial sustainability).

Table 1: PSFP's Expected Outreach by 2030

Scenario	Low	Medium	High
Amount raised	USD 103 M	USD 165 M	USD 252 M
Total amount with leverage (x5)	USD 515 M	USD 825 M	USD 1.26 B
% of NSOs in LICs, LMICs and Fragile States	90%	90%	90%
% of NSOs that promote Climate Smart Agriculture, Adaptation and Mitigation	50%	50%	50%
% of women	50%	50%	50%
% of youth	30%	30%	30%
Total number of beneficiaries	5.7 M	9.1 M	13.9 M

11. To date, PAI has delivered six NSOs through the PSFP which were approved by the Executive Board (EB) in Nigeria, Uganda, Madagascar, Mozambique, Bolivia and Cambodia, plus an equity investment in the ABC Fund of EUR 8.4million; and a pipeline of potential projects to be financed by the PSFP continues to grow.⁴ The average ticket size for this group of six investments is USD 4.3 million, with an expected total number of 403,000 direct and 1.4 million indirect beneficiaries, an average total project cost⁵ of USD 27.7 million (a 6.5 expected leverage effect⁶), for an aggregated total project cost of USD 166.2 million. Based on their respective logframes these six NSOs are expected to generate outcomes, among others, in terms of: (i) Increased income and revenues for small producers involved in food systems; (ii) Increased production and farmers' productivity; (iii) Improved access to finance for small producers and rural poor, as well as agri-SMEs involved in food

⁴ The current PSFP pipeline contains 55 prospective NSOs, of which 6 present investment readiness. In its lifetime, more than 100 potential projects have been screened by the PSFP for bankability and adherence to NSO Investment Criteria.

⁵ Includes both realized and expected co-financing for a project.

⁶ The leverage effect is calculated as Total Project Cost divided by Nominal Amount. It gives a sense on how much the initial IFAD contribution has been amplified by realized and expected co-financing.

- systems; and (iv) Strengthened resilience of small producers against impacts of climate change.
12. All projects are examples of countercyclical funding, addressing the effects of COVID-19 in the projects' respective countries. IFAD's target groups are all effectively addressed through these investee operations.
 13. While promising, these NSOs are yet to be implemented which calls for great attention to implementation processes.

Table 2: PSFP's Outreach Metrics

NSO Project	Country	Targeting		Outreach		Themes		
		Women	Youth	Direct Beneficiaries	Indirect Beneficiaries	Climate	Digital	Sustainable Production
Babban Gona	Nigeria	60%	60%	95,000	382,000	✓	✓	✓
EERF	Uganda	50%	30%	173,000	607,000		✓	✓
Soafiary	Madagascar	35%	30%	4,000	16,000	✓		✓
Futuro	Mozambique	75%	30%	21,000	105,000		✓	✓
Crecer	Bolivia	77%	39%	65,000	149,500		✓	✓
AMK	Cambodia	60%	20%	45,000	180,000	✓	✓	✓
Total / Average		60%	35%	403,000	1,439,500			
Grand Total					1,842,500	Impacted People		

Table 3: PSFP's Financial Metrics (in USD, millions)

NSO Project	Instrument	Nominal Amount	Tenor (Years)	Grace (Years)	Total Project Cost	Leverage Effect
Babban Gona	Senior Debt	5.0	7	3	35.0	7.0
EERF	Senior Debt	5.0	5	2	40.0	8.0
Soafiary	Senior Debt	3.5	4	2	8.2	2.3
Futuro	Senior Debt	2.0	5	1	7.0	3.5
Crecer	Subordinated Debt	5.0	7	2	41.0	8.2
AMK	Subordinated Debt	5.0	7	3	35.0	7.0
Average⁷		4.3	6.0	2.3	27.7	6.5

14. NSO financial sustainability and risk mitigation is also ensured on a project-by-project basis with (i) adequate risk-based pricing, and (ii) thorough financial risk management, following the principles established in the Credit Risk Guidelines for NSOs, an in-depth assessment of counterparty risk during the design process, and ongoing monitoring of deployed operations.
15. For non-financial risks, the Framework for Non-Sovereign Private Sector Operations extensively covers risk management, outlining key risks in engaging directly with the private sector. In addition to operational risk, IFAD is exposed to fraud, corruption and financial crime risk, legal risk, fiduciary risk, and reputational risk. NSOs are all subject to risk assessments by IFAD's risk management teams that are independent from the project origination team.
16. Furthermore, E&S screening is conducted for each project based on IFAD's SECAP. All NSOs must adhere to IFAD's recently updated SECAP, which aims to uphold the highest standards of environmental sustainability and minimize any environmental harm. Ensuring E&S standards subsequently hedges reputational risk for IFAD, as associating with projects engaged in harmful environmental practices can damage IFAD's image. Loan disbursements to NSOs are contingent on meeting

⁷ For methodological consistency, weighted averages were used in the calculations except for ordinal data categories (nominal amount and total project cost).

environmental standards, and full compliance of the partner's ESG policies to IFAD's SECAP.

17. **Lessons Learned at the NSO level.** Key lessons learned throughout the processes of origination, design, and early implementation of NSOs are:
 - (i) Considering the private sector complex environment and the peculiarities of the private entities IFAD selects as partners or recipients of financing, several private sector-specific potential issues and risks have to be duly assessed and mitigated during the due diligence phase. Thus, a strong ecosystem with private sector familiarity and expertise is needed, both at the country level and at headquarters;
 - (ii) Regarding the need for Government written non-objection, and based on the initial experiences, it is preferable to obtain such non-objection early on in the design process. However, should it only be possible to obtain the written non-objection later during design, it would nevertheless be important to obtain some form of commitment from the Government to the broad design features of the NSO. Similarly, it is important to keep the Government informed of progress and solicit any guidance it may wish to offer throughout the process;
 - (iii) There is still large space for optimization and streamlining of NSO processing (e.g. concept notes and project appraisal reports could be shortened), and a careful observation of gaps where efficiency can be gained is needed;
 - (iv) Great efforts have been done on creating a pipeline of bankable projects, with more than 100 potential projects being screened by the PSFP for financial feasibility and adherence to NSO Investment Criteria. Nevertheless, due to a careful approach on direct financing of private sector partners, selection for NSO financing remains highly competitive, and systematic origination from the PoW, with adequate capacity and incentives, is needed.
18. **ABC Fund.** The Agri-Business Capital (ABC) Fund is an independent impact investment fund sponsored and conceptualized by IFAD and a key component of its private sector strategy. It seeks to invest, to catalyse blended capital and to mobilize technical assistance to be deployed into underserved agribusiness segments. Accordingly, it is managed by an Independent Fund Manager (Bamboo Capital Partners - BCP) and an independent board of directors oversees it, to which IFAD and the other initial shareholders, including the European Commission, the Organization of African Caribbean and Pacific States (OACPS), the Government of Luxembourg, and the Alliance for Green Revolution in Africa (AGRA) have nominated representative members.
19. To date, the ABC Fund has approved a total 42 projects for a total amount of EUR 41.9 million. 38 of these projects have been disbursed, resulting in a growth of the outstanding portfolio of EUR 27.1 million by September 2022. It is estimated that the Fund has impacted 349,308 small farmers, of which 143,703 were female farmers and 71,538 youth, and have sustained 2,750 permanent rural jobs, 29% of which have gone to women and 30% have gone to youth.
20. The ABC Fund and the PSFP are different in their investment approaches, geographic focus, and product offerings. The main differences between the PSFP's and ABC Fund's investment approaches are: (i) the ABC Fund strives to generate commercial returns as well as impact, while the PSFP has a focus on cost recovery; (ii) the ABC Fund operates with a smaller ticket size (from EUR 200 to 800 thousand) than the PSFP (ranging from USD 2 to 5 million); and (iii) while both have global investment mandates, the ABC Fund has a particular focus on ACP (African, Caribbean and Pacific States), whereas the PSFP expects 90% of its investments to be in LICs, LMICs and fragile situation countries.
21. **SAFIN.** The Smallholder and Agri-SME Finance and Investment Network (SAFIN), also hosted by PAI, is a global network that was conceived to foster dialogue and

alignment across stakeholders that are active on both the demand and supply segments of agri-MSME finance. SAFIN's membership includes donors, Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs), private investors, agri-MSME platforms, farmers' organizations and technical assistance providers. SAFIN is the only global network of diverse actors with an agenda exclusively focused on agri-MSME finance. The value proposition of SAFIN lies in being a network where different actors in the agri-MSME finance ecosystem convene to address strategic knowledge gaps, share learning, and identify opportunities to work together on new, transformative interventions.

22. Ongoing SAFIN initiatives have the capacity to better inform the design of IFAD's Non-Sovereign Operations (NSOs) and directly link to priorities established in the PSFP and PoLG. For example, SAFIN is currently collaborating with PAI in the implementation of an Access to Finance Survey targeting farmers' organizations, some of whom are already members of SAFIN. The results of the survey will lead to the design of a new PSFP co-sponsored program, where some SAFIN partners can play an important role as co-designers or implementers. The PSFP is also optimizing SAFIN's vast membership base to engage in Design Clinics. These are informal SAFIN coordinated sessions to exchange ideas on IFAD project designs, with a preselected group of SAFIN partners, who can provide expertise and lessons learned from their own experiences.
23. **(III) Resource Mobilization track.** As an immediate response to the COVID crisis, in April 2020 IFAD set aside USD 25 million from the IFAD 11 grant envelope to support COVID-19 response activities related to private sector projects and other resilience initiatives. The Governments of Luxembourg and Finland supplied an additional EUR 2 million and EUR 1 million respectively in grants in 2021, and the Government of Germany pledges a contribution of EUR 12 million in 2022. An additional EUR 8.4million grant was given to the Agribusiness Capital (ABC) Fund in 2020 thanks to the support of the Swiss Development Cooperation. Almost all seed funding for NSOs has been allocated, although several promising funding discussions are currently taking place for varying amounts from third-party banks, funds, and development partners, as well as IFAD member states. Given the fact that the current amount of PSFP funding (USD 28 million) is not enough to meet the ambition of the Programme, nor to ensure full cost coverage at a programme-level, intensive dedicated fundraising is ongoing. So far, there are advanced discussions for additional total amounts of about USD 25 million in grant and USD 97 million in returnable capital from various donors and partners.
24. **PSFP's Financial Sustainability.** The PSFP was created with the ambition to become self-sustainable, and its return objective is to fully cover operational costs and maintain the value of the invested portfolio to ensure the financial sustainability of the program and its activities. Based on projections of a 10-year financial model, the PSFP is expected to generate sufficient income from interest and fees to fully cover its total costs with a minimum of USD 140 million in additional resources mobilized for the investment portfolio, at which point the PSFP will be able to replenish itself for further investments, and organically grow its portfolio of successful projects.
25. If the fundraising discussions currently taking place materialize and the program further manages to raise and deploy at least USD 50 million in additional resources, the PSFP is forecasted to partially break-even (at an operational costs level) within 2026; if additional resources are pledged by IFAD and deployment continue and reach the USD 140 million mark, the PSFP is forecasted to fully break-even by end-of-year 2027 (at a programme level, including recovery of currently assumed expected capital losses). If IFAD is not able to mobilize additional resources for the PSFP, these break-even points may need to be reassessed.

01.2 - "Use IFAD's PoLG to crowd-in private sector investments".

26. IFAD PoLG projects recognize the importance of working with the private sector, both by crowding-in partners and by achieving co-financing, and the vast majority of project designs stipulate for such partnerships. Private sector partnerships in projects with Value Chain (VC) components are conducted through direct relationships with corporates, financial institutions, and multi-stakeholder coalitions, via three main channels:
- (a) **Bottom-up:** Encouragement and support for country teams to build and develop partnerships at local level that can evolve for greater scale and impact. These are typically collaborations with small and medium sized VC enterprises throughout the PoLG, including local cooperatives and social enterprises.⁸ Bottom-up projects are led by country teams, and clear initial objectives and operational links are established.
 - (b) **Top-down:** Partnerships with global and regional actors, such as corporations, foundations, technical service providers, and media outreach partners, typically consist of larger VC programmes. Top-down projects are generally operationalised via a Memorandum of Understanding (MoU) or Letter of Intent (LoI). This approach ensures programmatic initiatives that complement IFAD's programmes which then get implemented in partnership with country teams.
 - (c) **Financial Institutions:** Financial institutions include fully commercial, cooperative, MFI and community-based organizations. These partnerships have typically been at the project or country level (bottom-up), but opportunities may exist at regional or multi-country level. Unlocking opportunities in the Public Development Bank⁹ channel is also a priority for IFAD engagement for the "Finance in Commons" initiative, started in 2021.
27. Evidence so far shows that without clear financial incentives, the private sector (especially local MSMEs and agribusinesses) may not have the capacity or interest to directly engage with small producers, especially in the remote areas where IFAD operates. Financial incentives can include either (i) a combination of direct matching grants (either coming through IFAD's Regular Grant Window¹⁰ or through POLG budgets) and infrastructure support for MSMEs and agribusinesses, especially in difficult and marginal environments where a higher level of nudging is needed to attract the private sector¹¹; or (ii) in more favourable and advanced economic settings, to facilitate or reduce the costs of access of the MSMEs or agribusinesses to commercial financial service providers.
28. Furthermore, implementation is not always straightforward. A recent PMI review of 19 VC projects from all IFAD regions approved between 2016 and 2020 identified the following challenges on the project side: (i) reluctance of member state governments to engage in comprehensive partnerships with private sector stakeholders through PoLG projects, or to involve the private sector at later stages of implementation; (ii) lacking initiative of project management units (PMUs) to identify and attract potential private sector partners; and (iii) insufficient PMU staff capacity and expertise in engaging with private stakeholders. At the same time, potential private partners do not always have the necessary capacity or the willingness to engage in win-win partnerships with smallholder producers.
29. In terms of origination of NSO projects through the PoLG, the current referral process does not generate a sufficient and steady supply of sound investment

⁸ Multi-Stakeholder Platforms (MSPs) are an effective way to bring together smallholder producers, the private sector and other value chain actors, and governmental institutions. This approach has proven to be effective in improving value chain governance, reducing power asymmetries, negotiating better prices and services for farmers, establishing more trust and transparency, and bolstering commitment among value chain stakeholders.

⁹ To be considered a private sector stakeholder, the PDB has to demonstrate a large degree of private sector practices in its ongoing business and an accompanying governance aligned with private sector standards.

¹⁰ The new IFAD Regular Grant Policy being developed has a dedicated tranche for private sector entities, selected competitively, to receive such grants with a mandatory minimum of 20% matching co-financing.

¹¹ The risks of market distortions generated by subsidies to the private sector should be duly assessed and mitigated.

opportunities. For instance, the PSFP and the ABC Fund currently conduct frequent meetings with IFAD's local offices; while NSO opportunities do arise in these meetings, disjointed expectations, enterprise maturity and capability, the variable level of quality and feasibility of the projects, timeline misalignment, and funding capacity for IFAD's NSOs and the ABC Fund make coordination difficult and impractical.

02.1 - "Develop inclusive value chains with private sector partners".

30. Agricultural and food value chains (VCs) involve mostly private sector actors that play a crucial role in selling inputs to small producers, purchasing their commodities, and adding value to their products. IFAD has been promoting more inclusive VCs and the public-private-partnership-producer (4P) model to respond to the asymmetry of power between small-scale producers and bigger private sector actors. After the adoption of the PSS, 39 VC projects were approved, representing 81 per cent of the 48 total projects approved during the same period (2020-2021). This shows an increasing trend in following a VC approach at design.
31. Out of the 39 VC projects approved, 35 projects (90%) included collaboration with the private sector at different degrees and intensities, out of which 16 projects (46%) followed a full-fledged 4P approach. The collaboration with the private sector post-PSS adoption included a diverse variety of companies (small, medium, large, as well as national and international) through the different VC stages (inputs and services, production, processing, marketing), and focusing on various crops (cereals, vegetables, fruits), forestry and medicinal herbs, livestock, and fisheries. From the available information (11 out of 39 projects), private sector co-financing amounted to USD 113 million, representing 6% of the overall 11 projects' budgets (USD 1.89 billion). This would be an under-estimate as co-financing from the private sector is not always accurately accounted for at design and is often provided as parallel or complementary financing which is more difficult to track.
32. In terms of what has worked, the recent projects approved since the PSS show that these partnerships occur more frequently and successfully in high value commodities and more structured value chains (such as fruits and vegetables, cocoa, coffee, dairy, oilseeds), where quality standards, traceability and specific processing procedures link the producers and private companies more tightly, and where incentives for side-selling are minimized. Furthermore, partnerships are occurring both with local agribusinesses/MSMEs as well as with larger multinational companies. Partnerships are working well especially in cases where the project management unit (PMU) has the necessary tools and expertise (internal or external) to select, screen, negotiate and manage the relationships between the projects and the private sector. In order to strengthen the capacity of IFAD staff and the PMU to design and provide implementation support to inclusive VC development projects as well as partner with the private sector, IFAD launched in 2020 and 2021 both global and regional training events on these topics. Trainings are now available online to all IFAD staff and will be further rolled out in 2023 and beyond.
33. Several VC development projects with a 4P model were approved post-PSS, and a number of them feature partnerships with large multinational companies. For example, the PADFAII project in Cameroon has recently brokered a partnership between targeted producer organizations and Nestlé for the supply of 400 tonnes of onion powder per year. The project team made a significant contribution to the agreement on quality and quantity requirements.
34. In Nigeria, IFAD has a long-standing partnership with major agribusiness company Olam. An outgrower scheme developed under VCDP has linked smallholder rice farmers to the company. Due to the success of these linkages, Olam provided grants totalling about USD 250,000 to selected farmers when the COVID-19 pandemic hit their supply chain and impacted the incomes of farmers.

35. In June 2020, IFAD and leading multinational company Mars signed a MoU and announced their collaboration on the SFITAL project. This partnership follows the positive experience of a joint initiative in Indonesia, where cocoa smallholders were linked with Mars to increase their production. The new SFITAL project explores environmentally sustainable ways to link small-scale producers to global supply chains, focussing on palm oil in Indonesia and cocoa in Indonesia and the Philippines. The project was developed jointly between IFAD, Mars, and ICRAF (the third implementation partner), with very good teamwork and constant communication and collaboration. Mars is involved both as a co-financier, providing USD 1.81 million in kind, and as an implementation partner with representation in the Project Steering Committee. Throughout the project, Mars will ensure that synergies are leveraged between SFITAL and existing and upcoming Mars sub-projects, e.g. for state-of-the-art traceability systems. As of November 2021, 519 farmers have been trained with full involvement of Mars, covering topics such as farming as a business, good agricultural practices and garden evaluation, agroforestry, climate-smart-agriculture and post-harvest handling.
36. In September 2020, IFAD signed a MoU with telecom multinational Orange Middle East and Africa. This partnership will support agricultural activities in the Economic Community of West African States (ECOWAS) area by using and leveraging ICT solutions. Through joint interventions, the parties aim to increase and scale up the impact of development projects and to promote innovations.
37. In December 2021, IFAD signed a MoU with the Italian chocolate and confectionary producer Ferrero. This partnership is supposed to mobilize private funding and investments in smallholder agriculture and rural SMEs in Azerbaijan, Turkey and Georgia, thereby expanding markets, incomes and job opportunities for IFAD's target groups. Joint initiatives will focus on designing and implementing small-scale pilot projects on sustainable and inclusive hazelnuts value chains. Successful activities will subsequently be scaled up at national and sub-regional levels.
38. In 2022, IFAD has held several meetings with Beyti, a joint venture between Pepsico (USA) and Almarai (a Saudi-owned food conglomerate), to explore business opportunities supporting IFAD's target groups in Egypt. A MoU is underway and will focus on designing and implementing small-scale pilot activities on inclusive dairy and crop value chains. So far, it has been agreed to integrate small dairy producers targeted by the IFAD-funded SAIL project into Beyti's supply chain. B2B workshops have helped identifying milk producers for a contract farming scheme. In the future, the producers will receive technical and market support, which will enable them to raise their quality of production to Beyti's premium milk standards. Furthermore, Beyti has expressed an interest for continued collaboration under the recently approved STAR project.
39. **Agribusiness Hub in Rwanda.** IFAD and the German Federal Ministry of Economic Cooperation and Development (BMZ) are investing to create employment opportunities in agribusiness for rural youth in Rwanda through an integrated hub approach. This is being done through a Rural Youth Employment Support (R-YES) project implemented in Rwanda by Kilimo Trust, in partnership with Rwanda Youth in Agribusiness Forum (RYAF), technical and vocational colleges, and a network of private agribusiness firms as centers of experiential learning and employment. The hub approach is implemented through a variety of sub-approaches, including: (i) Mechanization Sub-Model: Under Mechanization Sub-Model, Kilimo Trust Rwanda created a partnership between an accredited technical training college called Kavumu TVET (KT) School and Muvumba Rice Growers (MRG) Cooperative, to unlock training and employment for rural youth in mechanization; (ii) Milk Sub-Model: Under this sub-approach, IPRC Musanze partners with seven milk processing industries to provide technical and entrepreneurship skills to rural youth for employment in milk handling and processing. Among the 7 partnering companies is Masaka Creamery Ltd which offers employment opportunities for

youth with hearing disability; (iii) Poultry Sub-Model: Abusol Ltd., a 90 thousand birds modern poultry farm has set up a subsidiary of 10,000 birds at IPRC Gishari, a college of Rwanda Polytechnic in Eastern Rwanda. The 10,000 birds joint venture between a private poultry farm and a public training institution offers experiential learning to youth at the college and an employment opportunity in poultry farming.

40. Through these processes, it has been recognized that tracking and monitoring of private sector partnerships across IFAD is often done *ad hoc* and there is a clear need to develop more systematic processes of collaboration and data collection, particularly between ERG, SKD and PMD. Linked to this, GPR and CIT have in 2021-2022 developed a Customer Relationship Management (CRM) IT application in preparation for greater data collection and analysis of relationships with non-sovereign actors. This CRM system will be valuable to monitoring and centralizing the fragmented nature of partnerships across the organization going forward.
41. All-in-all, SOs are the bedrock of IFAD's operations and are deeply engrained in all IFAD activities in the five regions of operation. Private sector engagement through the 4P model makes communication between government, small-scale producers, and the private sector significantly more sustainable, improving the capacity for cooperation between different entities¹². 4P ensures transparency, accountability, and fairness for more marginalized small-scale producers, making this model crucial for the sustainability of equitable and sound private sector engagement. Although the incremental contribution by private sector actors is difficult to assess on a project-by-project basis, the overall sustainability of the PS VC approach is demonstrated by the substantial increase in SO's VC component participation over the last two decades.

02.2 - "Test and scale up new technologies and cost-effective solutions".

42. Activities to incorporate private sector innovation (new technologies and cost-effective solutions) into programmes is on the rise at IFAD, including particularly digital agricultural and inclusive financial solutions. Emerging innovations in the portfolio include climate risk management applications and Artificial Intelligence (AI)-backed field applications for increased crop yield. Examples include:
43. **IFAD support to digitize Cajas Rurales** (small rural cooperative financial institutions) has helped attract credit from private sources, as well as growing member savings accounts. IFAD support in this case was analogous to seed or venture capital funding and was critical to attracting other sources of funding.
44. **Hackathon.** IFAD devised its first hackathon in Lima, Peru, in October 2019. The competition gathered eight teams of programmers and other professionals to generate a technological solution linking small Argentinian farmers with several branches of the fast food franchise Subway. The winning team was awarded a contract worth USD 30,000 to fund the professional development of their solution. The result is a platform called "Arvest", which provides clear channels for orders and delivery of fresh produce, as well as for payment. The platform is intended to consolidate commercial relationships between producer organisations and corporate buyers (restaurants, hotels, wholesale buyers), as well as public purchases. After this promising start, the initiative took a hit by the COVID-19 pandemic and the agreement with Subway was dropped. Currently, IFAD is scoping for new opportunities to test the platform in upcoming projects in the LAC region.
45. **The Nav Tejaswini project in India**, approved in December 2020, has facilitated market linkages for vegetable growers with organized retail buyers such as the online marketplaces AgriBid and Go4Fresh (both social MSMEs). This has led to a 10-15 percent increase in sale price.

¹² IFAD - Jodie Thorpe and Mar Maestre (2015) "Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains".

46. **Chamka App.** In Cambodia, the ASPIRE project through the Korean Supplementary Funds supported the development and rollout of the CHAMKA App (backed by Bronx Technologies) in 20 provinces of the country. The app provides digital advisory and input supply to smallholder farmers for mainly 4 value chains, chicken, rice, vegetables and fish, and aquaculture. The app has more than 50,000 farmers and 40 input supplier registered on the platform. Community Extension workers have been trained to support adoption of the app and are being incentivised to engage with farmers to use the advisory services. This app is now sustainable through the input supply transactions that are generated on the platform.
47. **PxD in Pakistan, Kenya, Nigeria.** Precision Agriculture for Development is a leading not for profit company that has been working with IFAD through a cross regional grant in Kenya, Nigeria and Pakistan. This grant was key in the enablement of delivering advisory services to farmers through information on production and markets. The project aimed to deliver personalized agricultural advice to farmers through their mobile phones, establishing a two-way information channel by which farmers can receive low-cost, customized advice to improve on-farm practices, input utilization, pest and disease management, environmental sustainability, and access to markets. The engagement with PxD has been through a one-time grant of USD 2.5 million. Overall, the grant has reached over 1.7 million farmers in the three countries with almost 1.3 million in Pakistan.
48. **E-Wallets, Jordan.** IFAD-funded REGEP project is providing grants for small-scale farmers to invest into their own farming activities. To maintain timely delivery of grants despite the lockdown, the project began transferring funds to participants via e-wallet applications. The e-wallets have been setup in collaboration with Jordan Payments & Clearing Company (JoPACC). JoPACC is further working with several payment systems, which are integrated with banks in Jordan including CliQ, Jomopay and Electronic Bill Presentment and Payment System (E-fawateer). This has been critical to the small and micro loan and related services to small farmers. E-wallet aim to minimise social interaction during the pandemic and ease the beneficiaries' access to grants. Dedicated capacity building has been offered (especially to the less tech savvy beneficiaries) to enhance their understanding of this new technology. Till 2021, 2,183 beneficiaries had been accessing grants through the e-wallet systems with almost 60% females and more than 20% youth.
49. **Regional Grant, LAC.** The Innovatech project is being implemented by the German Sparkassenstiftung für international Cooperation, in over 6 countries of the Latin American region (Bolivia, Mexico, Honduras, Guatemala, Haiti and El Salvador). The overall goal of the project is to support smallholders to recover faster and in a more resilient manner from the impacts of COVID by improving the availability and quality of technology-based solutions that allow them to have better access to markets, financial services and non-financial services. To do this, Innovatech focuses on strengthening the ecosystem of financial and non-financial services for small holders provided by Agritech/FinTech companies (start-ups and MSMEs) in LAC. Together, all these elements by serving the unbanked and underbanked will contribute to improve food self-sufficiency, incomes, and the social-economic resilience of rural populations and small producers. Over 9,000 persons are expected to benefit from mainstreamed services, aiming at them being part of IFAD's current PoLG in the different countries. 12 innovative Agritech and Fintech companies will benefit from over 2,500,000 USD in funding, technical assistance and networking, to catalyse their innovation to small scale farmers in the LAC region.
50. **Malawi Fruits.** IFAD has been exploring opportunities for collaboration with a private sector company which provides highly advanced drip irrigation technology tailored for smallholder farmers. It has successfully linked the company with Malawi Fruits (<http://malawifruits.org.uk/>) after identifying synergies between the MF's

ongoing collaboration with SunDanzer via Greentech which has been piloting solar chilled storage and drying technologies in Malawi. After several meetings facilitated by IFAD, the private sector company has now agreed to share the cost of the pilot systems with IFAD support to pilot MF irrigation technology with the aim of scaling up the deployment for wider testing of the technology, including sensors/fertigation technology. The next steps are that the private sector company will travel to Malawi to determine the initial pilot scope and system sizing.

51. **KCEP-CRAL.** Together with insurance tech-company Pula Advisors, the KCEP-CRAL project started piloting an insurance policy for smallholder farmers in 2020. In early 2022, about 11,500 farmers who had purchased the insurance were awarded compensation for drought-related crop losses, for a total of over 85 million Kenyan shillings.¹³

Review of Private sector partnerships and coalitions at the corporate level.

52. IFAD partnerships work, managed by GPR, on PSS during 2019-21 consisted of priority focus on PSFP, especially developing PSFP resource mobilization partnerships and networks. This engagement included outreach with the Impact Investor community, in addition to PSFP engagement with member states and foundations. From 2020-2021, a network of around 40 impact investors and over 40 foundations were contacted and introduced to IFAD's PSFP, and invited to provide feedback; inputs were incorporated to the IFAD team and shared in a report to EMC in June 2021.
53. Meanwhile, the focus on IFAD corporate level partnerships advanced IFAD's engagement in global stakeholder platforms – e.g. World Economic Forum (WEF), Food Action Alliance (FAA), support to Coalition of Action on Decent Work Living Income, and IFAD's Food Systems Summit engagement. Concurrently, IFAD remains a co-leader of the Food Action Alliance, which provides IFAD a platform for multi-stakeholder engagement. IFAD has several ways of engaging with the private sector including formal partnerships via Memorandum of Understanding (MOU), such as with **Mars Inc.** (includes a program in APR region, shared advocacy work and knowledge sharing – e.g. Mars at IFAD Governing Council 2021). In September 2020, WCA region engaged in a MOU with France-based telecommunications operator **Orange**. A new MOU, with Italy-based multinational corporation **Ferrero**, was also initiated from an IFAD country (Turkey) and NEN-regional team (PMD).
54. Numerous multinationals approach IFAD to explore opportunities, often via the coalition relationships or around larger gatherings (e.g., Davos, UNGA). For various reasons, IFAD may wish to conduct preliminary due diligence screening for some meetings, while others are screened after initial meetings. Examples include **Bayer, Yara, Syngenta, Corteva, PepsiCo, AB InBev, International Fertilizer Association, and Rabobank**.
55. In February 2022, IFAD updated and produced an IFAD Guidance Note "Procedures for Entering into Partnership Agreements", which includes information on private sector partnerships. Meanwhile, IFAD continues to conduct Due Diligence for potential private sector partnership opportunities across the institution (Environmental, Social & Governance managed by GPR; Financial/Anti-Money Laundering compliance by FCD). The due diligence processes aims to mitigate potential risks and controversies exposed to IFAD while forming and implementing partnerships, including with the private sector. The due diligence requests from IFAD departments have been on the rise in 2022, indicating a growing interests within IFAD to private sector partnerships.

¹³ <https://www.ifad.org/en/web/latest/-/crop-insurance-makes-a-difference-for-kenya-s-small-scale-farmers>.

Food Action Alliance (FAA) Coalition

Since 2019, IFAD has been a co-leader of the Food Action Alliance coalition, a multi-stakeholder platform working to develop and facilitate global, joint projects. With founding partners as the World Economic Forum (WEF) and Rabobank, IFAD provided resources to launch FAA and hosted a Global Coordinator until the end of 2021. Additional partners were added, including WBCSD, AGRA, CIAT, **Grow Asia**, **Cargill** and **UPL**, at global or regional levels of engagement. As a result of its leadership in FAA, IFAD has achieved high visibility at WEF events related to food systems, including those leading up to the UN Food Systems Summit. IFAD has provided technical expertise to numerous FAA projects, including in the poultry and dairy sectors in Sub-Saharan Africa. The FAA has enabled IFAD to actively engage with private sector, NGOs and industry actors in numerous flagship projects around the world. Some have led to direct IFAD collaborations, for example an IFAD indigenous farmer's quinoa programme in Peru was connected to a nearby project by Olam which also worked with farmer organizations growing and supplying superfoods like quinoa. IFAD engagement also includes FAA support for National Pathway programmes in line with IFAD's country strategies (COSOPs). Via coalitions like FAA, IFAD enables both a direct and arms-length relationships with leading players to advance the Fund's mandate while working alongside private sector initiatives.

56. **Collaboration with Rome-based Agencies (RBAs).** Besides the NSO SOAFIARY in Madagascar having the World Food Programme (WFP) as a buying client while IFAD is funding the expansion of sourcing from small produces partner, a recent private sector component SO which serves as example of RBA collaboration is the Building Resilient Commercial Smallholder Agriculture (BRECSA), which is a value chain project co-financed by GAFSP and IFAD. The WFP is one of the partners in implementation and providing technical assistance, mostly around its climate-resilient assessment tools (Consolidated Livelihood Exercise for Analyzing Resilience – CLEAR), market assessments, and school-feeding and nutrition programmes. In particular, the CLEAR diagnostics will enable climate resilient spatial and temporal planning for placing commodities in their appropriate agroecological zone, as well as for defining specific infrastructure needs as a response to anticipated climate impacts and identified commodity value chains. Nevertheless, the number of projects with the WFP or the Food and Agriculture Organization (FAO) as partners is unknown, as IFAD is currently not tracking aggregated data on PSS interventions.

Example of private sector engagement through supplementary funded programs and activities

Financing Facility for Remittances (FFR)

1. In 2021 migrants sent over USD 605 billion in remittances to their families and communities back home, of which over half went to rural areas. Through remittances and investment, migrants contribute to the fulfillment of the SDGs of their families back home, increase private consumption and investment, enhance financial and digital inclusion, and local and national economic growth.
2. Since 2019, the FFR has provided grant financing to 14 private sector stakeholders specialised in the provision of cross-border remittances and one diaspora impact investment initiative, mostly in Asia and Africa, benefitting over 740,000 beneficiaries in rural areas.
3. Through these innovative projects, the FFR (i) fosters digital and financial inclusion and sustainable income-generating activities in rural areas, (ii) provides a conduit for diaspora to invest securely their resources in rural MSMEs, and (iii) facilitates private sector innovation through market intelligence. Partners include: money transfer operators (MTO) and mobile money operators, MFIs, fintech, banks, postal operators, insurance companies, as well as impact investment funds and crowdfunding platforms.
4. The average grant allocation per project is EUR 465 thousand, having financed a total of EUR 4.4 million since 2019 and mobilized additional EUR 5.7 million as co-financing from private sector partners.
5. Furthermore, through grants to the public sector and NGOs, an additional 47 private sector entities have received technical assistance. These include: 14 FIs receiving capacity-building on inclusive customer due diligence to expand access to rural populations, women and youth; 36 savings and credit cooperatives that enabled cross-border remittances and leveraged other financial services in rural areas of Moldova and Nepal; and 3 MTOs that are now offering embedded micro-insurance services (life and health insurance) to their customers.

Examples of selected challenges to engage with private sector financial intermediaries through the PoLG

- 1. Perceived risks in smallholder agricultural activities remain a strong deterrent to their financing.** The de-risking schemes put in place by IFAD projects along agricultural value chains reportedly seem to insufficiently reassure some private sector Financial Institutions (FIs), as they remain unwilling to channel financing to agriculture, notably to small producers. Some partner FIs argue that the smallholder-based financial de-risking schemes do not translate into reasonable risk-adjusted returns compared with other less risky investment alternatives available to them.
- 2.** Smallholder producers, for reasons outside their control, can experience also delays in the delivery of inputs or insufficient rainfall that reduce expected yields or, alternatively, produce a bumper harvest that causes a drop in prices (negative income effect of overproduction in unstructured markets). These issues can cause cash flow difficulties that may lead smallholder borrowers to default on repaying their loans in accordance with the agreed plan. This was the case with PROPACOM in Côte d'Ivoire, PNPER in Togo and RFCIP-II in Sierra Leone. With the last, despite heavy support from the project (training, technical coaching and a refinancing line), partner FIs have mainly disregarded activities in agriculture. Although smallholder producers are deemed creditworthy with the support and/or guarantee provided by projects, it is likely that the returns on investment on this customer segment remain insufficient to balance its risks and high transaction costs. It is possible that partner FIs would prefer to commit their resources to other segments with less risk and better profitability.
- 3. Technical assistance does not always improve the quality and bankability of investment plans prepared and submitted for financing.** In the process of preparing the investment plans to be financed, establishing a business case is essential to securing the capacity of farmers/entrepreneurs to repay their loan and develop their business activities. This preparatory analysis touches on the quality of the plan itself, but also on the adequacy of the smallholders' capacities to manage their micro projects. A smallholders' business mindset, as well as their ability to manage and develop a commercial activity, even a small one, is as important as the prospect of profitability in determining whether or not to finance the plan. All too often, FIs do not conduct a detailed review of the candidate profile to ensure that they have what it takes to fully realize their investment plan and develop their activities for optimum revenue generation. At the completion of PACER in Benin, the issue of lack of candidate profiling by FIs was identified as the hidden cause of poor achievement in the financing of SMEs' investments. The PACER project completion mission found that, despite the technical assistance provided by the project, entrepreneurs' business skills were not taken into consideration to any great extent when screening the micro projects. The weakness of the investment plans submitted may also affect the prospect of steady development in the medium-term, especially when assistance over time results in a significant standardization of microprojects.
- 4.** The recommendation often made to resolve such constraints is to get partner FIs and their clients engaged at a very early stage through stakeholder consultation platforms for streamlining and processing of investment plans for financing. The aim of FI participation at this stage is to make sure they understand the need to assess risk profile and potential profitability.
- 5. Improving partner FIs' capacities takes time and may not be IFAD's direct responsibility, given its target group of poor rural people.** Experience shows that improving partner FIs' technical and managerial capacities takes time and could explain their reluctance to engage with IFAD project beneficiaries. Despite

heavy support that is unavoidably provided to partner FIs in every project in the IFAD portfolio (training loan officers on the agriculture sector, risk management, control and supervision systems), deficiencies and weaknesses remain. This may be a challenge when it comes to developing new financial schemes tailored to poor farmers. In the case of PACER in Benin, the number of participating FIs involved in operating its financial scheme surpassed the objective of the project (seven against five at design). However, the partner FIs generally fell short of covering the financial needs of the beneficiaries, with an achievement rate of only 8 per cent of the objective despite an intensive capacity-building programme and access to a refinancing fund. With only 71 per cent of the demand approved over the course of PACER, the limiting factor was identified as partner FI inability or lack of adequate capacities to manage and expand the business activities. Again, the results could have been better if FIs were involved early in the process of assisting entrepreneurs to prepare their investment plans. However, the required skills still do not exist among the local partner FI teams.

NSO Risk Mitigation approach

<i>Risks</i>	<i>Mitigating measures in the PSS</i>	<i>Progress to date</i>
<p>Risk of mission drift. IFAD may lose its focus.</p>	<p>The review process will ensure that each private sector intervention is relevant to IFAD's mandate, adheres to IFAD's principles of engagement, and aligns with country priorities. Final approval will rest with the Executive Board.</p>	<ol style="list-style-type: none"> 1. Relevance and alignment to IFAD's mandate (including the specific focus on smallholder farmers, rural youth and women) is one of the five Principles of Engagement set in the Framework for NSOs and evaluated during the projects' origination phase by management and subject to the arm's length Quality Assurance process and review by the Executive Board. 2. All projects have been approved by the EB.
<p>Reputational and ESG risk. Working with private funds/investors may entail reputational and ESG risks.</p>	<p>Apply IFAD's internal due diligence process for private partners. 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.</p>	<ol style="list-style-type: none"> 1. All private sector partners' projects have gone through a thorough due diligence process before EB approval involving key divisions and departments including RMU, FCD, LEG, ECG, OPR. 2. Reputational risk, as well as risk of fraud, corruption, financial crime, legal risk, and fiduciary risk, are fully assessed during projects' due diligence, including Anti-Money Laundering compliance, Beneficial Ownership and Politically Exposed Persons (PEP) aspects. 3. ESG screening is duly conducted for each project based on IFAD's SECAP. Loan disbursements to private partners are contingent on meeting environmental standards, and full compliance of the partner's ESG policies to IFAD's SECAP.
<p>Financial risk. Engaging with the private sector could expose the Fund to the risk of potential financial losses.</p>	<p>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</p>	<ol style="list-style-type: none"> 1. Resources used to deploy private sector funding were ring-fenced in the PSTF and limited to what has been approved by the EB and pledged by member states. 2. Projects' financial sustainability and financial risk mitigation is ensured with (i) risk-based pricing of instruments offered to private sector

	<p>framework. On this basis, the Fund will decide the sources of capital to be deployed to the private sector. At the project level, thorough due diligence and risk rating will be performed for each project.</p>	<p>partners, and (ii) thorough financial risk management, with an in-depth assessment of counterparty credit risk during the design process (including dedicated financial forecasting and foreign exchange exposure assessment), and close ongoing monitoring of deployed operations (compliance to covenants, portfolio reports and watchlists).</p> <p>3. Financial risk mitigation was structured within a “2 lines of defence” framework – 1st project originators, and 2nd the independent Office of Enterprise Risk Management (RMO) – to assure checks and balances in the process. For the specific case of NSOs, a Credit Risk Note was developed and presented for each project, and a full risk rating model for private sector counterparties has been developed.</p>
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<p>Risk related to institutional capacity. Initially, IFAD may not have the required staff capacity, resources or processes to implement the strategy in full.</p>	<p>IFAD has set up an anchor unit for the PSS and will slowly build staff capacity through training and new staff that have private sector expertise. 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 gradual scaling up of engagement also mitigate this risk.</p>	<p>1. The Private Sector Advisory and Implementation Unit (PAI) has externally recruited experienced technical staff and consultants to operate existing and new initiatives within the PSS. For the delivery of NSOs, PAI has taken on board six dedicated investment professionals with varied experiences, and has benefited from the secondment of four officers from IFAD’s Member States (Germany, Japan, Sweden, Switzerland). IFAD also expanded its value chain team, created a new ICT4D team and included requirements of specific private sector experience in selected technical roles.</p> <p>2. New private sector-specific processes were created, including specialized committees and internal validation mechanisms, and capacity trainings to IFAD-wide staff on private sector topics.</p> <p>3. Capacity building activities in key parts of the ecosystem were delivered.</p>
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4. A gradual approach was followed, prioritizing the offer of debt instruments.

List of staff interviewed and consulted for the MTR

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Beatrice Pirro	Financial Management Services Division (FMD)	Consultant
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Name	Division	Title
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Rossana Polastri	Programme Management Department (PMD)	Regional Director, LAC
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