
Examen de mitad de período de la Estrategia del FIDA para la Colaboración con el Sector Privado (2019-2024)

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Medida: Se invita a la Junta Ejecutiva a que examine el examen de mitad de período de la Estrategia del FIDA para la Colaboración con el Sector Privado (2019-2024).

Preguntas técnicas:

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I. Introducción

A. Antecedentes

1. En los últimos años, el FIDA ha avanzado considerablemente en el fortalecimiento de la colaboración con el sector privado. Uno de los hitos fundamentales de esta trayectoria tuvo lugar en febrero de 2019, cuando el Consejo de Gobernadores aprobó un cambio en el Convenio Constitutivo del FIDA para permitir que el Fondo pudiera financiar directamente a empresas y organizaciones de sector privado. Las enmiendas a los textos jurídicos básicos del FIDA entraron en vigor en septiembre de 2019, cuando la Junta Ejecutiva aprobó la Estrategia del FIDA para la Colaboración con el Sector Privado (2019-2024) (EB 2019/127/R.3).
2. El presente documento se centra en el examen de mitad de período de la Estrategia del FIDA para la Colaboración con el Sector Privado y tiene por fin evaluar la pertinencia de la Estrategia con respecto a los cambios internos y externos que se han producido desde su aprobación. El examen de mitad de período se centra en los progresos realizados respecto de los objetivos y las medidas previstas, permite detectar las dificultades y los ámbitos de mejora, y ofrece recomendaciones. Es importante destacar que no se trata de un examen de la colaboración general del FIDA con el sector privado.

B. Metodología

3. Este examen de mitad de período, que permite analizar la pertinencia de la Estrategia del FIDA para la Colaboración con el Sector Privado (2019-2024) y los progresos realizados en su aplicación, utiliza una combinación de datos cuantitativos del plan de acción de la Estrategia y datos obtenidos de los sistemas y documentos del Fondo. Asimismo, se fundamenta en los resultados arrojados en varias evaluaciones¹ realizadas por el personal del FIDA. Estos datos se complementaron con entrevistas y talleres en los que participaron numerosas partes interesadas institucionales (véase el apéndice VI).

II. Contexto

4. La Estrategia del FIDA para la Colaboración con el Sector Privado fue aprobada en septiembre de 2019, dos meses después de que se publicara la edición de 2019 de *El estado de la seguridad alimentaria y la nutrición en el mundo* (SOFI), en la que se informaba de que 800 millones de personas padecían hambre. Desde entonces, los fenómenos meteorológicos adversos relacionados con el cambio climático, la pandemia de la enfermedad por coronavirus (COVID-19) y los conflictos, principalmente la guerra en Ucrania, han **agravado aún más las dificultades a las que se enfrenta la población rural pobre**.
5. La pandemia y las consiguientes medidas de confinamiento dificultaron que los productores en pequeña escala y los hogares rurales que participaban en los sistemas alimentarios tuvieran acceso a los insumos, los mercados y la financiación². De igual forma, la guerra en Ucrania ha traído consigo un aumento acusado del precio de los productos alimentarios básicos, los fertilizantes y el combustible.

¹ "NEN Private Sector Engagement Stocktake" (2022), "Lessons learned from IFAD's inclusive rural and agricultural finance experiments in WCA (2009-2020)", Value chain stocktake report 2010-2021.

² Oman, S., F. Kongongo, S. Kelly y E. Ilie (2021): *Assessing the impact of COVID-19 on agri-food manufacturing small and medium enterprises in sub-Saharan Africa*. Roma, FAO y Viena, Organización de las Naciones Unidas para el Desarrollo Industrial (ONUDI).

6. La pandemia de COVID-19 y la crisis en Ucrania, que tuvieron lugar durante los primeros años de la Estrategia del FIDA para la Colaboración con el Sector Privado, han influido en su aplicación. Por ejemplo, la necesidad de celebrar reuniones virtuales se convirtió en algo habitual y, en lo relativo al diseño de los proyectos, el FIDA se vio obligado a ajustar los procesos y aplicar la **diligencia debida por medios virtuales**. Al mismo tiempo, la mejora del proceso de descentralización del FIDA se ha traducido en una mayor presencia *in situ*, lo que **ha aumentado las oportunidades de colaboración** con el sector privado sobre el terreno.
7. Durante los primeros años de aplicación de la Estrategia también se produjeron cambios internos y externos que brindaron nuevas oportunidades al FIDA. Algunas de ellas fueron la calificación crediticia del Fondo, los progresos realizados y los compromisos contraídos durante la 26.ª Conferencia de las Partes en la Convención Marco de las Naciones Unidas sobre el Cambio Climático y las recomendaciones formuladas a raíz de la Cumbre sobre los Sistemas Alimentarios.

III. Constataciones

8. **En la Estrategia del FIDA para la Colaboración con el Sector Privado se establecieron dos objetivos principales, a saber:** objetivo 1 (O1): movilizar fondos e inversiones privadas hacia las microempresas y pequeñas y medianas empresas (mipymes) rurales y la agricultura en pequeña escala, y O2: expandir los mercados y aumentar las oportunidades de ingresos y empleo de los grupos objetivo del FIDA mediante la colaboración con el sector privado. Asimismo, se esbozaban cuatro medidas dirigidas a lograr estos objetivos principales, a saber: i) O1.1: financiación directa del sector privado en las MIPYME rurales mediante el despliegue de instrumentos de financiación; ii) O1.2: movilización de las inversiones del sector privado a través del programa de préstamos y donaciones del FIDA; iii) O2.1: fomento de cadenas de valor inclusivas con el sector privado para ampliar las asociaciones del FIDA con el sector público, el sector privado y los productores, y iv) O2.2: ampliar el uso de la tecnología y otras soluciones eficaces en función del costo para respaldar a los productores en pequeña escala y las poblaciones rurales.
9. **El examen de mitad de período permitió constatar que los objetivos y los ámbitos de actuación de la Estrategia para la Colaboración con el Sector Privado eran pertinentes y lo siguen siendo.** En realidad, la pertinencia es cada vez mayor habida cuenta de las crisis actuales en las que los accesos a la financiación, los mercados y las oportunidades de ingresos y empleo han empeorado. Las medidas de la Estrategia fueron decisivas para impulsar la financiación y aumentar los ingresos y las oportunidades de empleo de los productores en pequeña escala y la población pobre de las zonas rurales, en especial para las mujeres, los jóvenes y otros grupos desfavorecidos.
10. **Las modalidades de aplicación de la Estrategia para la Colaboración con el Sector Privado han resultado eficaces para garantizar la ejecución a pesar del contexto de crisis.** La Estrategia ha adoptado un enfoque gradual para aumentar la colaboración del FIDA con el sector privado a través de programa de trabajo, lo que garantiza la plena coherencia con el mandato del Fondo, un ritmo de ejecución constante y una estrecha colaboración con los Gobiernos y otros asociados. El FIDA ha sido especialmente cuidadoso al seleccionar asociados afines del sector privado con los que colaborar (véase el apéndice II para encontrar ejemplos).
11. **El FIDA implementó con éxito una nueva línea de trabajo que conlleva la financiación directa del sector privado (objetivo 1.1).** La Unidad de Colaboración con el Sector Privado – Asesoramiento y Apoyo (PAI) se creó como una unidad especializada dedicada a respaldar y coordinar la estructuración, la ejecución y la supervisión de las operaciones sin garantía soberana. El enfoque de colaboración del FIDA a través de operaciones sin garantía soberana, donde lo que más preocupación suscitaba era que el Fondo se desviara de su misión, se ha cimentado

en una rigurosa búsqueda de adicionalidad, impacto y complementariedad con las intervenciones del sector privado y en los esfuerzos de otros asociados esenciales en el desarrollo del ecosistema. La creación del Fondo Fiduciario para el Sector Privado y la elaboración de las directrices y los instrumentos internos incluidos el recuadro que figura a continuación han ayudado a reforzar varias divisiones y departamentos y han permitido consolidar el marco para la puesta en práctica y la gobernanza de las operaciones sin garantía soberana. El PSFP se presentó en 2021 con objeto de institucionalizar la ejecución de estas operaciones. El FIDA es plenamente consciente de los riesgos que conlleva la financiación directa del sector privado y ha elaborado un enfoque cuidadoso de mitigación del riesgo (apéndice V).

Recuadro 1

Procesos, marcos y directrices institucionales en relación con las operaciones sin garantía soberana*	
i)	Creación de la PAI
ii)	Marco para las operaciones sin garantía soberana y creación del Fondo Fiduciario para el Sector Privado
iii)	Directrices para la ejecución y el examen de las operaciones sin garantía soberana
iv)	Directrices relativas al riesgo crediticio de las operaciones sin garantía soberana
v)	Modelos jurídicos para las operaciones sin garantía soberana
vi)	Instrumento de garantía de la calidad de las operaciones sin garantía soberana
vii)	Marco del impacto de las operaciones sin garantía soberana
viii)	Directrices sobre adquisiciones y contrataciones en relación con las operaciones sin garantía soberana
ix)	Nota analítica de los PESAC y matriz del plan de gestión ambiental y social en relación con las operaciones sin garantía soberana
x)	Metodología para establecer los costos de las operaciones sin garantía soberana
xi)	Política de divulgación en el marco de las operaciones sin garantía soberana

* Véase la información detallada en el apéndice II.

12. Hasta la fecha, el historial del FIDA en cuanto a las aprobaciones y los desembolsos relacionados con las operaciones sin garantía soberana es prometedor, lo que confirma la pertinencia de la posición del PSFP y de su oferta. A fecha de septiembre de 2022, la Junta Ejecutiva había aprobado seis operaciones sin garantía soberana, más una inversión de capital por valor de USD 8,4 millones en el Fondo de Inversión para Agroempresas (Fondo ABC)³. Se prevé que estas seis inversiones beneficien a un total de 403 000 personas de forma directa y a 1,4 millones más de forma indirecta, de las cuales se prevé que el 60 % serán mujeres y el 35 % jóvenes, con un valor total de inversión de USD 25,5 millones y un costo acumulado total de los proyectos de USD 166,2 millones (véase el apéndice II para obtener información más detallada). Estas seis operaciones sin garantía soberana son ejemplos de financiación anticíclica en respuesta a la crisis del COVID-19 y, recientemente, a la guerra en Ucrania. Asimismo, la tramitación de posibles proyectos está creciendo. El PSFP aún es incipiente; la ejecución todavía no ha finalizado y sus resultados no se pueden confirmar aún. Por consiguiente, es necesario trabajar para respaldar la ejecución, la complementariedad y la originación a partir del programa de préstamos y donaciones con vistas a lograr los objetivos establecidos en los COSOP (véase el apéndice II para obtener información detallada sobre la originación) y a nivel institucional.
13. **El PSFP ofrece al FIDA una plataforma a través de la cual fortalecer su papel como depositario de financiación.** El PSFP ofrece un conjunto de instrumentos financieros (instrumentos de patrimonio, de deuda y de mitigación de riesgos) y modalidades de aplicación que se podrían utilizar para atraer un mayor interés de los agentes del sector privado de diferente tamaño, no solo en los ámbitos de la agricultura y el clima, sino también en los del género, la nutrición y la juventud. Suponiendo que el FIDA mantenga sus grandes expectativas en relación con el Programa, será necesario seguir reforzando la capacidad en la Sede y sobre el terreno.

³ La inversión en acciones fue una de las primeras operaciones sin garantía soberana del FIDA con la contribución de la Agencia Suiza para el Desarrollo y la Cooperación.

14. **A pesar del potencial del PSFP, la movilización de recursos ha sido compleja.** El PSFP ha demostrado tener una buena capacidad para obtener resultados en materia de desarrollo y lograr un efecto multiplicador con la contribución inicial del FIDA de USD 25 millones y, aunque se ha hecho todo lo posible en materia de comunicación y promoción, es necesario seguir trabajando para aumentar la oferta del Programa interna y externamente. El modelo innovador del Programa y su breve trayectoria hasta la fecha, sumado a las crisis mundiales, ha dificultado la recaudación de fondos. Hay que apoyar al Programa de forma constante para que pueda crecer. Este apoyo es especialmente importante a medida que el Programa requiere recursos adicionales (estimados en USD 140 millones en activos gestionados) para cubrir los gastos y ser sostenible desde el punto de vista financiero. Ese objetivo se puede alcanzar siempre y cuando el FIDA pueda movilizar recursos adicionales para el Programa. De lo contrario, será necesario ajustar el objetivo relativo al impacto (véase el apéndice II). Con miras a aumentar la pertinencia del Programa, este se podría utilizar no solo para prestar servicios a los países de ingreso bajo, los países de ingreso mediano bajo y los países en situación de fragilidad, sino también para reforzar la oferta del FIDA a los Estados Miembros de ingreso mediano alto.
15. **El número y la combinación de enfoques para atraer inversiones del sector privado en el marco del programa de préstamos y donaciones (objetivo 1.2) han seguido creciendo y son cada vez más sofisticados.** Entre estos enfoques se cuentan las intervenciones financieras rurales que beneficiaron a gran cantidad de empresas, actividades de las instituciones financieras participantes y productores en pequeña escala en forma de donaciones de contrapartida, fondos de garantía y líneas de crédito en condiciones regulares o combinadas. El FIDA también ha aumentado el apoyo no financiero prestando asistencia técnica a la producción y la comercialización con vistas a reducir el riesgo de la inversión del sector privado. Al mismo tiempo, **se reconoce que los recursos financieros, la dotación de personal y la capacidad de las unidades de gestión de los proyectos son limitados** y que existen carencias en el conjunto de instrumentos relativos a las intervenciones del sector privado, los presupuestos para el diseño de los proyectos, la experiencia de las empresas y la capacidad de análisis de mercado.
16. **Los proyectos de fomento de cadenas de valor y las asociaciones entre el sector público, el sector privado y los productores (O2.1) se han utilizado frecuentemente para colaborar con el sector privado a través del programa de préstamos y donaciones.** Desde la aprobación de la Estrategia del FIDA para la Colaboración con el Sector Privado se han aprobado 39 proyectos de fomento de cadenas de valor, lo que representa el 81 % de todos los proyectos aprobados durante el mismo período (2020-21) (véase el apéndice II). Sin embargo, el número total de proyectos de fomento de cadenas de valor no ha aumentado en los últimos cinco años (2017-2021), ya que el FIDA tiende a aprobar menos proyectos por ciclo de reposición, pero de mayor envergadura. Además, el examen de mitad de período ha permitido confirmar que, sin incentivos financieros claros, es posible que las entidades del sector privado no tengan la capacidad o el interés de colaborar directamente con los pequeños productores rurales (véase el apéndice II).
17. **La colaboración con el sector privado a través del programa de préstamos y donaciones no se ha traducido en una intensa cofinanciación del sector privado.** La financiación del sector privado en el programa de préstamos y donaciones sigue siendo baja, alrededor del 6 % de toda la cofinanciación. Existen varias razones que explican ese porcentaje tan bajo: i) el FIDA no hace un seguimiento sistemático de los resultados relativos a la atracción de inversiones; ii) a los agentes del sector privado les interesa cofinanciar las actividades respaldadas por el FIDA que son viables desde el punto de vista comercial; iii) la

colaboración con los agentes del sector privado en la fase de diseño no es suficiente como para integrarlos en los proyectos del FIDA, y iv) los proyectos financiados por el sector público tardan demasiado en concebirse y desembolsarse (véase el apéndice VI).

18. **Las actividades dirigidas a integrar las soluciones promovidas por el sector privado en el programa de trabajo del FIDA a fin de lograr los objetivos de los COSOP (objetivo 2.2) han aumentado considerablemente.** El examen de mitad de período muestra que el FIDA hizo grandes progresos en el ámbito de las soluciones basadas en la tecnología. Algunas de estas actividades han sido la promoción de aplicaciones de gestión del riesgo climático, la digitalización de instituciones financieras cooperativas en pequeña escala del ámbito rural y las aplicaciones de campo respaldadas por inteligencia artificial, aprovechando el papel del FIDA como grupo de compra, intermediario de conocimientos, parte interesada central y proveedor de asesoramiento técnico. La aprobación de la estrategia de tecnología de la información y las comunicaciones para el desarrollo y su plan de acción en 2019, así como la creación de un equipo específico y un grupo de coordinación, fueron decisivas para ampliar el uso de soluciones digitales de los asociados provenientes del sector privado.
19. **La ejecución de la Estrategia del FIDA para la Colaboración con el Sector Privado se beneficiaría de la mejora de la coordinación, la realización de actividades de seguimiento y el establecimiento de incentivos.** Durante todo el plazo objeto del examen de mitad de período, las responsabilidades de la ejecución de la Estrategia se mantuvieron fragmentadas, ya que las tareas y funciones quedaron repartidas entre varios departamentos. La PAI respalda y coordina las operaciones sin garantía soberana y supervisa determinadas iniciativas del sector privado como el Fondo de Inversión para Agroempresas (Fondo ABC) y la Red de Inversión y Financiación en favor de las Pymes Agrícolas y los Pequeños Agricultores (SAFIN); la División de Participación Activa, Asociación y Movilización de Recursos a Nivel Mundial se encarga de la recaudación de fondos y la colaboración con asociados de empresas privadas, incluidas las grandes multinacionales; la División de Medio Ambiente, Clima, Género e Inclusión Social (ECG) dirige las salvaguardias y la financiación positiva para el clima o que tiene en cuenta las cuestiones relativas al clima; el Departamento de Administración de Programas (PMD) dirige la gestión de los programas en los países, en los que las inversiones con y sin garantía soberana deben trabajar en sinergia, mientras que el Departamento de Estrategia y Conocimientos (SKD) proporciona conocimientos técnicos y servicios de medición y datos. A esta fragmentación se suma la falta de los siguientes preceptos: i) normas claras, indicadores básicos de resultados e incentivos para colaborar con el sector privado, y ii) un sistema institucional para dar seguimiento a las varias formas de participación y colaboración y a los resultados.
20. **Se ha logrado una buena complementariedad a nivel del programa de trabajo y con los organismos con sede en Roma, aunque se podría hacer más.** Por ejemplo, la visibilidad que ganó el FIDA a través del Fondo ABC fue decisiva para recabar más análisis que permitieran diseñar el PSFP de forma complementaria al Fondo ABC y el programa de préstamos y donaciones. El FIDA y el Fondo ABC comparten constantemente información sobre las perspectivas de tramitación de proyectos. Aunque los resultados son alentadores, el proceso de remisión se podría mejorar. La PAI también está colaborando con el programa Organizaciones de Agricultores de países de África, el Caribe y el Pacífico (FO4ACP) y el Fondo para el Clima de la ECG del FIDA en el diseño de un programa de financiación para el clima a través de la ampliación del Programa de Adaptación para la Agricultura en Pequeña Escala (ASAP+) dirigido a aumentar el acceso de las organizaciones de agricultores a las intervenciones relacionadas con la resiliencia climática. En lo que respecta a la colaboración con los organismos con sede en

Roma, al menos dos proyectos recientes han colaborado con el Programa Mundial de Alimentos como asociado. El número exacto de proyectos que se han puesto en marcha hasta la fecha con estos organismos u otros asociados en el desarrollo se desconoce, ya que el FIDA no está haciendo un seguimiento de los datos agregados relativos a las intervenciones de la Estrategia para la Colaboración con el Sector Privado. De cara al futuro, se necesita estudiar las oportunidades de colaboración con los organismos pertinentes de las Naciones Unidas y las instituciones financieras internacionales y darles seguimiento de forma más activa.

21. **La capacidad del FIDA de colaborar con el sector privado se ha fortalecido mediante una combinación de contrataciones, cesiones de personal y capacitación, a pesar de que los procesos internos han impedido que el Fondo cosechara todos los beneficios de estos esfuerzos.** La PAI contrató personal técnico externo experimentado para estructurar y utilizar las operaciones sin garantía soberana y se ha beneficiado de la cesión de expertos de los Gobiernos de Alemania, el Japón, Suecia y Suiza. Al mismo tiempo, los departamentos y las divisiones pertinentes (como la Oficina de Asesoría Jurídica, la Oficina de Gestión del Riesgo Institucional, la División de Políticas y Resultados Operacionales, la División de Contraloría Financiera, la ECG, la División de Servicios de Gestión Financiera, el PMD) y el Grupo de Garantía de Calidad también han fortalecido su capacidad para proporcionar conocimientos especializados a lo largo de todo el ciclo de preparación de las operaciones sin garantía soberana.
22. El FIDA también ha ampliado sus equipos dedicados al clima y a las cadenas de valor, ha creado un nuevo equipo sobre tecnologías de la información y las comunicaciones para el desarrollo y ha incluido la experiencia del sector privado como requisito para determinadas funciones técnicas. No obstante, varios puestos han quedado vacantes durante largos períodos debido a determinados procesos internos como la reasignación y la descentralización. Sigue sin estudiarse de forma activa la colaboración con los equipos dedicados a los jóvenes, la nutrición y el género. La colaboración del FIDA con inversores de impacto y otros actores a fin de comunicar mejor su oferta también es un ámbito en el que se puede mejorar. Además, aunque se ha impartido capacitación al personal del FIDA en materia de colaboración con el sector privado y a las UGP, en materia de fomento de cadenas de valor en favor de la población pobre, se debería adoptar un enfoque más sistemático basado en el análisis de las deficiencias en materia de competencias.

IV. Recomendaciones

23. **La Estrategia para la Colaboración con el Sector Privado debería hacer más hincapié en la consolidación de la función del FIDA como depositario de financiación, el fortalecimiento la resiliencia de los beneficiarios del Fondo y la creación de oportunidades de colaboración con el sector privado a nivel institucional en el marco de los objetivos de los COSOP y de los programas nacionales de carácter transformador bien integrados.** Este enfoque podría centrarse en crear un canal para promover los mercados rurales y el segmento intermedio de la agricultura. También podría impulsar el aumento de la financiación para el clima con vistas a promover las iniciativas de adaptación al cambio climático y la mitigación de sus efectos surgidas de pequeños productores y personas pobres de las zonas rurales, así como la utilización de productos de reducción del riesgo y soluciones tecnológicas del sector privado. El examen de mitad de período también permite observar que los programas financiados con fondos complementarios y el propio poder de convocatoria del FIDA ofrecen una valiosa oportunidad de colaborar con el sector privado y de recaudar más fondos, como en la iniciativa de la plataforma de bancos públicos de desarrollo (véase el apéndice II). A su debido tiempo, los Estados Miembros plantearán la opción de estudiar el fortalecimiento de la financiación del sector privado en la FIDA13.

24. **La estructura de ejecución de la Estrategia para la Colaboración con el Sector Privado debe reforzarse prestando atención a la coordinación y la creación de sinergias.** El FIDA debe promover una mayor coordinación y coherencia en la aplicación de toda la Estrategia, con vistas a crear sinergias y eficiencias operacionales basadas en un sistema claro de funciones y responsabilidades, rendición de cuentas (indicadores básicos de resultados) para los resultados e incentivos y sistemas de datos y seguimiento. Ello podría conllevar el nombramiento de coordinadores regionales en el SKD para facilitar la colaboración con el PMD. Asimismo, se debe simplificar la tramitación de las operaciones sin garantía soberana y otros mecanismos que respaldan la colaboración con el sector privado a fin de impulsar la obtención de mayores beneficios y el aumento del interés de las entidades del sector privado.
25. **Se debe actualizar y fortalecer la capacidad del personal y las UGP, tanto sobre el terreno como en la Sede.** La PAI y la Dependencia de Gestión de los Talentos (TMU) ultimarán un análisis de las deficiencias de competencias en el que se basará esta tarea. Se prestará especial atención a garantizar que los equipos en los países y las UGP tengan acceso a oportunidades de aprendizaje y actividades de capacitación relacionadas con temas del sector privado.
26. **Se debería implementar una estrategia de financiación para el PSFP.** El PSFP necesita el apoyo financiero de donantes e inversores para mantener su aplicación, para ser sostenible y para garantizar la consecución de los objetivos a largo plazo del programa respecto del impacto. El FIDA seguirá explorando diversas oportunidades de recaudación de fondos e intensificará sus esfuerzos para aumentar la visibilidad y la oferta del PSFP a los Estados Miembros y los asociados del sector privado. También iniciará un debate con los Estados Miembros durante la Consulta sobre la FIDA13 en torno a diferentes opciones de financiación.
27. **Es necesario reforzar la medición de los resultados de la colaboración con el sector privado.** Se elaborará un enfoque sistemático para definir y medir las actividades y la cofinanciación del sector privado. El FIDA deberá definir las interacciones con el sector privado, darles seguimiento y medirlas, además de producir datos agregados sobre la colaboración, incluidas las actividades de cofinanciación y la colaboración con los organismos con sede en Roma.

V. Seguimiento

28. Se elaborará un sistema integral de seguimiento de la Estrategia para la Colaboración con el Sector Privado, que englobará todos los objetivos y medidas de la Estrategia, con vistas a ofrecer actualizaciones periódicas sobre los progresos realizados en la aplicación y establecer mejores prácticas para inversiones futuras en los canales de tramitación de las operaciones con y sin garantía soberana.

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, PNER 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

Name	Division	Title
Abdelhamid Abdouli	Programme Management Department (PMD)	Consultant, WCA
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Name	Division	Title
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Rossana Polastri	Programme Management Department (PMD)	Regional Director, LAC
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