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**President’s report on a proposed global grant to the private sector (Rabo Partnerships) for the Inclusive Financial Ecosystem for Food Systems Transformation**

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**FOR: APPROVAL**

**Action:** The Executive Board is invited to approve the recommendation contained in paragraph 15.

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# President's report on a proposed global grant to the private sector (Rabo Partnerships) for the Inclusive Financial Ecosystem for Food Systems Transformation

## I. Background and compliance with the IFAD Regular Grants Policy

1. The Inclusive Financial Ecosystem for Food Systems Transformation grant addresses the critical issue of insufficient financing for small-scale farmers in developing regions. Smallholders face challenges in accessing the capital needed for enhancing productivity, adopting sustainable practices and integrating into agricultural value chains.
2. National development banks (NDBs) are well positioned to mobilize resources and engage various stakeholders in creating a financial ecosystem that supports small-scale farmers. However, many NDBs lack the capacity to develop innovative financial instruments tailored to rural smallholders. Operating within a broader inclusive financial ecosystem (IFE),<sup>1</sup> which involves, among others, government bodies, private sector entities, farmers organizations and international organizations, NDBs need stronger collaboration with other IFE actors to enhance the effectiveness of financial interventions and achieve long-term impact.
3. This programme aims to empower NDBs in Latin America and the Caribbean (LAC) and Asia and the Pacific (APR) to deliver effective financial services that meet the specific needs of small-scale farmers, while leveraging their potential to channel public and private capital towards rural transformation. The grant focuses on systematizing best practices, fostering partnerships and piloting innovative financial solutions in selected countries, with knowledge dissemination to scale the impact globally.
4. The proposed programme aligns with IFAD's Private Sector Engagement Strategy 2019–2024 by promoting private sector finance for inclusive and resilient food systems. The grant will facilitate the deployment of financial instruments designed to attract private sector investments that benefit IFAD's target groups, including smallholder farmers, women entrepreneurs and youth. It also aims to address the challenge of de-risking investments in small-scale clients with limited assets or credit history, such as rural small and medium-sized enterprises and smallholder farmers.
5. The programme also adheres to the goal and objectives of the IFAD Regular Grants Policy (2021).<sup>2</sup> Aligned with its strategic objective 2 (SO2), the programme contributes to creating a conducive policy and investment environment for smallholder agriculture and rural development. Central to this alignment is the contribution to the partnerships pathway of the Regular Grants Policy. By fostering collaboration among NDBs and other actors within the IFE, the programme aims to enhance financial access for rural communities and mobilize resources to support smallholders. Additionally, it contributes to the policy and investment pathway by enhancing the capacity of NDBs to provide financial products tailored to the needs of smallholder farmers, which will contribute to creating a more favourable investment environment for rural finance. Furthermore, the grant contributes to the knowledge and innovation pathway by promoting the exchange and dissemination of best practices and innovative financial solutions across regions.

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<sup>1</sup> The IFE includes NDBs, government institutions, financial institutions, investment funds, commercial/social/rural banks, credit cooperatives, microfinance institutions, farmers organizations, companies working with small-scale producers, and international cooperation actors, including IFAD.

<sup>2</sup> See EB 2021/132/R3.

6. The recipient was identified through a competitive process. Seven institutions with proven expertise in fostering partnerships within the IFE were invited to submit proposals. From the four submissions received, Rabo Partnerships was selected by a competitive screening evaluation team, chaired by a market and value chains specialist and composed of two technical specialists from the LAC and APR divisions and a private sector specialist, and overseen by a procurement specialist. The entry into pipeline was subsequently approved by the Operational Strategy and Policy Guidance Committee Chair on 13 September 2024.

## **II. The proposed programme**

7. The overall goal of the programme is to foster innovative and evidence-based initiatives that will expand and improve financial opportunities for small-scale farmers in the targeted countries. The objectives are to (i) explore and systematize models, financial instruments and NDB experiences that have been implemented by NDBs to fund small-scale farmers; (ii) promote dialogue and engagement between NDBs and other actors in the IFE and foster collaboration to develop innovative financial solutions and identify cofinancing opportunities; (iii) develop a toolkit to support NDBs and other IFE actor advance project ideas, partnerships and blended finance solutions addressing rural smallholders' prevailing challenges; (iv) pilot two financial solutions to test financial models addressing smallholders' needs; and (v) expand knowledge dissemination and exchange between NDBs and other IFE actors to facilitate the dissemination of best practices, innovative finance models and lessons learned from pilot initiatives.
8. The programme will focus on nine pre-selected countries from the LAC and APR regions: Bangladesh, Plurinational State of Bolivia, Colombia, Ecuador, India, Mexico, Pakistan, Philippines and Viet Nam. By the end of the inception phase of the programme, a selection of six target countries – three from LAC and three from APR – will be made by the grantee and IFAD. The programme targets three main groups within the selected countries: (i) NDBs will gain insights and practical guidance for building partnerships and develop innovative financial solutions tailored to support small-scale farmers and enhance their financial inclusion; (ii) other actors within the IFE will have the opportunity to engage in innovative partnerships, share resources and codevelop financial solutions; and (iii) rural smallholder farmers will benefit from improved financial solutions tailored to their needs. These solutions will provide smallholders with better access to credit, enabling them to invest in productivity-enhancing technologies and adopt climate-smart practices, ultimately contributing to improving their livelihoods.
9. The programme will follow a phased approach and will be implemented over two years, with the following components: (i) the inception phase will lay the foundation for the programme by conducting a comprehensive problem analysis in nine target countries through desk research and stakeholder interviews to understand the financial ecosystem, identify gaps and set the groundwork for interventions; (ii) the solution design phase will identify and customize best practices from NDBs, developing a tailored toolkit of innovative financial solutions and best practices to address specific challenges in six selected countries; (iii) the execution phase will refine the toolkit, adapting it to country-specific contexts and aligning stakeholders on its adoption. This phase will also include the selection of two countries for the pilot implementation of financial solutions, gathering feedback to refine the models for scalability and future interventions; and (iv) the dissemination phase will finalize and share the toolkit, organize regional training workshops and conferences targeting NDB stakeholders and other actors in the financial ecosystem, and disseminate findings to ensure long-term impact and sustained knowledge exchange across countries.

### III. Expected outcomes/outputs

10. The programme is expected to have the following outcomes/outputs: (i) experiences and best practices are systematized to identify successful interventions by NDBs in funding small-scale farmers; (ii) a toolkit is developed, focusing on the most pressing challenges and opportunities for NDBs and other IFE actors to provide solutions tailored to the needs of rural smallholder farmers; (iii) a soft pipeline of interventions is established by identifying potential future projects using the toolkit to enhance NDBs contributions to rural financial inclusion; (iv) two financial solutions are piloted in selected countries to test their feasibility, refine them based on feedback and ensure their scalability; (v) dialogue and collaboration among IFE actors are increased to enhance financing and support for small-scale farmers in rural areas through joint initiatives; and (vi) information exchange is facilitated through knowledge-sharing reports and workshops, leveraging the Agricultural Public Development Banks Platform for Green and Inclusive Food Systems (Agri-PDB Platform)<sup>3</sup> to host and disseminate knowledge-sharing materials.

### IV. Implementation arrangements

11. Rabo Partnerships will be the recipient of the grant and will serve as the implementation agency for the programme. No sub-grantees have been identified or are expected to be part of this programme. To implement it in the targeted countries, Rabo Partnerships will work closely with the Latin American Association of Development Financing Institutions and the Asia-Pacific Rural and Agricultural Credit Association, which will provide regional expertise and support the establishment of partnerships with NDBs in their respective regions. Rabo Partnerships will enter into formal memorandums of understanding with the Latin American Association of Development Financing Institutions and the Asia-Pacific Rural and Agricultural Credit Association, outlining the specific roles and responsibilities of each partner. IFAD country teams will play a supporting role by ensuring alignment with country strategies, facilitating access to national-level stakeholders, and ensuring coordination with existing IFAD projects and initiatives within the targeted countries.
12. Rabo Partnerships will lead and be accountable for comprehensive administrative and financial management of the programme. It will maintain the accounting, internal control and filing systems for the programme. A project management unit (PMU) will be established, comprising two project managers and two project directors, for LAC and APR respectively. The PMU will be supported by Rabo Partnerships' internal finance and control team and business support team. Additionally, in-house Rabobank experts will be engaged as consultants across different components to ensure the efficient functioning of the PMU.
13. There are deviations from the standard procedures for financial reporting and audits as follows: under section 2:396 of the Dutch civil code, Rabo Partnerships is exempted from presenting its institutional financial statements. Rabo Partnerships will provide a separate audit opinion on statements of expenditure presented to IFAD.

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<sup>3</sup> [The Public Development Banks Platform for Green and Inclusive Food Systems](#), led by IFAD with support from the French development agency, is a collaborative initiative that brings together over 134 agricultural public development banks (PDBs) from 96 countries. It serves as a forum for these banks to exchange best practices and collectively work towards promoting transformative change in food systems. The platform facilitates discussions on topics such as agroecology, digitalization, support for small and medium-sized enterprises, financing climate change adaptation, measuring environmental and social impact and capacity-building, aiming to strengthen the capacity of member banks to invest in sustainable agriculture and climate-resilient food systems.

## V. Indicative programme costs and financing

14. The total cost of the programme is US\$1.5 million (table 1). The programme will be financed through: (i) an IFAD grant of US\$1.2 million (80 per cent of total programme costs); and (ii) cofinancing by Rabo Partnerships, in the form of an in-kind contribution of US\$300,000 (20 per cent).

Table 1  
**Costs by component and financier**  
 (Thousands of United States dollars)

<i>Component</i>	<i>IFAD</i>	<i>Rabo Partnerships</i>	<i>Total</i>
1. Inception phase	106	19	125
2. Solution design phase	147	61	208
3. Execution phase	473	173	646
4. Dissemination phase	199	47	246
5. Project management costs	275	-	275
<b>Total</b>	<b>1 200</b>	<b>300</b>	<b>1 500</b>

Table 2  
**Costs by expenditure category and financier**  
 (Thousands of United States dollars)

<i>Expenditure category</i>	<i>IFAD</i>	<i>Rabo Partnerships</i>	<i>Total</i>
1. Consultancies	481	300	781
2. Salaries and allowances	190	-	190
3. Management fee	85	-	85
4. Travel and allowances	359	-	359
5. Workshops	85	-	85
<b>Total</b>	<b>1 200</b>	<b>300</b>	<b>1 500</b>

## VI. Recommendation

15. I recommend that the Executive Board approve the proposed grant in terms of the following resolution:

RESOLVED: that the Fund, in order to finance, in part, the Inclusive Financial Ecosystem for Food Systems Transformation, shall provide a grant of one million two hundred thousand United States dollars (US\$1,200,000) to Rabo Partnerships for a two-year period upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board herein.

Alvaro Lario  
 President

## Results-based logical framework

	Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
<b>Goal</b>	Foster innovative and evidence-based projects that will expand and improve financial opportunities for small-scale farmers through the empowerment of NDBs.	Pilots conducted in 2 countries to implement and test the toolkit. 1 pilot in LAC and 1 in APR	Pilot project report	The toolkit providing a solid foundation to implement pilots in 2 countries. Willingness of the 2 selected NDB to adopt the solutions proposed.
<b>Objectives</b>	Strengthen NDBs' capacities to deliver effective financial services that meet the specific needs of small-scale farmers. This will be achieved through: (i) systemizing best practices in rural finance, (ii) fostering partnerships with other IFE actors, (iii) developing a toolkit, tailored to 6 NDBs, (iv) piloting the development of innovative financial instruments in 2 selected countries, (v) disseminating tools and knowledge gained through the project to other NDBs and FIs	NDBs declare their capacities to deliver effective financial services for small-scale farmers are strengthened.	Pilot project report, toolkit, case study documents, survey at regional roundtables	Use of effective and accessible communication channels to widely disseminate knowledge materials to relevant stakeholders, including NDBs, Financial Institutions, governmental organizations, and other IFE actors.
<b>Outcomes</b>	Outcome C1. Experiences and best practices of NDBs funding small scale farmers systematized and readily available.	Systematization of best practices	Systematizing document	Sufficient availability of information about NDBs & other IFE actors and fruitful interactions with IFE actors & NDBs in selected countries.
		Inception phase: 9 NDBs selected for research, 6 NDBs – 3 in LAC and 3 in APR - selected for development of the toolkit and regional roundtables.	Research document	Sufficient availability of information about NDBs & other IFE actors and willingness of NDBs in selected countries to participate and share experiences.
	Outcome C2: Country actors in the IFE increased their dialogue and collaboration for benefiting and financing small scale farmers.	Toolkit developed and being used by 6 NDBs	Toolkit	Key actors in the IFE will actively collaborate and align their strategies towards inclusive rural finance.
	Outcome C3: Soft pipeline of interventions developed	Based on the outcomes of Execution phase, potential future interventions and projects are identified.	Interventions recommendation report	A successfully completed execution phase and comprehensive pilot evaluation report are key to develop the soft pipeline of interventions.
	Outcome C4: NDBs information exchange facilitated through knowledge-Sharing Reports and Workshops	Knowledge dissemination facilitated via multiple channels.	Reports on knowledge-sharing events Documentation uploaded at Agri-PDB platform	Effective collaboration with IFE actors to create and disseminate knowledge.
<b>Key activities by component</b>	A1.1: Conduct problem analysis and interviews in 9 target countries	Consultations with relevant stakeholders Interviews with NDBs conducted	Summary report of consultations Summary report of interviews	Willingness of IFE actors and NDBs to participate in consultations and share experiences.

Objectives hierarchy	Objectively verifiable indicators	Means of verification	Assumptions
A1.2: Partner selection of 6 NDBs	Final selection of 6 NDBs	Report on the selection	
A1.3: Regional Roundtable organized	Regional roundtables implemented	Summary report of roundtable discussions	Ability of NDBs to travel to attend regional conference; partly dependent on the stability of the (political) environment in the countries hosting the roundtables.
A2.1: Identification of best practices (6 countries)	Systematization of best practices	Systematizing document	Sufficient availability of information about NDBs & other IFE actors and fruitful interactions with IFE actors & NDBs in selected countries.
A2.2: Customisation of best practices	Customisation of best practices to address the specific challenges faced by NDBs in each of the six selected countries.	Systematizing document	Willingness of NDBs and other parties consulted to share documentation, use cases and best practices.
A2.3: Develop draft strategic toolkit	Development of a toolkit which will be tailored to local contexts	Toolkit	The political and regulatory environment in the target countries is conducive to implementing financial innovations for rural communities.
A3.1: Dialogues for implementing strategic toolkit	Exploration of collaboration to channel financing to rural beneficiaries and co-creation of innovative financial solutions	Activity report	Constructive, open, dialogues with IFE Actors and interest to explore partnerships with the objective to increase access to finance to rural communities and smallholder farmers.
A3.2: Pilot implementation (2 countries)	Test financial solutions during 2 pilots to ensure its practicality and scalability	Pilot implementation report	NDBs in the selected countries are willing to implement the toolkit and test solutions designed in the Solution Design phase. Also, the political and regulatory environment in the target countries is conducive to implementing financial innovations for rural communities.
A3.3: Iterations to solution design and pilot evaluation	Solutions piloted are refined and improved based on the results and feedback gathered during the pilot phase	Pilot evaluation report	
A4.1: Strategic toolkit finalization	Toolkit finalized	Final toolkit	The lessons learned from the pilot implementation in two countries are useful for refining and finalizing the toolkit
A4.2: Training, workshops, and support sessions via 2 regional conferences	Regional conferences and workshops implemented in LAC and APR	Reports from knowledge-sharing events	Ability of NDBs to travel to attend regional conference; partly dependent on the political and regulatory environment in the countries hosting the roundtables.

	<b>Objectives hierarchy</b>	<b>Objectively verifiable indicators</b>	<b>Means of verification</b>	<b>Assumptions</b>
	A4.3: Knowledge sharing and webinars	Knowledge material developed and shared through Agri-PDB Platform	Documentation uploaded on Agri-PDB platform	Use of effective and accessible communication channels to widely disseminate knowledge materials to relevant stakeholders, including NDBs, Financial Institutions, governmental organizations, and other IFE actors.



## Financial governance

Given the selection of a private sector entity as the recipient (see appendix III for details on the competitive selection process), the strictest financial management and governance frameworks are being set in place. These will ensure that IFAD resources are being used most efficiently to achieve the objectives of the programme.

This appendix covers some details on: a. financial management overview; b. financial management systems, and c. audit arrangements.

### a. Financial Management System, including accounting specifications

The programme's financial management arrangements and internal control systems will be designed to meet IFAD's requirements, ensuring the efficient and accountable use of resources.

Rabo Partnerships has established robust internal control systems and adheres to international accounting standards, including the use of SAP for managing financial data, and compliance with the International Financial Reporting Standards (IFRS).

Rabo Partnerships will request withdrawals from the Grant through the submission of Withdrawal Applications to IFAD. Funds will be periodically disbursed by IFAD, according to the mechanism defined in the Grant Agreement. The disbursed funds will be managed in a Euro-denominated bank account held by Rabo Partnerships, and a dedicated project administration system will be established. All project-related costs and disbursements will be tracked under a dedicated project code.

Cash flow control will be managed by a dedicated Project Administrator at Rabo Partnerships, responsible for overseeing transfers, expenses, and pending balances. Rabo Partnership's finance and control team, composed of professionals with over 25 years of experience, will supervise the financial operations of the Grant.

Coöperatieve Rabobank, along with its branches and subsidiaries, including Rabo Partnerships, is committed to conducting business with the highest level of integrity. Through its Board of Directors and senior management, Rabobank maintains and continuously enhances its global financial economic crime compliance framework. This framework comprises policies, procedures, minimum standards, and internal controls designed to ensure compliance with the relevant laws and regulations in the jurisdictions where it operates. Rabo Partnerships maintains business relations based on high ethical standards, as outlined in the Rabobank Code of Conduct.

### b. Procurement Procedures

Rabo Partnerships adheres to Rabobank's Procurement policies, utilizing the PRISMA Partner Risk and Management Application to ensure their suppliers' high standard.

The programme will follow Rabobank's manual and procedures for procuring goods and services, ensuring that procurement is conducted at competitive market prices and in alignment with the General Provisions Applicable to IFAD Grant Agreements and IFAD Procurement Policy.

Staff and in-house Rabobank consultants will be engaged through a transparent process, with the procurement of goods and services subject to internal review and approval by the finance team. Rabobank's HR policies and guidelines will be applied.

### **c. Audit Arrangements**

Under Section 2:396 of the Dutch civil code, Rabo Partnerships is exempted from presenting its institutional financial statements. Rabo Partnerships will provide a separate Audit Opinion on the SOEs submitted to IFAD. It has been agreed that consultancy days will be billed on a daily fee basis, and the audit will be focused on verifying the actual working days spent on the project. The Audit Opinion on SOEs will be submitted to IFAD within six (6) months following the end of the Recipient's Fiscal Year. Additionally, a project-specific Audit Opinion on the final SOE will be submitted to IFAD by the Grant Closing Date.

## Overview of selection process and rationale for selection of private sector recipient

The recipient, Rabo Partnerships, was identified through a competitive selection process. The sponsoring divisions developed a Grant Proposal Identification Form (GPIF) and opened a restricted Call for Proposals (CfP). Institutions were invited based on recommendations from colleagues within IFAD, including LAC and APR Country Directors and Regional Specialists.

The CfP was officially launched on 18 June 2024 and remained open for three weeks, shared via the LAC grants email account, inviting seven organizations to submit their proposals.

A Competitive Selection Evaluation Team (CSET), chaired by a Market and Value Chains Specialist, was formed. The CSET included two technical specialists from the LAC and APR divisions, a Private Sector Specialist from the PMI division, a procurement specialist, and an observer. The selection of invited organizations and the CSET's formation were approved by the LAC Regional Director on 14 June 2024.

The four organizations that submitted proposals, all confirmed eligible through a financial screening conducted via FIRCO Compliance Link, were:

1. Deutsche Sparkassenstiftung für internationale Kooperation (DSIK),
2. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ),
3. International Food Policy Research Institute (IFPRI), and
4. Rabo Partnerships (RP).

Each proposal met the minimum criteria for competitive evaluation, with the selection process adhering to principles of impartiality, transparency, and rigor. The minimum criteria included: (i) A minimum of five years of practical experience in the design and implementation of projects supporting small-scale farmers and rural communities; (ii) Demonstrated ability to create and sustain effective partnerships within the Inclusive Financial Ecosystem (IFE); and (iii) Capacity to engage effectively with relevant local actors in the targeted countries.

The CSET evaluated the proposals according to the following criteria:

1. Technical expertise,
2. Financial capacity,
3. Institutional experience, and
4. Capacity to collaborate with National Development Banks (NDBs) in the targeted countries.

After evaluating the strengths and weaknesses of each submission, the evaluators unanimously selected the proposal from Rabo Partnerships. This decision was based on the following key factors:

Firstly, RP's proposal featured a structured, phased approach that presented a clear and well-organized process for achieving the grant's objectives. The proposal stood out for its ability to systematically break down the programme into progressive stages, ensuring efficient and effective implementation.

Secondly, RP proposed to pilot cutting-edge financial solutions and instruments tailored specifically to the needs of smallholder farmers and underserved communities, demonstrating a forward-thinking approach to addressing the financial inclusion challenges faced by these groups.

Lastly, RP's extensive experience in working with National Development Banks (NDBs) and other financial institutions, particularly in emerging markets, further strengthened the proposal. RP's proven track record of successfully managing similar projects added significant credibility to their ability to deliver the programme's objectives effectively.

Rabo Partnerships is a wholly owned subsidiary of Rabobank, a leading global cooperative bank. Founded by farmers 125 years ago in the Netherlands, Rabobank's expertise in rural development, agricultural finance, and financial inclusion forms the backbone of RP's operations.

Over the past 35 years, Rabo Partnerships has been dedicated to achieving inclusive financial systems in emerging markets. Its work spans multiple regions, supporting financial institutions (FIs), governments, and multilateral organizations in delivering financial services tailored to rural communities and smallholder farmers.

By leveraging Rabobank's deep knowledge and first-hand banking experience, RP can deploy financial and advisory experts to work with local institutions, focusing on building strong partnerships between NDBs, ministries, and private sector actors.

Private sector engagement is pivotal to the success of this grant, as it plays a fundamental role in mobilizing additional capital – essential for extending financial services to underserved rural communities. The private sector drives the introduction of market-driven, innovative financial solutions that are crucial for scaling and sustaining financial inclusion. As a subsidiary of Rabobank, a cooperative bank funded by farmers, Rabo Partnerships operates with a unique blend of private sector efficiency and a mission-oriented approach, focusing on providing access to financial services for farmers, entrepreneurs, and less-privileged populations who have limited access to financial and capital markets.

RP has extensive experience working with NDBs in countries like Brazil, Colombia, Zambia, Vietnam, and India. It has provided technical assistance in designing blended finance structures, implementing credit policy adjustments, and developing financial products aimed at enhancing access to credit for smallholder farmers. These successful initiatives demonstrate RP's capacity to implement the grant's objectives and scale innovative financial solutions across different regions.

Through its work with IFAD on the ABC Fund, RP demonstrated its ability to organize and manage complex financial structures involving both public and private sector stakeholders. This, along with its partnerships with multilateral organizations and regional development banks, solidifies RP's capacity to implement the grant effectively.

In summary, RP's 35 years of experience, its comprehensive understanding of financial solutions tailored to rural smallholders, and its ability to leverage lessons learned across various countries make RP the ideal recipient for this grant. Its strong regional networks and innovative approach will ensure the success of the project, while its global partnerships will help scale the solutions developed under this program.