
Private Sector Operational Strategy 2025–2030

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Action: The Executive Board is invited to approve the Private Sector Operational Strategy 2025–2030 as contained in this document.

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Executive summary

1. Over the past few years, a global pandemic, conflicts and climate shocks have undermined efforts to end poverty and hunger by 2030. Meanwhile, shrinking fiscal space, rising debt and stagnant official development assistance have reduced the ability of many governments to invest towards the Sustainable Development Goals.
2. Inclusive and sustainable private sector development and investment in rural areas and food systems are critical in this environment. For rural people living in poverty or at risk of falling into poverty and food insecurity, who constitute IFAD's target group, the development of inclusive local markets and the local private sector – particularly rural micro, small and medium-sized enterprises (MSMEs) – is key to productivity growth and access to technology, markets, services, jobs and nutritious quality food. Also important is greater engagement on the part of private finance to close the investment gap around inclusive and sustainable rural and food system transformation.
3. As an institution anchored in public investments, IFAD recognizes the importance of working with private companies and investors to benefit its target group and the complementary roles of the public and private sector in rural and food system transformation. IFAD has almost five decades of experience working with different parts of the private sector in its sovereign portfolio, investing in local markets, MSMEs, rural financial institutions and value chain partnerships. In recent years, it has also developed the capacity to invest in the private sector to further its mandate.
4. Building on this experience, IFAD's Private Sector Operational Strategy 2025–2030 aims to heighten the Fund's development impact by supporting inclusive and sustainable private sector development and investment in rural areas and food systems.
5. The strategy has two interrelated objectives, namely:
 - (a) Enabling private sector development in rural areas and food systems to deliver jobs and access to markets, finance, technology and services to small-scale farmers and poor rural people; and
 - (b) Catalysing private sector finance for investment in inclusive, sustainable and resilient rural and food system transformation.
6. These objectives are underpinned by four action areas.
7. Under the first area, IFAD will support the ecosystem for inclusive local private sector development in rural areas and food systems, with a focus on MSMEs and young and women entrepreneurs. Under the second, it will promote partnerships with and between private sector entities to facilitate inclusive access to markets, jobs, technology, finance and services by its target group. Under the third area, it will deploy different financial instruments to incentivize private sector development, and under the fourth, it will attract mission-aligned private investors to impact areas critical to its mandate and target group.
8. Across all four areas, IFAD will gradually grow its capabilities and adapt processes to progressively match ambition, work through partnerships and foster better coherence and integration of sovereign and non-sovereign operations in country programmes. The strategy will be complemented by action plans for the IFAD13 and IFAD14 periods.

Private Sector Operational Strategy 2025–2030

I. Context and rationale

1. **Over the past few years, a global pandemic, conflicts and climate shocks have hindered growth and widened inequalities in many parts of the world,** setting back efforts to end poverty and hunger by 2030 under the Sustainable Development Goals (SDGs).¹ Many low- and middle-income countries today have less fiscal space to make the investments needed to tackle poverty, food insecurity and malnutrition, environmental degradation (including biodiversity loss) and climate change. **Those most vulnerable to the negative effects of these challenges include IFAD’s target group:** “...people living in poverty in rural areas as well as vulnerable populations at risk of falling into poverty in rural geographies.”² People living in fragile situations in many parts of the world have been particularly affected.
2. **Recognition of the urgent need to transform food systems to meet the SDGs is growing.** Food systems are evolving, with changes in diets and new production, processing and distribution practices, spurred in part by digitalization. In many parts of the world, there is growing demand – and new lucrative opportunities – for food grown sustainably, yet food systems are not ensuring food security, nutrition, livelihoods, environmental sustainability and climate resilience to all. Many countries have therefore developed “pathways” for food system transformation.
3. **In this context, it is imperative to better leverage the different roles that the private sector can play in meeting the SDGs and in food system transformation.** The important role of private finance in meeting the SDGs was already highlighted in the 2015 Addis Ababa Action Agenda and is particularly evident at a time of high public debt and stagnant official development assistance. Current pressure on the multilateral development banks³ to support government efforts to crowd in private capital towards SDG-aligned investments, promote an enabling environment for responsible private sector development and structure financially viable solutions for investments in key sectors such as agriculture can be seen in this light. As for private sector and food system transformation, many companies and financial institutions are active across food systems. Their work is often critical to job creation and access by small-scale farmers and rural communities to markets, finance, technology and services. Yet, investment gaps in rural areas and food systems remain wide,⁴ many small-scale producers remain poorly connected with other private sector actors or fail to benefit from these linkages and rural micro, small and medium-sized enterprises (MSMEs) – particularly those led by youth or women – struggle to access finance, services and markets.
4. **IFAD has a specific value proposition in working with the private sector, anchored in its country programmes and sovereign portfolio.** It has a footprint in rural areas in many parts of the world, including remote areas where other international financial institutions are not present, and a privileged understanding of local investment needs and opportunities that is highly valuable to investment partners. Globally, IFAD’s portfolio and related data on risk, returns and

¹ The SDGs were adopted by the United Nations in 2015 as a global agenda for sustainable development.

² [IFAD Poverty Targeting Policy 2023](#).

³ This expectation has been central to the G20’s agenda in the past few years and to other international forums such as the 2023 Summit for a New Global Financing Pact.

⁴ Estimates suggest that new business opportunities associated with sustainable transitions in food and agriculture may reach US\$4.5 trillion per year by 2030. Report of the Consultation on the Thirteenth Replenishment of IFAD’s Resources: Investing in Rural Prosperity and Resilience for a Food-Secure Future.

impact can be of value to investors with an interest in food and agriculture, including from a climate perspective. Through sovereign operations, IFAD partners with governments to invest in public goods and services that can reduce some of the costs and risks of private investment in rural areas and support local private sector development. Its understanding of the sector makes it a precious partner in the design of viable investment projects. Finally, IFAD can count on strong partnerships and trust from key rural and food system players, notably small-scale farmers and their organizations.

5. **IFAD has almost five decades of experience working with the private sector** through its sovereign portfolio. In recent years, it has also developed the capacity to invest in the private sector through its Private Sector Financing Programme (PSFP). Over time, IFAD has developed tools for working with private sector actors in its sovereign portfolio and non-sovereign operations (NSOs). For instance, it has developed public-private producer partnerships (4Ps) to engage companies, small-scale farmers and other actors in win-win partnerships in value chains. It has developed specific modalities for working with financial institutions to develop products that meet market demands without crowding out private capital, guided by its Inclusive Rural Finance Policy.⁵ It has identified investment products and types of eligible recipients for NSOs⁶ and developed a new financial model for the PSFP.
6. **IFAD’s engagement with the private sector is motivated by the recognition that many of the actors it works with – starting with small-scale farmers – operate in a private sector context**, that local market and private sector development is part of inclusive and sustainable rural transformation and that there is a need to better leverage private finance and private sector capabilities to benefit its target group. Impact assessments of the Eleventh Replenishment of IFAD’s Resources (IFAD11) portfolio show a positive impact on rural people’s livelihoods as a result, for instance, of investment in value chains, particularly in mid-stream actors and relationships. IFAD’s Poverty Targeting Policy 2023 has provisions to ensure that when “suppliers, employers, leaders or innovators,”⁷ which may include MSMEs or other private entities, are included in project design, there is a clear intended benefit for its target group.
7. **In 2019, IFAD issued a five-year Private Sector Engagement Strategy with two objectives:** to mobilize private funding and investments into rural MSMEs and small-scale agriculture, and to expand markets and increase income and job opportunities in rural areas. In 2022, a strategy midterm review found that these objectives remained relevant, and that delivery was effective overall. **In launching a new Private Sector Operational Strategy 2025–2030 (PSS), IFAD intends to build on this experience to support a progressively higher ambition** in terms of the mobilization of private finance and positive impact on its target group.

II. Defining “private sector”

8. The 2019–2024 strategy defined “private sector” as for-profit business companies, private and institutional investors, commercial banks, investment funds, other financial vehicles majority-owned and/or managed by private entities or interests and state-owned enterprises with financial and governance structures that comply with private sector practice. It noted that companies can be local, regional or global and range in size from MSMEs (including cooperatives, corporate farms, social businesses) to multinationals.
9. **In this strategy, we retain this definition and distinguish between financial entities** (for-profit financial intermediaries, including commercial banks,

⁵ <https://www.ifad.org/en/-/document/rural-finance-policy>.

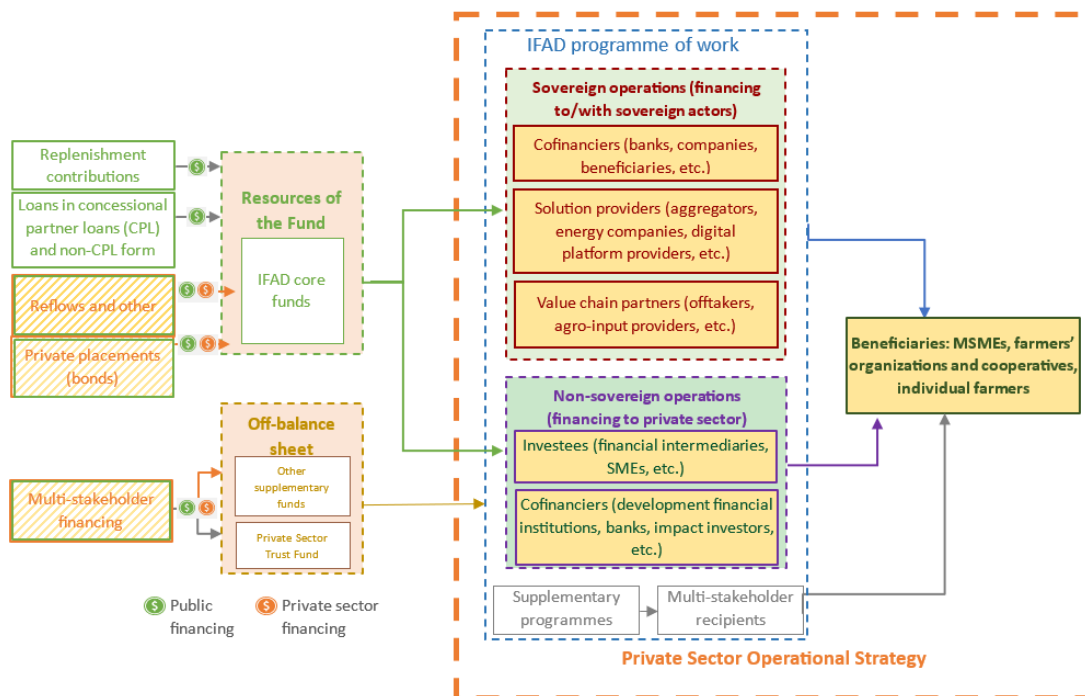
⁶ Framework for IFAD non-Sovereign Private Sector Operations and Establishment of a Private Sector Trust Fund <https://webapps.ifad.org/members/eb/129/docs/EB-2020-129-R-11-Rev-1.pdf>.

⁷ IFAD Poverty Targeting Policy 2023, p. 8.

institutional investors, microfinance institutions, investment funds, and other financial service providers with majority private capital) and **non-financial business entities** (for-profit companies; cooperatives and other formal forms of profit-seeking producers' organizations; individual entrepreneurs, including farmers, MSMEs, larger companies and state-owned enterprises with financial and governance structures that comply with private sector practice). The term "private sector" includes organizations representing the above groups. It does not include actors who engage in productive activities for non-commercial (e.g. subsistence) purposes.

10. **Different private sector actors have different roles in this strategy** due to their diverse roles in agriculture and food systems and the financial ecosystem. Each type of actor can be engaged through different instruments, depending on the context and objectives, in a demand-driven approach.
11. The main entry points for IFAD's operational engagements with the private sector are displayed in figure 1. **The focus of this strategy is on the entry points highlighted in yellow, which are operational engagements in the IFAD programme of work.** As outlined in the figure, private sector entities figure particularly as cofinanciers, solution providers or value chain partners in the sovereign portfolio and as investees or cofinanciers in NSOs. Local private sector actors (small-scale market-oriented farmers and other small-scale rural entrepreneurs) can also be beneficiaries of IFAD's investments under IFAD's Poverty Targeting Policy 2023.

Figure 1
Main entry points for IFAD's operational engagements with the private sector⁸



⁸ The main roles of the private sector in the programme of work (PoW) and as beneficiaries are shaded in yellow. Partial yellow shading is used to indicate where IFAD engages with the private sector on the "money-in" side of the business model, which is not a focus in this strategy. The graph is not exhaustive and does not include other areas of engagement – e.g. in knowledge sharing or advocacy at the global level. Source: Authors.

III. Lessons learned from implementation of the 2019–2024 strategy

A. Some results

12. **IFAD works with the private sector in much of its sovereign portfolio.** A full 150 of the approved⁹ 214 sovereign projects (70 per cent) foresee some engagement, with a total target of 104,770 companies (over 400 per project, mostly microenterprises), serving as project service providers, value chain partners or financial service providers. The expected private sector cofinancing in the sovereign portfolio is US\$1.5 billion, with 86 projects (40 per cent) contributing to an expected cofinancing share of 17 per cent of IFAD financing. Private sector cofinancing accounts for 6.8 per cent of the total programme of work.¹⁰
13. **Over half of current sovereign projects** have value chain components in which producers are connected with input providers, aggregators, processors and other companies to facilitate access to markets,¹¹ often combined with access to technology, know-how, finance and services. A 2023 stocktake of IFAD's value chain work yielded evidence of successful experiences in brokering win-win market relationships between small-scale producers and SMEs (notably aggregators and providers of digital services for advisory and market access),¹² and in some cases, between small-scale producers and larger companies, as illustrated in a number of examples in annex III.
14. **NSO approval and disbursement has progressed over time**, with eight NSOs approved as of May 2024, with an expected 494,500 direct and 2.3 million indirect beneficiaries, approximately, and an emphasis on empowering women (53 per cent) and young people (32 per cent).¹³ To date, these NSOs have spanned investment in financial intermediaries and SMEs that provide bundles of services to small-scale producers, as illustrated in annex III. As this portfolio matures, IFAD will report on specific results and lessons learned during the implementation of this strategy.
15. The Report on IFAD's Development Effectiveness 2023¹⁴ shows that IFAD has made progress as an **assembler of development finance in its private sector investments**, exceeding its leverage target for NSOs.

B. Key challenges and lessons learned¹⁵

16. **IFAD has encountered challenges in mobilizing private sector cofinancing in its sovereign portfolio.** While part of this may be due to measurement gaps, there is limited private sector involvement in project design, making it hard to identify the best entry points and incentives for it to contribute. Annex III includes a summary of the factors that tend to correlate with more successful private sector cofinancing in sovereign projects.
17. **A review of 19 value chain projects approved between 2016 and 2020 found challenges during implementation** due to government reluctance to engage with the private sector, insufficient capacity of project management units and limited capacity or willingness to engage on the private sector side. Challenges were also encountered in engaging private financial institutions due to actual and perceived investment risk, the limited financial track record of small-scale farmers and limited bankability of their investment plans.

⁹ As at 31 December 2023.

¹⁰ Assignment report – building a database on IFAD's engagement of private sector and farmers' organizations through active portfolio projects.

¹¹ Value chain stocktake assessment 2023, IFAD 2023 active portfolio.

¹² Ibid.

¹³ Project data estimated by the IFAD Private Sector Advisory and Implementation Unit.

¹⁴ <https://webapps.ifad.org/members/eb/139/docs/EB-2023-139-R-14.pdf>.

¹⁵ See also annex III.

18. **Complementarity between NSOs and sovereign investments remains an area of development.** There is scope for a better understanding of opportunities for private sector investment in country programmes. Also important are realistic expectations (not every investment is appropriate for private sector participation), an enabling local environment, private sector partners that can meet IFAD requirements (e.g. Social, Environmental and Climate Assessment Procedures [SECAP]) and coordination among internal systems related to sovereign investments and NSOs.
19. **PSFP transactions have leveraged nearly US\$165 million of the expected cofinancing, roughly 50 per cent of it from private sector sources.** However, leverage has varied across NSOs, with high transaction costs related to origination and execution, particularly in the early years. Going forward, strengthening mobilization will require strengthening IFAD's capabilities, including for more complex transactions, and continued focus on bankability and balancing impact, risk and returns.

C. Some lessons learned from other international financial organizations (IFIs)¹⁶

20. **Food and agriculture are becoming more visible in IFI private sector agendas.** For instance, the World Bank has identified food security and nutrition as the focus of a Global Challenge Programme that should align the efforts of the public and private sector arms of the World Bank Group. The European Investment Bank has made innovative finance for sustainable agriculture one its corporate priorities, while the European Bank for Reconstruction and Development (EBRD) supports access to finance to enable MSMEs to participate in sustainable global value chains, including food and agriculture-related.
21. **Several IFIs are moving towards greater integration of sovereign investments, policy work and private sector engagement.** For instance, the EBRD has integrated private sector responsibilities at various levels of the organization. The Asian Development Bank has developed an approach to identifying investment opportunities in country programmes to be addressed through sovereign or private sector instruments.
22. **Having dedicated mechanisms to facilitate private investments in non-investment-grade countries has proven useful for some IFIs.** For instance, a recent assessment¹⁷ of the World Bank International Development Association's (IDA) Private Sector Window shows the importance of catalytic capital to enabling investments from the International Financial Corporation into IDA countries, including in financial services to farmers. Blended finance is a significant part of the catalytic toolkit of many IFIs. However, the evidence on value for money and development impact with the use of blended finance to catalyse private capital in agriculture remains limited.
23. **To counter high transaction costs in sourcing and structuring deals, some IFIs have created platforms to aggregate investors.** The Global Agriculture and Food Security Program (GAFSP) Private Sector Window¹⁸ is one example. These experiences suggest that deploying blended concessional financing through platforms rather than on a deal-by-deal basis can facilitate efficiency and boost transparency – e.g. on the level of concessionality. However, structuring platforms can entail high transaction costs, and platforms do not per se ensure optimal catalytic use of concessional finance.

¹⁶ See also annex V.

¹⁷ <https://ieg.worldbankgroup.org/evaluations/focused-assessment-international-development-associations-private-sector-window>.

¹⁸ <https://www.gafspfund.org/news/new-ifad-and-gafsp-funded-project-scale-successful-approaches-increasing-food-and-nutrition>.

IV. Private Sector Operational Strategy 2025–2030

A. Goal and guiding principles of engagement

24. The goal of the 2019–2024 strategy was to strengthen IFAD’s development impact by crowding in private sector funding and know-how to benefit small-scale producers and rural areas. Building on that, **the goal of the 2025–2030 strategy is to strengthen IFAD’s development impact by supporting inclusive and sustainable private sector development and investment in rural areas and food systems.**
25. By focusing the strategy’s goal on development impact, IFAD puts its target group at the centre of the rationale for its support to private sector development and investment. This will be ensured by alignment with **IFAD’s Strategic Framework 2016–2025, relevant IFAD policies, strategies, and processes and the mainstreaming theme agendas**, as IFAD will seek to engage the private sector to deliver positive impact on nutrition, gender equality and women’s and youth empowerment, climate resilience, biodiversity and inclusion.
26. To ensure a firm anchoring of private sector work in its mandate, IFAD will aim to progressively improve the alignment of **sovereign and non-sovereign operations as different parts of integrated country programmes, while maintaining its business model based on sovereign operations.** Specifically, when designing and managing the sovereign portfolio, IFAD will seek more intentional engagement to promote local private sector development and the mobilization of private finance, along with better linkage of NSO origination and execution processes with priorities and opportunities emerging in country programmes.
27. **Operational partnerships between IFAD and the private sector will be driven by the principles of:** (i) transparency, selectivity, fairness and empowerment of its target group; (ii) focus on local private sector development; and (iii) rigorous due diligence regarding private sector partners. IFAD will seek to uphold **relevant international and national policies and regulatory frameworks**, including relevant tools of the Committee on World Food Security.¹⁹
28. **NSOs will remain guided by the principles** of relevance, additionality, development impact and risk and environmental, social and governance (ESG) standards, with greater capacity for ex ante and ex post assessment of these principles’ application. Additional principles may be articulated in an investment risk policy and NSO investment strategy to be developed under IFAD13, informed by a new PSFP business model²⁰ introduced in 2024.²¹ When using blended finance, IFAD will follow the **Development Finance Institutions Enhanced Blended Concessional Finance Principles for Private Sector Projects.**²²

B. Strategic objectives and action areas

29. This strategy has two objectives:
- (a) Enabling private sector development in rural areas and food systems to deliver jobs, access to markets, finance, technology and services to small-scale farmers and poor rural people.
 - (b) Catalysing private sector finance for investment in inclusive, sustainable and resilient rural and food system transformation.

¹⁹ <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/422954/>.

²⁰ See annex VI.

²¹ The strategy will guide efforts to ensure a balanced NSO portfolio, including by region and country income level, and address the size and risk-return features of transactions, how to match resourcing strategies and investment guidance and key products and intermediation channels.

²² <https://www.ifc.org/en/what-we-do/sector-expertise/blended-finance/how-blended-finance-works#principles>.

30. While these objectives are intertwined and complementary, the first is about engaging private **companies** to heighten the positive impact of their work in rural economies and food systems, while the second is about engaging financial **investors** to drive more SDG-aligned finance into IFAD's mandate area.
31. **IFAD will work across four action areas to pursue these objectives.** In each area, it may use different instruments in a demand-driven modality and leverage different financial and non-financial capabilities.
32. **Under the first action area, IFAD will support a functioning ecosystem for local private sector development in rural areas and food systems, with a continued focus on MSMEs and young and women entrepreneurs and a growing emphasis on green business models and digitalization.**
33. MSMEs are the backbone of food systems and rural economies in most regions. They are often the main connection between farmers and rural communities, services and markets. Many are innovators or innovation conduits in areas such as digitalization, climate adaptation, sustainable energy access and more. At present, these enterprises – particularly when led by women or young people – often struggle to gain access to technology, finance, markets and business development services. Many face policy and regulatory challenges and high transaction costs due to poor services and infrastructure. These challenges are magnified in situations of fragility.
34. **What will continue:** Under this strategy, IFAD will continue to support to the local private sector, notably MSMEs. The key intervention areas will continue to be support for conducive policies, business development services, farmers' organizations and cooperatives, rural finance, infrastructure (e.g. energy) and access to markets, which are already part of many country programmes.
35. **What will be new or different:** IFAD will strengthen its focus on women and young entrepreneurs and on its mainstreaming themes in working with the local private sector. Furthermore, given the growing importance of the digital economy, climate resilience, biodiversity and environmental sustainability, IFAD will pay more attention to contributing to a functioning ecosystem for local MSMEs with green and/or digital business models, including nature-based solutions.
36. **Under the second action area, IFAD will promote partnerships with and between private sector entities to deliver inclusive access to markets, jobs, technology, finance and services to its target group.**
37. **What will continue:** Building on decades of partnerships with the private sector in the sovereign portfolio, IFAD will continue to refine its understanding of the enablers of impactful partnerships between IFAD's target group and companies that can facilitate access to markets, technology, jobs, finance and services (including digital and energy services). IFAD's approach will continue to be to bring together different actors – for example small-scale producers, farmers' and other rural people's organizations including Indigenous Peoples' organizations, input suppliers, service suppliers and offtakers – to facilitate win-win partnerships, building the capacity of its target group to engage and contributing to relevant public-private coordination platforms. Furthermore, IFAD will continue to partner with financial institutions – particularly local – for greater access to finance for its target group.
38. **What will be new or different:** Under this strategy, IFAD will pay specific attention to partnerships that enable its target group to address new challenges – e.g. connecting farmers with companies offering climate-adaptive solutions in agriculture, energy and infrastructure or facilitating technology solutions to provide local foods with higher nutritional quality. By anchoring such partnerships around its sovereign portfolio, IFAD may gradually see increased private cofinancing, as well as better leveraging of private sector knowledge and technology in country programmes.

39. Given the growing importance of technology-enabled solutions (particularly digital) in different aspects of rural economies and food systems, IFAD will step up partnerships with companies with technology-focused business models that can deliver at the last rural mile. Where needed, it will support new private sector-led technology solutions to the needs of small-scale producers on a gender-inclusive basis by incentivizing business start-ups and acceleration, leveraging technology infrastructure and investments by larger private players and facilitating digital literacy and training.
40. In working with financial service providers, IFAD will consider greater use of risk mitigation instruments when appropriate, alongside the injection of capital for onlending, to improve both access to finance for its target group and private sector cofinancing.
41. **Under the third action area, IFAD will deploy private sector-focused financial instruments to incentivize private sector development, with an expected positive impact on its target group.**
42. **What will continue:** IFAD will continue to invest in the private sector, guided by an updated NSO framework to be finalized by December 2024, a new investment risk policy and a new NSO investment strategy to be developed in IFAD13. It will continue to work through a variety of channels, including local financial institutions (commercial banks, microfinance institutions and financial cooperatives, as well as public development banks) and companies that work with IFAD's target group as service providers and value chain partners. Its products will continue to include debt, equity and risk mitigation or risk-sharing products, depending on demand and the opportunities offered by the new PSFP financial model, which entails the inclusion of on-balance sheet resources for use in NSOs.
43. **What will be new or different:** Under the new investment strategy, IFAD will strengthen the link between NSO origination and country programme priorities to improve development additionality in terms of local private sector development, while continuing to pursue portfolio quality. To respond to different types of demand and different contexts, IFAD may explore a wider range of financial instruments, such as local currency lending and guarantees.
44. On the impact side, IFAD will pay greater attention to the use of NSOs to broaden the range of financial products needed for small-scale producers, agri-MSMEs and rural communities to shift to sustainable and climate-resilient practices and to catalyse private finance towards investments aligned with its mainstreaming themes. It will also work towards strengthening its capacity to measure results from NSOs for learning and accountability and to attract other investors to the sector.
45. **The fourth action area will be about attracting mission-aligned private investors into impact areas of key relevance to IFAD's mandate and target group.**
46. This action area speaks to IFAD's ambition to catalyse private finance for investments that deliver a positive impact on its target group beyond its portfolio, as well as to progressively improve transaction costs and leverage of NSOs.
47. **What will be new or different:** IFAD will engage in this area primarily in two ways. First, it will explore ways to enhance its capacity to use data from its portfolio to inform the financial community's risk perceptions and propensity to invest. It may do so, inter alia, as a continuing member of the Global Emerging Markets Risk Database Consortium and potentially, through dialogue with investors interested in the sector, seeking to encourage more and better private investment in areas aligned with its mandate. Second, IFAD will explore the possibility of contributing or promoting a limited number of thematic or geography-specific investment

platforms,²³ bringing mission-aligned investors together to address key investment gaps in food systems and rural areas. This will complement individual NSOs through modalities to be determined under the NSO investment strategy.

48. Depending on design, platforms may draw different groups of investors with different risk tolerance, impact orientation and return expectations. Each may focus on one or more IFAD mainstreaming themes or on other investment themes aligned with corporate priorities under IFAD13 and IFAD14. Besides allowing for the aggregation of capital, platforms can in principle help to harmonize results metrics and facilitate learning from results and impact in IFAD and the development finance ecosystem. IFAD will pursue a gradual and prudent approach to its work with and on platforms to carefully match its capacity. For instance, it will seek to engage primarily as a contributor to platforms developed by others (e.g. IFIs, public development banks, private impact investors) and seek only to gradually establish itself as a platform assembler in the medium term, subject to the development of internal capabilities.

C. From ambition to action

49. While the strategy provides a sense of direction, specific activities under the four action areas will be developed in two action plans for IFAD13 and IFAD14, respectively. Annex I presents a theory of change that connects the action areas with **five outcomes**, which span the enabling environment for rural MSMEs, access to market-based services and finance for IFAD's target group, new or improved employment and income opportunities for IFAD's target group, private finance mobilized in the sovereign and non-sovereign portfolios and private finance indirectly catalysed by IFAD's work. The annex suggests **potential key performance indicators (KPIs) under each of these outcome areas, to be further developed in the action plans and results frameworks.**
50. For each action plan, IFAD may set appropriate levels of ambition under these outcome areas to ensure that it stays focused on mobilizing private capital and the concrete impacts it aims to see on the lives of its target group, and that KPIs match IFAD's capabilities and respond to the actual demand for work in this area.
51. **Guided by each action plan and by its KPIs, IFAD will work to hone its capabilities, driven by four considerations.**
52. **First**, while focused on operations, this is a strategy that requires different departments to have responsibilities and adequate resources for delivery. The setting up of a dedicated Private Sector Operations Division in the Department of Country Operations will be a strong enabler for the effective and efficient implementation of this strategy.
53. **Second**, IFAD will take a gradual approach to developing capabilities in this area of work. This will include a continued focus on the sovereign portfolio, an emphasis on learning from experience across countries and regions, a gradual approach to IFAD's role in structuring platforms and an approach involving the piloting of new ways to integrate sovereign and non-sovereign operations, initially in selected countries.
54. **Third**, implementation will require the adjustment of relevant internal processes to align incentives across the institution, promote efficiency and agility, ensure additionality, facilitate a more integrated approach in country programmes, improve NSO quality, support potential growing complexity and improve monitoring and reporting systems and practice (including with regard to ESG metrics). In addition to an NSO investment strategy, some of the new tools that may be developed under

²³ The term "platform" is used here to refer to investment vehicles (funds, facilities) or other structures and arrangements that bring together finance from different investors.

the strategy include a playbook for better integration of instruments in country programmes and new or adapted legal tools and procedures.

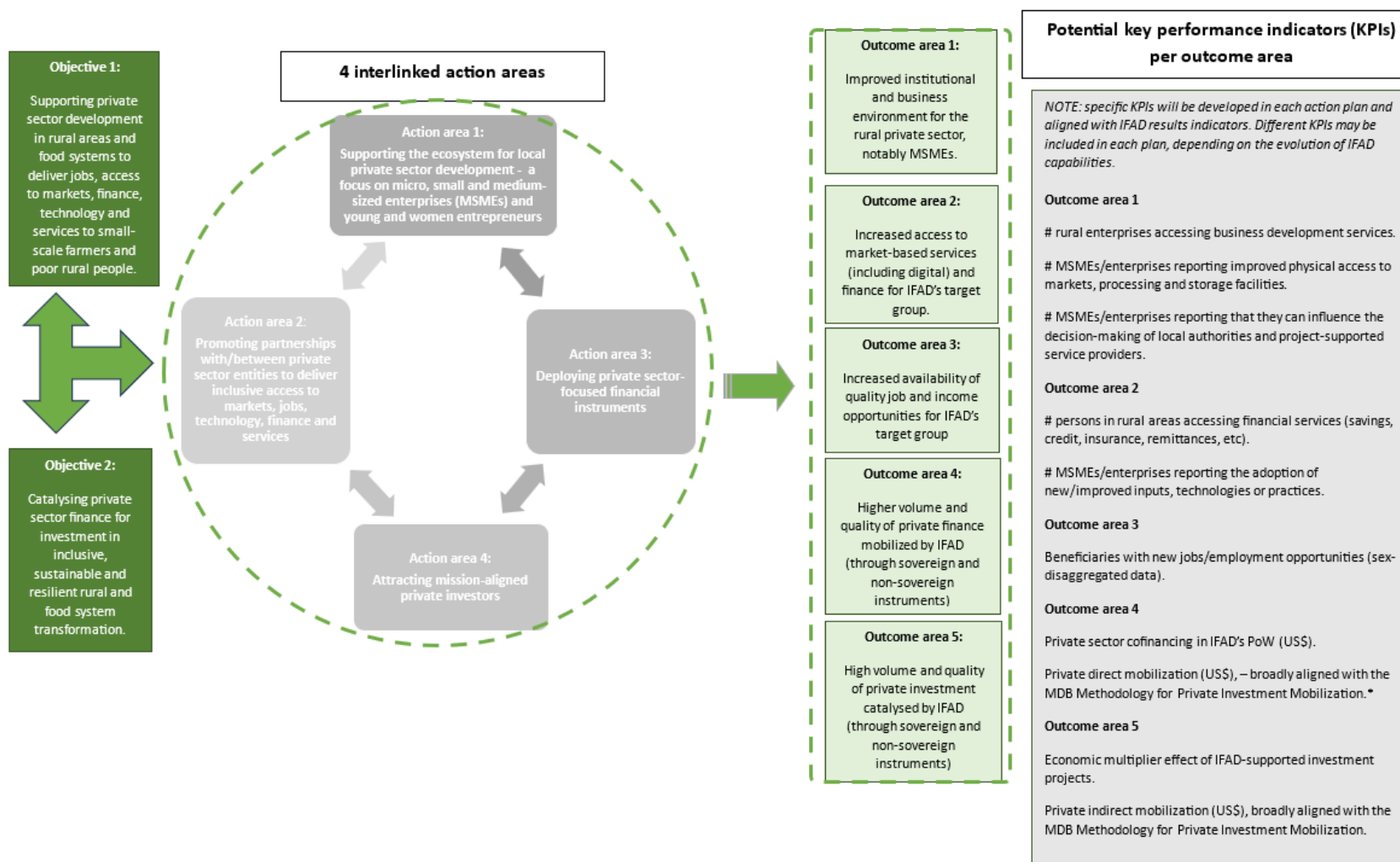
55. **Fourth**, partnerships will be key to delivering on the strategy. This includes partnerships with other IFIs (for cofinancing, learning, product innovation), bilateral development finance institutions and public development banks, climate finance institutions, United Nations agencies (including the Rome-based agencies), governments, farmers' organizations and the private sector in general – local, national, regional and global, including through South-South and Triangular Cooperation.
56. **Realizing the ambition of the PSS will also require continuous robust governance of some key processes underpinning implementation.** Specifically, and in line with the 2019 strategy:
- The PSS proposes that the Executive Board continue to approve all IFAD financing from both IFAD's own resources and new supplementary funds raised to support IFAD's private sector operations. Such funds are provided for the benefit of developing countries that are Members of the Fund, to or through private sector organizations and enterprises, and can be used to provide financing to for-profit private sector entities or channelled through grants, loans, guarantees or equity investments.
 - The PSS also proposes to retain the current provisions for the scope of the President's delegated authority in regard to IFAD accepting supplementary funds from public organizations, the private sector and foundations to finance activities related to IFAD's mandate up to and including US\$5 million. Any amount above US\$5 million would continue to require Board approval, and the acceptance of such funds would continue to be subject to IFAD's internal due diligence process for private sector partners, as required.
 - Finally, following approval of the PSS, IFAD will not deploy any new financial instrument to fund the private sector directly before: (i) the proposed instrument has been carefully reviewed (including by the Audit Committee, as appropriate); and (ii) the proposed project that includes such an instrument has undergone a full review by the Executive Board and obtained its approval.

V. Assessing progress

57. Each of the action plans will have a results framework with KPIs and targets for each action area, supported by capacity development plans.²⁴ Two progress reports will be prepared, one after the first action plan and the other, at the end of IFAD14.

²⁴ The action plans will indicate their respective reporting channels and the specific KPIs will be reviewed and mapped to existing corporate core indicators, if possible, and developed with due attention to data availability and quality. As part of capacity development plans, IFAD's existing core indicators will be reviewed with a view to enhancing integration of private sector aspects, and aligning with best practices across other IFIs and industry standards for impact investors.

From strategy to action plans – key outcome areas and potential KPIs



* World Bank document.

1. The diagram above reflects a theory of change that assumes that higher SDG-aligned private sector engagement in rural areas and food systems **can drive positive benefits** for IFAD's target group and that **IFAD can contribute to realizing this potential by using the instruments at its disposal and innovating** where needed, driven by country demand and opportunities. It further assumes that at the operational level, IFAD has two main pathways for action to influence the realization of this potential benefit from more SDG-aligned private sector engagement in its mandate areas. These pathways need to work in alignment to meet the two objectives and goal of this strategy.
2. The **first pathway** corresponds to the first two action areas, respectively:
(i) support for local private sector development and an enabling ecosystem for private companies to thrive in rural areas, particularly at the MSME level; and
(ii) promoting partnerships with companies with business models that deliver effective and sustainable solutions to IFAD's target group in terms of jobs, technology, finance, energy, services and digitalization. The logic of this pathway is that **if** local private sector is supported to grow, particularly if supported from a perspective of social inclusion, with special attention to MSMEs and to women and young entrepreneurs, and **if** small-scale producers and poor rural people are better connected with MSMEs and larger companies with relevant business models, **then** IFAD's target group can derive benefits in terms of jobs, incomes, market access and access to finance and to services provided by these companies. The positive impact of local market development in food systems can include greater local availability (and potentially affordability) of diverse quality foods, with a positive impact on nutrition. Greater local private sector development and stronger partnerships with IFAD's target group will also drive higher private finance mobilization in the sovereign portfolio.
3. The **second pathway** corresponds to two action areas, namely deploying financial instruments towards private companies and financial intermediaries and aggregating or sponsoring investment platforms. The logic of this pathway is that **if** larger volumes of finance (potentially bundled with non-financial services) are invested on appropriate terms in financial intermediaries and private companies with mission-aligned business models in rural areas and food systems, whether directly or through platforms, **then** IFAD's target group can derive benefits in terms of access to finance, jobs, markets and services provided by these companies or financial intermediaries as these entities increase their assets and/or better integrate environmental, social and governance (ESG) considerations into their business models.

Risks and mitigation measures

1. Strengthening private sector engagement entails risks that require adequate operationalization frameworks, tools, governance structures and management practices, including risk mitigation. Below are some key risks identified around the strategy's objectives and action areas, with related mitigation measures. Although most of them refer to NSOs, strengthening private sector engagement in general requires an overarching approach with respect to strategy operationalization and governance, so that IFAD's business and mission profile remain strong and is not adversely affected.

Risks	Mitigation measures
<p>Risk tolerance</p> <p>The amount of risk that IFAD is willing to accept when deploying resources for private sector operations.</p>	<p>IFAD will pursue active management of the risk appetite of different private sector portfolios to ensure the financial sustainability of each transaction while achieving development outcomes and additionality. Its risk appetite will also include limits on capital allocated to the private sector.</p>
<p>Risk of lowering IFAD's credit rating</p> <p>Operational private sector engagements that include NSOs may negatively affect IFAD's credit rating.</p>	<p>For IFAD to maintain its credit rating, it is important that the inherent credit, investment and operational risks of NSOs be well-managed. A credible NSO strategy and infrastructure will be developed and implemented with adequate internal capacity, risk culture and governance structures to preserve the strengths of IFAD's rating (e.g. mission, policy importance and governance). IFAD will ensure that capacity is commensurate with ambition in regard to NSOs. Support from host governments will also be critical in IFAD's private sector engagements.</p>
<p>Credit (and investment) risk</p> <p>The risk that a creditor will default on a loan (or similar product) or that its creditworthiness will deteriorate.</p>	<p>Stringent credit assessments, including the development of comprehensive credit assessment frameworks, will be used to evaluate creditworthiness in transactions, complemented by strategic portfolio management. A risk-based pricing approach will ensure that loan terms reflect the borrower's risk profile (or expected losses) and transaction costs related to project implementation. Investments will be assessed with the necessary tools to avoid losses relative to expected returns.</p> <p>Other mitigation measures will include diversification of the NSO portfolio across geographies and type of investee to spread risk and reduce the impact of single defaults and the use of credit enhancement mechanisms (e.g. guarantees, blended finance, collateral) to lower the risk of default.</p>
<p>Reputational and ESG risks</p> <p>Working directly or indirectly with private companies may entail reputational and ESG risks for IFAD.</p>	<p>Sound due diligence prior to any engagement, as well as project structuring (when dealing with private companies) will help mitigate such risks, along with compliance with (i) the Anti-Money Laundering and Countering the Financing of Terrorism Policy 2023;²⁵ (ii) the Social, Environmental and Climate Assessment Procedures (SECAP) requirements in effect since January 2024; and (iii) close ex post monitoring. IFAD will apply these to sovereign investments and NSOs. For NSOs, specific language in financing agreements and due diligence requirements will be managed under the leadership of the crime unit within the Financial Controller's Division and by the Operational Policy and Results Division and ECG for SECAP. Specific attention will be paid to climate finance operations to avoid green and climate washing.</p>

²⁵ EB 2023/140/R.12/Rev.2.

Lessons learned from IFAD's private sector engagements – some examples

1. IFAD's private sector engagement has increased over the years. Experience generally shows that working with the private sector can be a lever of growth in the scale of reach and impact for IFAD's relatively limited resources, with potential yet to be unlocked, and that IFAD's capabilities and culture in private sector engagement are still in the early stages. Some specific lessons from work in the areas highlighted in yellow in figure 1 on page 3 are presented in the following pages.
- A. Within the sovereign portfolio, the private sector contributes as a partner through three main roles:**
- Value chain partner**
2. Among the 347 sovereign projects funded by IFAD (during replenishment cycles IFAD8 to IFAD11), the majority (75 per cent) employ a value chain approach, using the public-private-producer partnership (4P) model among other interventions.²⁶
 3. IFAD's experience has shown that agricultural value chain development requires a holistic approach covering different points in value chains, linking small-scale producers with markets, adding value to their products along the chain and seeking to benefit different actors equitably. Key success factors when using 4P approaches in value chain projects are: (i) identifying the right partners; (ii) attracting and structuring appropriate financing solutions; (iii) ensuring access to markets; and (iv) a conducive policy environment. For instance:
 - (a) In the [Value Chain Development Programme](#) in Nigeria, IFAD facilitated collaboration between a large company (OLAM) and local small-scale farmers. OLAM provided capacity-building for farmers and acted as an input provider and offtaker of paddy rice, leading to higher incomes, greater market access for farmers and a reliable, high-quality rice supply for OLAM.
 - (b) In Morocco, a milk cooperative supported by [PDRZM](#) entered into a commercial agreement with the multinational Danone company.
 - (c) [PRODEFIL](#) in Tunisia emphasizes contractual links between producers and local MSMEs and service providers.
 - (d) [LPDP I](#) and [II](#) in Tajikistan provided business development services to private companies in the livestock sector, intending to help them source supplies from project beneficiaries. However, these services were hardly utilized due to the low commercial orientation of the sector.
 - (e) A more successful approach was implemented under [PRIME](#) in Egypt, where a "market opportunity bank" was established, listing 29 crop buyers interested in direct sourcing from project beneficiaries. This initiative resulted in 11 supply contracts at the time of data collection.
 - (f) The [SAIL](#) project in Egypt created marketing associations representing small-scale producers and cooperatives and connected them with service providers and offtakers such as [Mozare3](#), a company that provides digital agricultural contracting and financial services.
- Solution provider**
4. While IFAD has had successful experiences with the private sector as a provider of knowledge, technology and innovations to boost agricultural and rural productivity and economic activity, there is scope for more engagement and innovation,

²⁶ Value chain stocktake assessment 2023, IFAD 2023 active portfolio.

particularly in the digital space, in alignment with the IFAD Information and Communication Technology for Development (ICT4D) Strategy.²⁷

5. For instance:

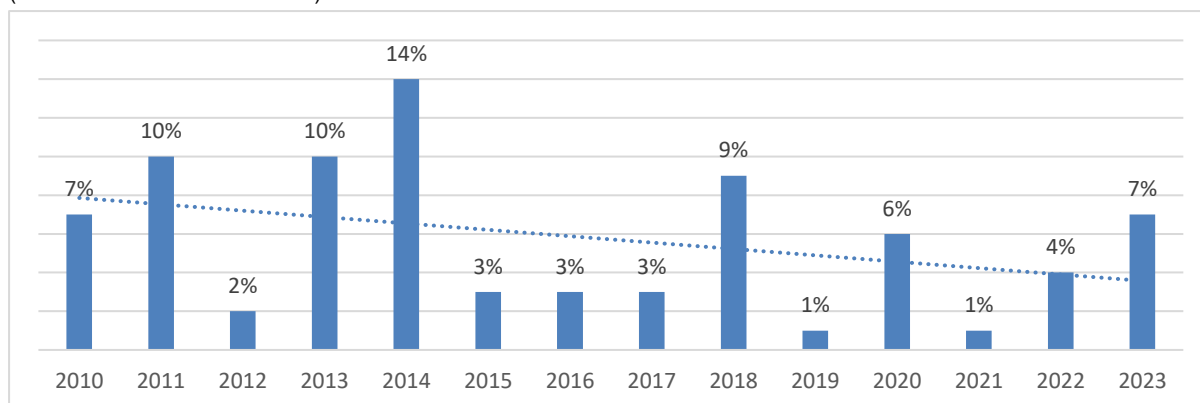
- (a) In Cambodia, through supplementary funding from the Republic of Korea, the [ASPIRE](#) project has supported the development and rollout of the Chamka app, providing small-scale farmers with digital advisory services and inputs. Over 50,000 farmers and 40 input suppliers are registered with the platform at the time of this writing.
- (b) The [RUFEP](#) project in Zambia has successfully used digital financial services to provide 643,449 rural poor beneficiaries with access to financial services, boosting small-scale farmers' incomes by 18 per cent and productivity by 25 to 50 per cent through innovative financial products and market information.
- (c) The [KCEP-CRAL](#) project in Kenya has partnered with the private sector, including AFEX Fair Trade, to provide 148,551 small-scale farmers with access through digital vouchers for subsidized inputs worth approximately US\$22 million, in addition to financial and insurance services.
- (d) In Latin America and the Caribbean, IFAD has provided a regional grant to implement [Innovatech](#), which has benefited 20,831 households (including women, youth and Indigenous Peoples) by matching 382 private sector organizations with digital tech solutions through capacity-building provided by agritech/fintechs.
- (e) In India, the [Nav Tejaswini](#) project has facilitated market linkages for vegetable growers with organized retail buyers such as the AgriBid and Go4Fresh online marketplaces, leading to a 10 to 15 per cent increase in sale prices.
- (f) Under the [PIRAS](#) project in the Pacific Islands, TraSeable Farms is a mobile agriculture app and web marketplace launched in Fiji in 2022, enabling farmers to see which markets offer the best prices for their products.

Cofinancier

6. The trend in average private sector cofinancing in value chain sovereign operations has been downward but remains an important area of focus for IFAD.

Figure 1

Private sector cofinancing as a percentage of total project cost in value chain sovereign operations²⁸
(Millions of United States dollars)



7. Higher cofinancing (49 per cent), particularly from financial institutions (e.g. through onlending or guarantees to catalyse bank balance sheet capital), has been

²⁷ The PSS midterm review also confirms that technology-based private sector-led solutions in the PoW to meet country strategic opportunities programme (COSOP) objectives have been growing and show promising progress.

²⁸ Source: Assignment report – building a database on IFAD's engagement of private sector and farmers' organizations through active portfolio projects.

found in inclusive rural finance projects and projects that support access to markets (10 per cent). Key success factors driving greater private cofinancing in projects are: inclusion of the private sector at the project design stage; combining the engagement with local banks or other financial institutions with technical assistance and, depending on need, addressing the demand side of rural finance; fostering linkages between producers and other market players, with clear incentives for mutual engagement – such as securing quality supply in specific value chains; the presence of a conducive environment for private sector engagement in terms of stakeholder interest, government demand and the regulatory environment; and a conducive market context enabling positive returns for all actors involved in activities promoted by projects.

Table 1

Private sector cofinancing by area and financier and as share of total cofinancing (2010–2023)²⁹
(Millions of United States dollars)

	<i>Local private</i>	<i>Financial institutions</i>	<i>International private sector</i>	<i>Agri-SME</i>	<i>Total cofinancing (private sector cofinancing share)</i>
Production sectors	60	3	1	11	2,809 (3%)
Policy and institutions	51	48		4	1,603 (6%)
Inclusive rural finance	193	611		8	1,644 (49%)
Access to markets	126	172	92	19	4,181 (10%)
Social services		12			436 (3%)
Environment and natural resources	4	32			581 (1%)

Some examples of impactful collaboration with the private sector in IFAD operations

The Uganda portfolio has been characterized by several private sector partnerships. Within the oil palm value chain, for instance, an innovative partnership approach under the [VODP](#) and [NOPP](#) projects has helped farmers in targeted areas move into commercial farming in a competitive market, while mobilizing around 43 per cent of total investment from the private sector as parallel financing with the direct involvement of a private commercial bank. An impact assessment of one of the projects found significant positive effects on farmers' incomes, yield expectations and input use.

Also in Uganda, IFAD manages the European Union-backed [Yield Uganda Investment Fund](#), which targets financing to agri-SMEs in the form of debt and equity, business development services, support to streamline their business operations and integrate ESG principles and engagement with smallholder farmers to heighten impact at scale. In addition, IFAD provides debt financing through the Economic Enterprise Restart Fund (EERF) established by Stanbic Bank Uganda, aimed at restoring access to finance for COVID-affected MSMEs. This initiative aims to bolster job creation, income stability, food security and resilience across rural and urban areas. EERF resources are channelled through deposit-taking microfinance institutions to SACCOS and VSLAs, enabling them to offer micro and small loans averaging US\$300 per client/member.

In Cambodia, the [AIMS](#) project has stimulated private investment by engaging 42,148 small-scale farming households through 1,462 producers' organizations. By leveraging pro-poor value chain support and a multi-stakeholder platform with B2B arrangements, the initiative has facilitated sales contracts and brokered 811,300 tonnes of commodities worth US\$162.47 million. Impressively, 84 per cent of participating farmers adopted new production and post-harvest technologies, surpassing the 75 per cent target. Similarly, in Nepal, the [HVAP](#) project utilized multi-stakeholder platforms and B2B/B2S arrangements to raise market compliance standards and lower investment risks. Consequently, 83 per cent of producers reported higher farm gate prices and a 50 per cent technology adoption rate.

In Brazil, IFAD's first project with a national development bank (the Banco Nacional do Desenvolvimento [BNDES]) as funding recipient was approved in 2021. The Planting Climate Resilience in Rural Communities of the Northeast (PCRP) project is cofinanced by the Green Climate Fund and BNDES, for a total envelope of US\$217.8 million, 30 million of it IFAD funds. The project will reach over 400,000 households in four states in the semiarid northeast region of the country, aiming to transform family farmers' productive systems to increase productivity and climate adaptation. The project is an example of the growing potential for co-investment with development banks in climate-resilient rural investments in the IFAD portfolio.

B. Within NSOs, private sector investment recipients include financial institutions, agri-SMEs, aggregators and farmers' organizations.

8. The NSOs designed to date include six loans to financial institutions, two loans to agribusinesses/corporations, one blended structure co-designed and co-invested by

²⁹ Based on data drawn from the Grants and Investment Projects System (GRIPS) in 2022/2023 and analysed by an external agency, with additional categorization of financier type applied (as of June 2024).

IFAD and one equity investment. While these transactions are still generally in the early stages, the process has yielded some broad lessons, summarized in table 2 below. More specific lessons from NSOs will be distilled and reported during the implementation of this strategy as the NSO portfolio matures.

Table 2
Non-sovereign operations – some lessons learned³⁰

Progress: 8 NSOs and special initiatives, distinct approaches	Learning: successes (+) and challenges (-)
<p>Structured finance (1 initiative, US\$200 million+): Aggregation of donor/ investor funds to catalyse climate investment through an implementation partner on the ground (e.g., ARCAFIM)</p>	<p>+ Overall successful origination, structuring and aggregation of investors.</p> <p>+ Leverage of IFAD's technical expertise to investees.</p>
<p>Equity participation (1 initiative, US\$8.4 million+): Equity injection into an equity fund along with several institutional investors (e.g. Agribusiness Capital Fund)</p>	<p>+ Progressively successful fundraising, with a growing volume of resources available (as of 2025, a total of US\$154 million will be available for new NSOs under IFAD13).</p> <p>+ When achieved, anchoring in the sovereign portfolio has allowed for the identification of NSOs that complement other activities and investments in IFAD country programmes.</p> <p>– IFAD still has limited internal resources and knowledge to execute simple deals efficiently and/or to structure more complex deals.</p>
<p>Corporate lending (2 NSOs, US\$8.5 million+): Provision of loans directly to companies (e.g. Babban Gona and Soafiary)</p>	<p>– Individual deals tend to have high relative internal and external (e.g. for legal counsel) transaction costs, given the average size of small deals.</p> <p>– Pipeline generation has been a challenge, due partly to limited capacity for quality referrals from country teams focused on the sovereign portfolio, including limitations in staff time at headquarters and in the field and familiarity with the requirements for successful referrals and private sector work in general.</p>
<p>Financial Institutions lending (6 NSOs, US\$24.5 million+): Loans provided to financial intermediaries to serve small-scale farmers and agri-MSMEs (e.g., Stanbic, Hamkorbank, AMK, Futuro, Crecer, NBS)</p>	<p>– Cumbersome internal processes can limit IFAD's capacity to respond agilely to NSO opportunities.</p>

³⁰ Project data estimated by the IFAD Private Sector Advisory and Implementation Unit.

Alignment with IFAD policies and strategies

Date of Executive Board approval	Name	Relevance of 2025-2030 PSS
11-12/12/2023	Anti-Money Laundering and Countering the Financing of Terrorism Policy	Under the risk section, the PSS includes a reference to fiduciary risks and how they will be mitigated. During operationalization, specific language will be included in financing agreements and due diligence carried out.
10-11/05/2023	IFAD Poverty Targeting Policy 2023	The strategy is designed to support IFAD's engagement with the private sector to scale up positive impacts for IFAD's target group, as defined in the policy. Operationalization of the strategy will be driven by the identification of specific intended benefits for IFAD's target group, particularly in integrated country programmes and investment projects.
13-15/12/2022	IFAD Policy on Engagement with Indigenous Peoples (2022 update)	IFAD's engagement with the private sector at the operational level will be aligned with the policy, with deliberate efforts, where relevant and appropriate, to mobilize private sector knowledge, technology, finance and other private sector assets and capabilities to support the rights of Indigenous Peoples and their economic empowerment in keeping with their cultural identity, within a framework of sustainable equitable development.
13-15/09/2022	IFAD's Policy on Disclosure of Documents for Non-Sovereign Private Sector Operations	IFAD commits to ensuring transparency in its non-sovereign operations, improving development effectiveness and promoting good governance, while considering the need to preserve the business interests and proprietary information of private sector recipients.
25-27/04/2022	IFAD Strategy for Engagement in Small Island Developing States - 2022-2027	IFAD recognizes the importance of private sector-led technology solutions and investments to promote rural livelihoods and the resilience of food systems in small island developing states (SIDS), in line with the SIDS strategy, particularly in the context of climate change.
13-16/12/2021	IFAD South-South and Triangular Cooperation Strategy - 2022-2027	South -South and Triangular Cooperation (SSTC) is recognized under this strategy as one of the entry points and tools for IFAD to achieve development impact, facilitating the sharing of knowledge and experience on private sector engagement across countries and regions.
13-16/12/2021	Strategy on Biodiversity - 2022-2025	IFAD's current and future engagement with the private sector will promote investments that benefit biodiversity and boost the capacity of IFAD's target group to sustainably manage and invest in biodiversity, including through nature-based solutions.
13-16/09/2021	Inclusive Rural Finance ("IRF") Policy	In line with the policy, IFAD will engage with the private sector in the area of rural finance, especially in the first three action areas, to promote inclusive resilient financial ecosystems that support private sector development beneficial to IFAD's target group.
19-21/04/2021	Regular Grants Policy	Under the PSS, private sector entities will continue to be eligible for regular grants. There will be no overlaps with operations implemented under IFAD's PSS and NSO framework. As stated in the policy, all regular grants to private sector entities will be approved by the Executive Board.
10-12/12/2019	Information and Communication Technology for Development Strategy ("ICT4D")	The PSS recognizes the importance of the digital space as a key area of engagement with the private sector for both of its objectives. This includes support to local digitally-enabled MSMEs, operational partnerships with providers of digital technology solutions and services and direct financing of private sector investments in the digital space aimed at benefiting IFAD's target group at scale.
02-03/05/2019	Mainstreaming Gender-transformative Approaches at IFAD - 2019-2025	The PSS will support private sector engagements that promote economic opportunities for women or provide solutions and business models that empower and enable them to build assets, obtain higher incomes and increase resilience. Women-led and managed businesses will continue to be a target of specific focus across action areas.

<p>12-14/12/2018</p>	<p>IFAD Strategy and Action Plan on Environment and Climate Change 2019-2025</p>	<p>Investment in rural climate-resilient agricultural practices (climate adaptation, mitigation and biodiversity) and nature-based solutions are central themes for the rollout of private sector operations and engagements. IFAD also assists countries in leveraging private sector funding to enhance biodiversity, environmental sustainability and climate resilience among smallholders and rural communities. The new integrated strategy on Climate, Environment and Biodiversity will be aligned with these ambitions.</p>
<p>12-14/12/2018</p>	<p>Rural Youth Action Plan</p>	<p>The PSS is aligned with the Rural Youth Action Plan and will consider strengthening the capacity of private service providers, youth-led businesses and organizations in advocacy, policy engagement platforms and building strategic partnerships to mobilize additional financial and technical resources and implement the Rural Youth Action Plan.</p>

Lessons learned from other IFIs

<p>African Development Bank (AfDB)</p>	<ul style="list-style-type: none"> • AfDB identifies private sector development as one of its areas of focus to reduce poverty and support sustainable growth in Africa. The 2021–2025 Private Sector Development Strategy envisions a post-COVID youth and women-centred Development Model for Africa, led by the private sector, anchored in industrialization and driven by technology and innovation. • In 2022, AfDB approved US\$1.8 billion in financial support to 27 private sector operations. This growth in its NSO portfolio was due mainly to: (i) clear eligibility criteria and prudential risk parameters; (ii) a defined risk appetite for moderate and high-risk-rated projects; (iii) active portfolio monitoring; and (iv) credit enhancement in the private sector framework for NSOs in low-income countries and lower-middle-income countries.
<p>Asian Development Bank (ADB)</p>	<ul style="list-style-type: none"> • In 2022, ADB adopted a reform roadmap with a new operating model to strengthen its work to develop the private sector and mobilize private investments in Asia and the Pacific, employing a One ADB approach. • Through its Private Sector Operations Department, which has embedded country offices and regional teams since 2023, ADB facilitates financing to companies across diverse industries to catalyse private investments in the region, pursuing development impact, including via inclusive and sustainable low-carbon growth and job creation. • Promoting rural development and food security is one of the top seven operational priorities of the ADB 2030 Strategy. In 2022, it committed US\$3.9 billion in financing to the private sector and US\$2.2 billion in financing commitments to agriculture, natural resource management and rural development.
<p>International Bank for Reconstruction and Development (IBRD) (World Bank Group)</p>	<ul style="list-style-type: none"> • In 2023, the World Bank launched the Private Sector Investment Lab to improve private sector financing structures, better align World Bank operations with private finance mobilization agenda, improve balanced risk allocation across different types of investors and forge new partnerships, among other things. • The World Bank Global Agriculture and Food Security Program's private sector window uses blended finance to invest across food supply chains. The Global Agriculture and Food Security Program (GAFSP) funds are co-invested alongside the International Finance Corporation (IFC) funds. Since 2010 (and through 2023), the GAFSP Private Sector Window has deployed approximately US\$440 million to support 88 agribusiness investment projects in 33 countries.
<p>International Development Association (IDA) Private Sector Window (PSW)</p>	<ul style="list-style-type: none"> • The IDA-IFC-MIGA Private Sector Window was created to subsidize International Finance Cooperation (IFC) and Multilateral Investment Guarantee Agency (MIGA) investments in the private sector through mechanisms that include local currency financing and first-loss guarantees in IDA-only countries. • The PSW has had limited impact on scaling IFC operations in the world's poorest countries, where IDA's core projects continue to deliver more satisfactory development outcomes.
<p>International Finance Corporation (IFC)</p>	<ul style="list-style-type: none"> • With its IFC 3.0 corporate strategy, IFC focuses on creating markets and leveraging private capital. IFC partners with the private sector to: (i) create conditions and opportunities that will attract private sector investment in emerging markets; (ii) develop a pipeline of investment-ready private sector opportunities and projects; and (iii) provide a full range of investment, risk and mobilization support to take advantage of these investment opportunities. • In FY 2023,³¹ IFC committed a record US\$47.3 billion (including cofinancing) to private companies and financial institutions in developing countries, using a range of financial instruments. The IFC's committed portfolio in agribusiness totals US\$5 billion,³² including customized short- and medium-term working capital, long-term financing and agri-finance advisory services.³³

³¹ <https://www.ifc.org/en/what-we-do/products-and-services>.

³² <https://www.ifc.org/en/what-we-do/sector-expertise/agribusiness-forestry#:~:text=IFC%20invests%20and%20provides%20services,and%20distribution%20of%20food%20products>.

³³ <https://www.ifc.org/content/dam/ifc/doclink/2023/agri-sme-finance-advisory-agri-finance-services-ifc-2023.pdf>.

Inter-American Development Bank Group (IDB)	<ul style="list-style-type: none">• IDB employs an integrated approach to private sector engagement through its three main entities: IDB, IDB Invest and IDB Lab. In the agribusiness sector, it provides financing and advisory services to agribusinesses and their value chain partners.• In 2023, the IDB Group had an active portfolio of US\$2.4 billion³⁴ in financing, in which the private sector is a key player, including in innovation in environmentally sustainable practices and technologies (Agriculture Sector Framework Document, 2019).³⁵
European Investment Bank (EIB)	<ul style="list-style-type: none">• EIB Global is the EIB's development arm, dedicated to international partnerships and development finance.• EIB has made innovative financing for sustainable agriculture one of its corporate priorities. IFAD and EIB strengthened their cooperation, with EIB providing a EUR 500 million framework loan to improve food security and climate resilience and establishing a framework for streamlining joint project procurement to finance investments.

³⁴ <https://www.iadb.org/en/who-we-are/topics/agriculture-and-food-security>.

³⁵ <https://www.iadb.org/en/who-we-are/topics/agriculture-and-food-security/sector-framework-agriculture-and-food-security>.

Non-sovereign operations (NSO) funding model

1. In addition to designing a new PSS, the Report of the Consultation on the Thirteenth Replenishment of IFAD's Resources (IFAD13 Report) includes a commitment to reforming IFAD's NSO funding model, which is closely linked to the new PSS and its objectives.
2. So far, deployable Private Sector Financing Programme (PSFP) funds and corresponding assets have been managed in the off-balance sheet Private Sector Trust Fund (PSTF). Accordingly, during IFAD12, in addition to the original US\$25 million IFAD11 grant allocation, PSTF funds have been solely sourced as supplementary funds from donors.
3. In IFAD13, this is changing with the addition of NSOs on IFAD's balance sheet, as the IFAD13 Report includes a commitment (#16) to advancing this reform.
4. The main new elements of the proposed NSO funding model are summarized below:
 - (a) NSOs will be funded from both on-balance sheet resources (borrowing and core grant) and off-balance sheet supplementary funds (PSTF). Furthermore, IFAD will continue to mobilize concessional donor resources for the PSTF.
 - (b) IFAD will be able to introduce blending of own commercial account with concessional donor resources. Blending commercial and concessional resources will allow for the development of structures with the potential to de-risk high-risk NSO investments and mobilize additional private capital.
5. Building on the above new funding elements, IFAD has implemented or is in the process of implementing a number of PSFP management and governance reforms, including:
 - (a) **Updating the NSO risk management framework**
In light of the different types of funding sources (borrowed, core grant and supplementary funds), it has been necessary to define the respective risk appetite for them. This is a critical building block for the future investment risk policy and the NSO investment strategy, defining what funds can be used at what risk levels and geographies.
 - (b) **Developing an approach to allocate funding sources to NSOs and structure blended finance**
IFAD needs clear principles and guidelines on how to allocate the various funding sources to NSOs and how to structure blended finance. These principles will be embedded in the variety of risk appetites of different sources of funding for NSOs going forward.
 - (c) **Strengthening IFAD's blended finance governance**
The introduction of blended finance (blending of its own commercial and concessional accounts) affects the potential financial risks/returns for different NSO participants, potentially leading to conflicts of interest. Accordingly, IFAD has strengthened its NSO governance process, particularly from the standpoint of managing blended finance.
6. Due to the above reforms, during the development of this strategy in the first half of 2024, IFAD began to revise some key NSO-related documents and guidelines, among them (i) the Risk Appetite Statement; (ii) the NSO framework; (iii) the NSO credit risk guidelines; and (iv) the NSO operations guidelines, and develop the guidelines on blended concessional finance. In addition, the following existing NSO governance processes are being strengthened; (i) independent assessment of adherence to the DFI Enhanced Blended Concessional Finance Principles for Private

Sector Projects (e.g. minimum concessionality) in NSOs; (ii) the introduction of independent monitoring of the availability and eligibility of concessional funds to be deployed for NSOs; (iii) revision of the terms of reference of internal committees (the Operational Strategy and Policy Guidance Committee [OSC], the Investment Review Committee [IRC]) to better guide NSO reviews, including key aspects of blended finance; and (iv) a review of the PSTF structure to improve mobilization and management of the various types of concessional resources.