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## **IFAD's private sector engagement: Lessons and the way forward**

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# IFAD's private sector engagement: Lessons and the way forward

## I. Introduction

1. **The private sector plays a critical role in IFAD's mission to transform rural economies and improve livelihoods.** IFAD's work with the private sector, on both the sovereign and the non-sovereign side, enhances the effectiveness, scale and sustainability of its operations. IFAD-financed projects engage a broad range of private sector actors, which brings benefits that would not otherwise reach small-scale producers. It optimizes impact in four principal ways: (i) enabling transformation of food systems through the development of markets; (ii) bringing essential skills and innovation to IFAD's target groups; (iii) mobilizing additional capital; and (iv) improving sustainability of benefits for smallholders well beyond project closure. The Twelfth Replenishment of IFAD's Resources (IFAD12) impact assessment demonstrated that IFAD investments with moderate-to-high private sector engagement delivered a 64 per cent increase in incomes compared to 16 per cent with minimal private sector engagement.<sup>1</sup>
2. **Historically, IFAD has worked with the private sector mostly through sovereign projects** supporting value chain development, rural enterprises and access to finance. Specific thematic areas are inclusive rural finance, where projects provide financial institutions with credit and technical assistance to expand access to finance, and markets and value chains, where farmer income is increased through integration into local or global value chains.<sup>2</sup>
3. **In 2019, IFAD launched its Private Sector Financing Programme, enabling non-sovereign investments,** also known as non-sovereign operations (NSOs). NSOs engage directly with private sector actors, such as agricultural small and medium-sized enterprises (agri-SMEs), cooperatives, financial intermediaries and social enterprises, which are critical to inclusive rural value chains but often lack access to finance. Through tailored instruments like loans, risk-sharing instruments and equity, NSOs allow IFAD to deploy catalytic capital, mobilize private investment, and reach segments of the rural economy that sovereign operations cannot directly support.
4. **Complementarity between sovereign and non-sovereign operations is the foundational principle of IFAD's Private Sector Operational Strategy 2025–2030 (PSS),<sup>3</sup> which emphasizes their strategic linkage as a core driver of development impact.** By aligning NSOs with country strategies and deploying sovereign and non-sovereign instruments in a coherent, intentional and mutually reinforcing manner, IFAD ensures its interventions are impactful and deeply embedded in long-term, country-led development processes. This integrated approach sets IFAD apart: it enables it to operate as a trusted development partner to governments while also acting as a first-mile investor in rural, underserved markets – catalysing sustainable solutions and system-level change where traditional development finance institutions or commercial capital are rarely present.
5. **In preparation for IFAD14, and with a deepening emphasis on markets and rural employment, this strategic discussion paper provides the historical context for IFAD's engagement with the private sector and outlines three priorities for the future:**
  1. Strengthening value chains and improving access to finance in sovereign operations.

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<sup>1</sup> See annex IV for details.

<sup>2</sup> See annex I for details on IFAD's sovereign portfolio.

<sup>3</sup> EB 2024/143/R.19.

2. Rebalancing the portfolio of non-sovereign investments towards catalytic SMEs.
3. Improving complementarity between sovereign and non-sovereign operations.

## II. Private sector engagement to date

6. IFAD's delivery model includes two distinct but complementary instruments: sovereign operations and non-sovereign operations. These differ fundamentally in their financing structure, legal arrangements and modes of engagement with the private sector. In sovereign operations, IFAD extends financing exclusively to public entities; the role of the private sector is typically one of implementation partner or cofinancier. In contrast, NSOs involve direct financing to private entities without government guarantees and in line with the minimum concessionality principles applicable for development finance institutions. Together, these instruments provide IFAD with a spectrum of engagement options across rural market systems.
7. **IFAD's sovereign portfolio has historically served as a platform for large-scale private sector collaboration.** By the end of 2023, the active sovereign portfolio included engagement with more than 100,000 companies.<sup>4</sup> The most extensive of these occurred within rural finance and value chain projects, generating US\$1.5 billion in private sector cofinancing.<sup>5</sup> IFAD's public-private-producer partnerships (4Ps) approach<sup>6</sup> stands out as an example of IFAD's thought leadership in this area, and was developed in part to standardize IFAD's growing work in rural markets.<sup>7</sup> While the sovereign portfolio only dedicated some 3 per cent of budget to rural markets prior to 2000, this has grown to 22 per cent over the last 10 years. Furthermore, the share of projects with high-intensity engagement was only 1 per cent for IFAD8, but had grown to 40 per cent in IFAD12. More recently, IFAD has used supplementary funds to partner with the private sector in such areas as direct value chain strengthening, insurance and remittances; these interventions can be cost-effective and quick ways to add value to existing sovereign projects.<sup>8</sup>
8. Through the sovereign portfolio, IFAD has also pursued impact on the enabling policy environment at national level. As documented in the evaluation synthesis on inclusive financial services for the rural poor undertaken by the Independent Office of Evaluation of IFAD in 2019,<sup>9</sup> projects in Ghana, India and Mozambique all led to breakthroughs in terms of creating enabling environments. A more recent example comes from Ethiopia, where the Rural Financial Intermediation Programme helped to mainstream inclusive rural finance reforms into regulatory frameworks and informed strategies such as the National Agricultural Finance Implementation Roadmap (2025–2030).
9. **Since 2021, IFAD has complemented its sovereign operations with the introduction of NSOs.** The NSO portfolio to date shows two clear areas of concentration. First, a focus on Africa, particularly East and Southern Africa (approximately 70 per cent of approved investments), largely due to the institutional set-up, with IFAD's sole NSO investment officer initially based in Nairobi. Second, a heavy lean towards financial institutions (approximately 78 per cent of approved investments), particularly larger intermediaries, as initial entry points for

<sup>4</sup> Financial institutions (25 per cent), agribusinesses (68 per cent), and service and technology partnerships (7 per cent).

<sup>5</sup> IFAD's financial data show that IFAD has generated some US\$4.9 billion in private sector cofinancing (of which US\$1.5 billion is part of its current active portfolio): 49 per cent is contributed by financial institutions, 21 per cent by rural SMEs, and 3 per cent by service providers. The remaining 27 per cent is provided by project participants, usually those receiving matching grants (SMEs, farmers' organizations, etc.). For details, see annex I from a portfolio review carried out in December 2023.

<sup>6</sup> 4Ps involve cooperation among a government, business agents and small-scale producers to reach a common goal or carry out a specific task while jointly assuming risks and responsibilities, and sharing benefits, resources and competencies. See annex II for examples.

<sup>7</sup> Rural markets is the IFAD thematic area that covers value chain work and, inter alia, SME development activities.

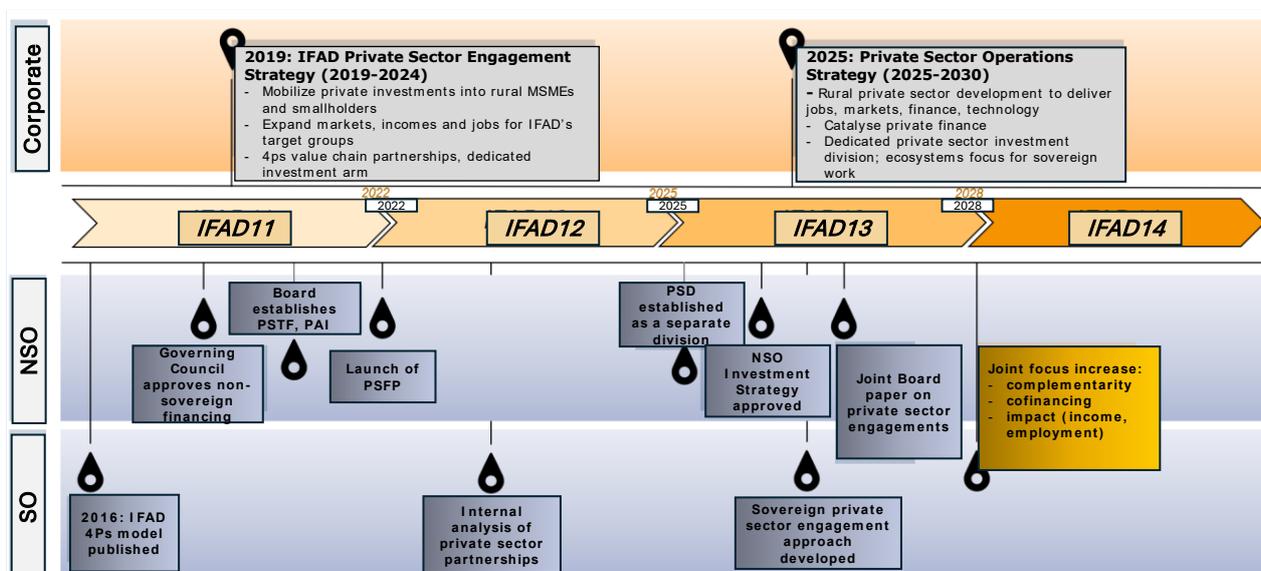
<sup>8</sup> See annex II for examples of engagement through the Japan-funded Enhanced Linkages between Private Sector and Small-Scale Producers (ELPS) initiative.

<sup>9</sup> EC 2019/105/W.P.3.

deployment. Since inception, IFAD has approved approximately US\$156 million in NSO commitments.

10. As shown in the figure below, **the growing importance of private sector actors as key partners in IFAD's delivery model has been accompanied by important institutional adaptations within IFAD.** In 2020, IFAD committed to using a broader set of instruments<sup>10</sup> through the establishment of the Framework for IFAD's Non-Sovereign Private Sector Operations and the Private Sector Trust Fund (PSTF), followed by the NSO Investment Strategy in 2025. While initial steps have been taken, such as gradual entry into equity investments in impact funds, progress on direct, catalytic investments in agri-SMEs will play a more prominent role in the future (see annex III for an overall portfolio overview). To support the growing prominence of private sector operations, IFAD has reorganized internally and created the Private Sector Operations Division (PSD) – with key technical staff now located in the regions of operation. These changes reflect an ongoing effort to strengthen capacity, risk management and strategic alignment between sovereign and non-sovereign portfolios.

Figure 1  
IFAD private sector milestones, IFAD11 to IFAD13



Note: PAI = Private Sector Advisory and Implementation Unit; PSFP = Private Sector Financing Programme.

### III. Lessons learned

11. Experience across regions shows that working with the private sector through sovereign investments can significantly increase impact. The IFAD12 impact assessment highlights that projects with extensive private sector involvement have four times more impact on income.<sup>11</sup> IFAD evaluations show that rural finance, when integrated with broader agricultural and value chain activities, supports increased outreach of financial services to smallholders and rural enterprises, which is a necessary condition for inclusive rural transformation.<sup>12</sup> IFAD's rural finance work is also the largest generator of private sector cofinancing in its portfolio.
12. While IFAD's NSO portfolio is still at an early stage, initial lessons suggest a key trade-off between breadth and depth of impact. While partnerships with financial institutions in IFAD's sovereign operations have achieved well-documented impact at scale, this may not be easy to replicate in non-sovereign investments unless they are accompanied by substantial technical assistance (TA) programmes. Evidence from

<sup>10</sup> Including debt, equity and risk-sharing mechanisms, and addressing different types of investees.

<sup>11</sup> See annex IV.

<sup>12</sup> EC 2019/105/W.P.3.

IFAD's experience with NSOs, as well as development finance research,<sup>13</sup> shows that regular commercial or quasi-commercial investments in financial institutions often fall short in delivering depth of impact, particularly for agri-SMEs in underserved markets. This is because these investments tend to focus on lower-risk, high-growth segments of the market, and may not effectively reach the "missing middle" without significant TA. Even with TA, deeper structural issues such as fragmented value chains, lack of collateral and high transaction costs – some of them directly related to aspects of rural and financial markets where sovereign operations can have positive impact – often remain unresolved. However, evidence gathered by the International Growth Centre/Council on Smallholder Agricultural Finance (2023) shows that financial intermediaries can successfully lend to agri-SMEs when risk is mitigated through structured value chain models, embedded finance and specialized agri-lending practices.

13. Experience and the literature both also show that investments in SMEs – whether made directly or through specialized impact funds – can deliver more targeted, additional and measurable impact, particularly by supporting enterprises that are embedded in rural economies and drive inclusive growth. As laid out in IFAD's 2025 Non-Sovereign Operations Investment Strategy, all three types of investment channels have specific strengths and limitations in terms of impact potential. Going forward and building on the current composition of the NSO portfolio primarily focused on financial institutions, IFAD will place stronger emphasis on SME financing both directly and indirectly through impact funds to better align with its portfolio diversification target of one third per investee type.

#### IV. Future strategic directions

14. The PSS 2025–2030 sets out two objectives: first, **enabling private sector development for jobs and access to markets, finance, technology and services**. Sovereign projects will expand their scope to include the rural business ecosystem, as well as amplify their partnerships with the private sector, generating cofinance and promoting sustainable solutions. Second, **catalysing private sector finance**. IFAD will amplify its use of non-sovereign investments with a strong focus on additionality, impact and co-investment.
15. Within this framework, this strategic discussion paper proposes three key priority areas of focus for the future.

##### **Priority 1: Strengthening value chains and improving access to finance in sovereign operations**

16. To operationalize the PSS 2025–2030, IFAD intends to expand its **sovereign private sector work** in two streams, both of which will contribute to income growth, employment and mobilization of private sector investment through market development and partnerships:
  - (a) **Strengthening value chains**. First, during the design of future value chain projects, IFAD will pursue the objective of "ecosystem development". This will entail supporting firms that contribute to core value chains, such as logistics providers, machinery rental services, engineering and maintenance firms, packaging firms, training providers and other service SMEs that enable consistent supply and quality. Ecosystem scans will be undertaken as part of value chain assessments during project preparation. Second, IFAD will scale up its role in de-risking and creating enabling environments for private sector investment and brokering partnerships between producers' groups and the private sector.<sup>14</sup> Building on successful pilot programmes, the agribusiness

<sup>13</sup> Commercial Agriculture for Smallholder and Agribusiness (2022). [The state of the agri-SME sector – Bridging the finance gap](#).

<sup>14</sup> As an example, IFAD supported a Government of Egypt programme for social and irrigation infrastructure, access to credit and training on commercially oriented production. This enabled farmers' groups to enter structured sales and contract farming arrangements with 56 private agribusinesses. Over 12,000 farmers were linked to private buyers including Heinz, Arnaut, Kenana, SEKEM, Hero and Cairo Food.

linkages facility<sup>15</sup> will match IFAD projects with local and international private sector companies. Subsequent initiatives will continue to centre around agri-cluster development,<sup>16</sup> support the responsible and sustainable use of agricultural inputs, and pursue country-level partnerships to foster enabling policy environments.

- (b) **Improving access to finance.** To expand the reach, effectiveness and sustainability of rural finance engagements, IFAD will pursue three mutually reinforcing approaches. The use of the **full range of available financial instruments** will be expanded. IFAD will work with partner governments to incentivize banks to better manage and share risk, as part of broader efforts to strengthen rural financial ecosystems.<sup>17</sup> Additionally, IFAD-funded projects will combine financing for onlending to financial institutions with specialized TA to help them better understand different target segments, create financial risk assessment tools, and develop inclusive financial services. Where possible, this may also include intensive collaboration with fintech and agritech to develop alternative tools and technologies to manage lending risks and reduce lending costs. Finally, IFAD will intensify engagement with public development banks, as key strategic partners in financing the private sector.<sup>18</sup>
17. Moreover, in line with the PSS 2025–2030, IFAD will continue to leverage sovereign operations to promote partnerships with digital agriculture technology providers (including agritech, fintech and other digital players) who are increasingly central to IFAD’s sovereign operations.<sup>19</sup> Going forward, IFAD will transition from grant-heavy support towards market-proven solutions with clearer commercial pathways and stronger private cofinancing in these partnerships. IFAD will also clarify its decision process for engaging multinational corporations and adopt more structured approaches to institutional partnerships.

### **Priority 2: Rebalancing the portfolio of non-sovereign investments towards catalytic SMEs**

18. In parallel to the continued refinement and sharpening of private sector work in sovereign operations, **IFAD NSOs will develop a more balanced portfolio in line with the 2025 NSO investment strategy.** While continuing to invest in financial institutions where appropriate, moving forward, there will be greater focus on supporting “ecosystem change makers”, namely, actors that play a transformational role in rural economies by addressing the systemic barriers that prevent small-scale producers from participating meaningfully in markets. These include SMEs that offer innovative and potentially scalable business models, for example SMEs that do not merely operate within existing value chain inefficiencies but rather actively seek to disrupt them in favour of smallholder inclusion, efficiency and resilience. Among the strengths demonstrated by these enterprises is the capacity to effectuate real transformation within their respective ecosystems, whether by introducing new aggregation models, embedding climate-smart technologies, unlocking access to mechanization, or offering bundled services that address key bottlenecks (such as post-harvest loss, access to inputs, or traceability). Unlike larger firms or commercial banks, these actors are often embedded in the local context and directly tackle the

<sup>15</sup> This facility builds on pillar 3 of the Food and Agriculture Resilience Mission and the ELPS initiative, and provides structured matchmaking, cofinancing, and specialist advisory support for partnerships between IFAD projects and private firms.

<sup>16</sup> Agri-cluster: partnering with multiple businesses in the same value chain or sector, in parallel with other coordinated interventions.

<sup>17</sup> This includes expanding the use of instruments such as credit guarantees and alternative, collateral lines of credit for mid- to long-term financing for technology, offtaker value chain finance (where a financial institution provides credit to a farmers’ organization with loan repayment contractually done by the produce buyer), and investment strategy financial solutions and insurance.

<sup>18</sup> Guided by the recommendations from the strategic discussion paper presented to the Board in May 2025, EB 2025/144/R.11.

<sup>19</sup> EB 2025/145/R.13.

structural traps faced by farmers, such as lack of aggregation, poor infrastructure, limited access to inputs or missing market linkages.

19. **The goal is to catalyse business models that can serve as proof points,** demonstrating that inclusive rural transformation is possible. Supporting such SMEs enables IFAD to build a platform for regional learning, replication and scale. These catalytic interventions can help reconfigure rural value chains in ways that generate lasting benefits for smallholder farmers and rural communities. In doing so, IFAD's NSO portfolio becomes a strategic lever for systemic change.
20. **Value chain ecosystem change makers can provide a critical bridge between sovereign and non-sovereign operations.** Because both types of interventions potentially engage with the same value chain actors and operate within the same geographic areas, direct NSO investments in SMEs open opportunities for deliberate co-design, where sovereign projects can strengthen the enabling environment while NSOs provide capital to SMEs within the value chains that have a proven track record of effectuating change.

### **Priority 3: Improving complementarity between sovereign and non-sovereign operations**

21. As noted above, NSOs can strategically complement sovereign operations and extend their impact at the market level through interventions that go beyond smallholders. For instance, NSOs can directly support firms in rural areas, enabling them to create quality employment and market opportunities, attracting significant co-investment along the way. They can also strengthen (either directly or through demonstration effects) the ecosystem in which smallholders and other rural actors operate. Such synergies can help ensure that the benefits of sovereign-funded projects materialize at scale and are sustained over time. Through this approach, IFAD can contribute to addressing systemic constraints as well as accelerating innovation, efficiency and resilience at the enterprise level, creating mutually reinforcing, complementary pathways to inclusive rural transformation.
22. A key lesson from recent field experience is that complementarity through a specific private sector entity cannot be artificially imposed during the design of sovereign operations. Sovereign projects typically have long implementation timelines (often four to five years from design to tangible results) during which the private sector landscape may shift significantly, and early assumptions about private sector engagement frequently prove unrealistic or outdated by the time implementation begins. To address this, IFAD proposes to adopt a **sequential model of complementarity**, where PSD investment officers engage after sovereign operations are under way, working closely with country directors and project management units. As NSO capacities in IFAD regional offices have been strengthened, NSOs will be identified to a greater extent in the future, in collaboration between NSO and sovereign operation teams in the regions. This allows for grounded assessments of the evolving ecosystem and the identification of real-time investment opportunities among actors already active in the project area. In doing so, sovereign and non-sovereign operations will continue to deliver through distinct and separate flows of funds governed by separate financing agreements.
23. **IFAD will take a more deliberate and strategic approach to complementarity of sovereign and non-sovereign operations through specific country and value chain selection.** Priority will be given to identifying suitable, existing in-country programmes where financing to SMEs that play an integral part in those value chains is a key bottleneck to unleashing the full potential of the sovereign programme. PSD will thus work closely with regional and country directors to select the most promising countries where IFAD-supported value chain programmes are operational and have identified SMEs with clear investment needs that could have a transformative effect on a value chain.

## **V. Questions for discussion**

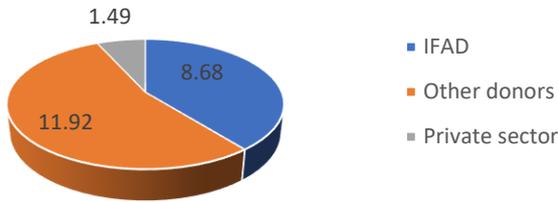
24. In what other ways could IFAD increase partnership with the private sector?
25. How can development finance best be used to promote synergies between public and private sector investments in the rural sector?

# Sovereign private sector engagement overview

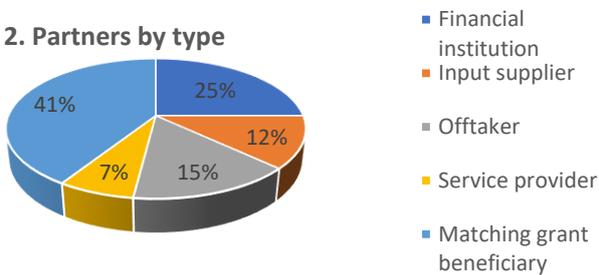
In its sovereign portfolio, IFAD has over 100,000 private sector partners, generating US\$1.5 billion in cofinancing

## IFAD private sector partners (as of December 2023)

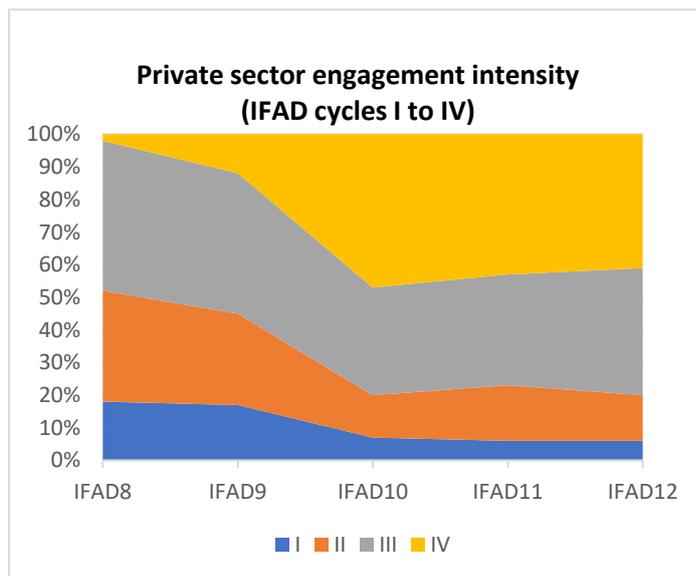
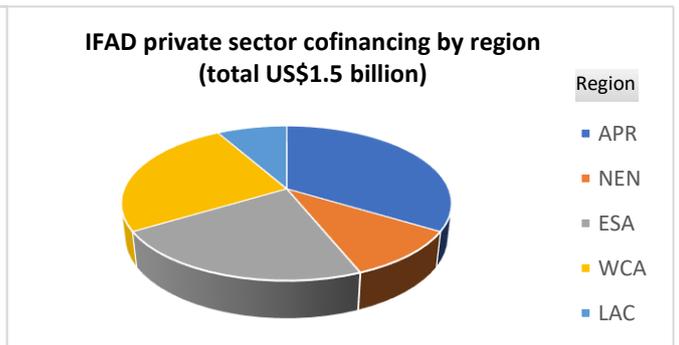
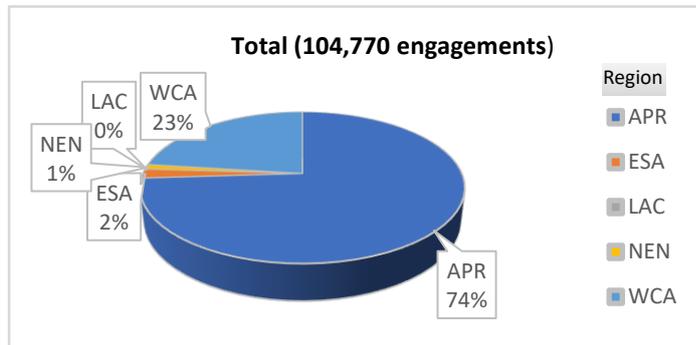
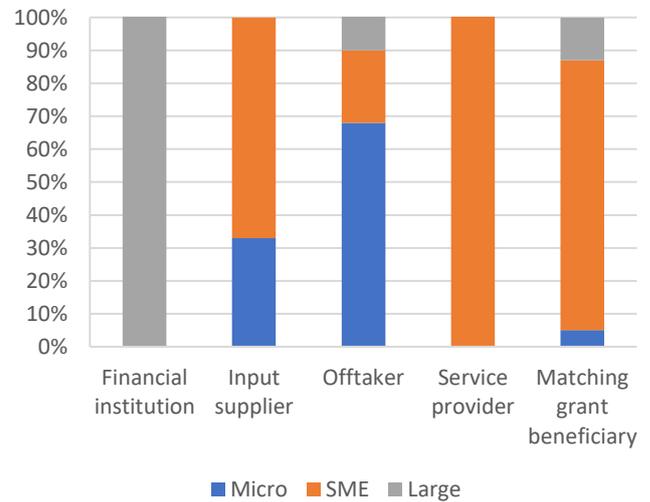
1. Total budget by funding source (total U\$22.1 billion)



2. Partners by type



3. Private sector partners by function and size



## Examples of private sector engagement in sovereign operations

#	Region	Country/programme	Private sector partners	How the private sector linkage worked within the sovereign programme	Impact evidence	Why this represents best practice
1	APR	<b>India</b> Tejaswini Rural Women's Empowerment Programme (Maharashtra)	Commercial banks	The programme organized and strengthened self-help groups (SHGs), enabling them to access formal financial services. Commercial banks provided credit lines for SHG enterprises aligned with IFAD support, enabling the expansion of microbusiness activities and investment in productive assets.	Evaluation reports show improvements in household income and assets among women's SHG member households compared with non-members. During implementation, SHGs accessed US\$121.5 million in financing from commercial banks.	This example demonstrates how significant cofinancing can be mobilized from commercial banks. When the programme closes, the linkages between SHGs and the bank remains, ensuring post-programme sustainability of financial service provision. IFAD was the first organization to link SHGs with private commercial banks in India, and the model has since been widely replicated. There are now 12 million SHGs with bank linkages nationwide.
2	APR	<b>Pakistan</b> Programme for Increasing Sustainable Microfinance (PRISM)	Commercial banks	Through a credit enhancement facility, PRISM strengthened the capacity and creditworthiness of microfinance service providers, enabling them to obtain commercial bank financing. This linked programme beneficiaries indirectly to formal private sector funding. It enabled microfinance institutions (MFIs) to expand outreach to rural women and increase income-generating opportunities.	US\$170 million in cofinancing was mobilized from commercial banks for 17 microfinance service providers. PRISM reached approximately <b>176,000–183,000 direct beneficiaries</b> , of whom 140,000 were women. The programme's impact on women led to it receiving an IFAD Gender Award.	This example demonstrates how an IFAD programme used a partial credit guarantee (credit enhancement facility) to enhance commercial bank cofinancing for the microfinance sector. The programme had a strong demonstration effect. Building on this innovation, more than 20 to 30 percent of the liabilities of microfinance institutions in Pakistan are now from commercial sources, marking a significant shift away from grant dependency.
3	APR	<b>Bangladesh</b> Rural Microenterprise Transformation Project (RMTP)	Palli Karma-Sahayak Foundation (PKSF) (a public development bank); partner MFIs; and Bengal Meat Company (offtaker company)	IFAD structured a blended finance and value chain partnership within RMTP. An IFAD loan (US\$81 million) was onlent by the Government to PKSF, crowding in cofinancing from PKSF (US\$13 million) and MFIs (US\$97 million). PKSF's MFI partners provided inclusive rural finance to microenterprises. RMTP also facilitated structured value chain agreements between producers' groups and Bengal Meat as an offtaker, with the company providing training.	124,000 microenterprises and 800 larger microenterprises were financed. More than 4,200 farmers were linked to Bengal Meat through structured agreements. Farmers earned up to US\$84 more per head of cattle through improved market access.	This example demonstrates IFAD's ability to leverage public development banks, MFIs and private offtakers to deliver inclusive rural finance and commercially viable value chain partnerships at scale.

#	Region	Country/programme	Private sector partners	How the private sector linkage worked within the sovereign programme	Impact evidence	Why this represents best practice
4	APR	<b>Indonesia</b> Rural Empowerment and Agricultural Development Scaling-up Initiative (READSI)	Mars (United States company)	IFAD-financed READSI established a public-private partnership with Mars to expand its “cocoa doctor” model to IFAD-supported farmers. Mars provided technical expertise and training, while IFAD financed programme implementation and extension services. Certified cocoa doctors delivered advisory services and inputs to farmers, embedding private sector know-how in public extension systems.	704 farmers, facilitators and extension officers were trained. A total of 157 farmers became certified Mars Cocoa Doctors. 97 per cent of households reported satisfaction with extension services, 75 per cent reported increased income, 70 per cent reported production gains and 93 per cent reported improved food security.	This example demonstrates how IFAD can partner with a multinational company to integrate private extension models into sovereign agricultural programmes.
5	APR	<b>Nepal</b> High-Value Agriculture Project in Hill and Mountain Areas (HVAP)	Local agribusinesses and traders	IFAD-financed HVAP applied a market systems development approach to build inclusive value chains. IFAD brokered contracts between producers’ organizations and agribusinesses, cofinanced market infrastructure, and strengthened local service providers and traders to sustain commercial linkages.	602 co-investments were supported across 7 value chains. An organic ginger partnership expanded exports from US\$0.2 million to US\$1.4 million, created 180 jobs (95 per cent women), and transformed a local processor into a national exporter.	This example illustrates IFAD’s best practice in building inclusive, market-driven value chains by investing simultaneously in producers, agribusinesses and service markets.
6	ESA	<b>Kenya</b> Kenya Cereal Enhancement Programme – Climate-Resilient Agricultural Livelihoods Window (KCEP-CRAL)	Agro-dealers, technology providers and commercial bank (Equity Bank)	KCEP-CRAL established a 4Ps model to connect farmers with private agro-dealers through a digital e-voucher system. Co-implemented by the Government of Kenya and IFAD, the model brought together agro-dealers, Equity Bank and technology providers to deliver inputs efficiently.	626 agro-dealers were registered, trained and integrated into the system, allowing farmers to redeem subsidies directly at local shops. Over 148,000 farmers accessed quality inputs worth US\$27 million, with agro-dealers reporting increased sales. At programme completion, commercial input networks had taken hold, creating a sustainable, market-driven supply chain. 63,885 farmers were lifted out of poverty and became food secure.	This example demonstrates how IFAD can use smart subsidies and digital tools to crowd in private agro-dealers and commercial banks, creating sustainable, market-driven input systems within a sovereign programme.
7	ESA	<b>United Republic of Tanzania</b> Enhanced Linkages between Private Sector and Small-Scale Producers (ELPS) initiative: Direct TA linking producers to companies in the coffee sector	UCC Ueshima Coffee Co., Ltd (Japanese company) and Marubeni (Japanese company)	Through supplementary IFAD funding, a joint intervention was designed with Japanese coffee companies to link Tanzanian coffee producers to premium export markets. UCC led training to meet Japanese quality standards, while Marubeni provided follow-up support and fertilizer expertise. Both companies cofinanced US\$100,000, while IFAD supported infrastructure and linkages with former IFAD-financed smallholder farmers.	1,400 coffee farmers were supported to improve productivity, quality and environmental sustainability, thereby enhancing their access to international markets. Participating farmers are expected to double production. The intervention is ongoing.	This example demonstrates how IFAD can co-design sovereign-anchored partnerships with multinational companies from donor countries, combining technical leadership, cofinancing and market access.

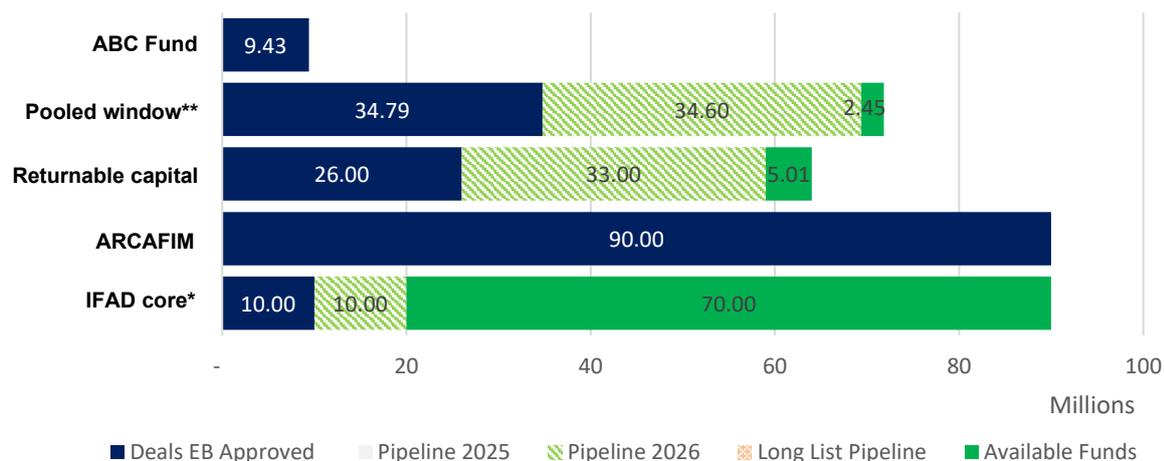
#	Region	Country/programme	Private sector partners	How the private sector linkage worked within the sovereign programme	Impact evidence	Why this represents best practice
8	LAC	<b>Peru</b> Enhancement and Extension of Public Services for Local Productive Development in the Highlands and Rainforest Regions of Peru (AVANZAR RURAL)	Financial institutions (Agrobanco, Caja Piura, Corporación Financiera de Desarrollo [COFIDE]); savings and credit unions (UNICAs); fintech (Tappoyo); agribusinesses (Animal Pharm, Perhusa)	The project expanded access to rural finance through partnerships with banks, credit unions and fintech, while complementing financial inclusion with value chain support and agribusiness partnerships.	20,178 beneficiaries were reached, and 1,188 business plans were implemented. Between US\$1.5 million and US\$2 million in social capital was generated, alongside US\$400,000 in seed capital. By 2024, 5,470 producers increased incomes by more than 40 per cent, assets by more than 23 per cent, food security by 10 per cent and productivity by 43 per cent.	This example demonstrates how a sovereign programme can crowd in financial institutions, cooperatives and fintechs to deepen financial inclusion and strengthen producers' organizations and value chains.
9	NEN	<b>Montenegro</b> Rural Clustering and Transformation Project	Local agribusinesses, financial institutions and market actors	The project applied a cluster-based value chain approach combining production support, infrastructure and partnerships with agribusinesses, financial institutions and market actors. Multi-stakeholder platforms connected more than 4,000 small-scale farmers with processors, input suppliers, advisory services and buyers.	12 clusters were established across 4 commodities. Participants increased the number of buyers by 94 per cent, supermarket sales by 8 percentage points, livestock sales by 92 per cent and milk sales by 67 per cent, alongside a 34 per cent increase in per capita income.	This example demonstrates IFAD's cluster-based approach: investing in and with multiple private sector actors to drive systemic, inclusive growth at scale.
10	NEN	<b>Egypt</b> West Noubaria Rural Development Project	56 agribusinesses, including Heinz (United States)	IFAD supported the Government's settlement programme through investments in social and irrigation infrastructure, strengthening community development associations and farmer marketing associations, facilitating access to credit through local institutions, and providing training on commercially oriented production. This enabled farmer marketing associations to enter structured sales and contract farming arrangements with 56 private agribusinesses.	Over 12,000 farmers were linked to private buyers, including Heinz, Arnaut, Kenana, SEKEM, Hero and Cairo Food. A total of 1.4 million tons of fruit and vegetables were produced annually. Heinz contracted 300 farmers, supplied seedlings and purchased 6,000 tons of tomatoes.	This example demonstrates how long-term public investments in infrastructure, institutions and farmer capacity can de-risk private agribusiness engagement and enable structured, large-scale partnerships.
11	WCA	<b>Sao Tome and Principe</b> Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme / Smallholder Commercial Agriculture Project	KAOKA (France), Cafédirect (UK)	IFAD brokered long-term contract arrangements with European buyers for organic cocoa. The projects supported cooperatives with certification and quality control, and guaranteed minimum pricing under contracts reduced price risk for producers.	IFAD and impact sources estimate yield increases of approximately 31 per cent and sales revenues of approximately 34 per cent for cocoa producers. Exports reached approximately US\$9.5 million (93 per cent of national exports), tripling cocoa export value compared with early pre-intervention years. Household cocoa income increased from approximately US\$500 to US\$730 per year.	This example demonstrates how premium export markets and certification can deliver sustained income gains.
12	WCA	<b>Senegal</b>	Bonifiche Ferraresi	The IFAD– <b>Bonifiche Ferraresi</b> (BF) partnership in Senegal is strategically aligned with IFAD's <b>Sustainable</b>	It is too early to report on impact.	This example demonstrates a partnership between an IFAD

#	Region	Country/programme	Private sector partners	How the private sector linkage worked within the sovereign programme	Impact evidence	Why this represents best practice
		Sustainable Food Systems Programme / IFAD–Bonifiche Ferraresi partnership		<b>Food Systems Programme (SFSP)</b> , which focuses on strengthening inclusive and climate-resilient food value chains. The partnership complements SFSP's objectives by linking smallholder farmers supported under the programme to larger, commercially viable value chains. The BF investment model – including large-scale agricultural development (approximately 10,000 hectares in Sédhiou), technology transfer and agro-industrial integration – provides downstream market demand, processing capacity and private capital that can absorb and scale production. In this way, SFSP strengthens the “first mile” (producer capacity and resilience), while the IFAD–BF partnership strengthens the “last mile” (commercial investment in production combined with increased market access for smallholders), demonstrating IFAD's role as a bridge between public development finance and scalable private agribusiness investment.		sovereign investment project and a national agribusiness company.

## Portfolio overview

Figure 1  
**Executive Board approved, pipeline and available funds**  
 (United States dollars)

	Deals approved by Executive Board	Pipeline 2026	Available funds
IFAD core*	10 000 000	10 000 000	70 000 000
Africa Rural Climate Adaptation Finance Mechanism (ARCAFIM)	90 000 000	-	-
Returnable capital	26 000 000	33 000 000	5 008 241
Pooled window**	34 790 385	34 600 000	2 446 347
Agribusiness Capital Fund (ABC Fund)	9 428 101	-	-
<b>Total***</b>	<b>170 218 486</b>	<b>77 600 000</b>	<b>77 454 588</b>

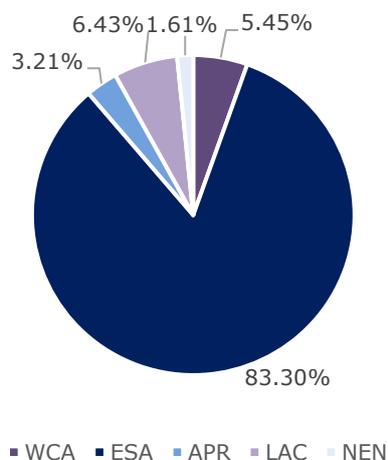


\* An amount of US\$18 million has been approved by the Executive Board under IFAD13 for de-risking IFAD borrowed resources dedicated to NSOs.

\*\* Inclusive of reflows on principal, interest and fees as at 30 June 2025, as well as expected donor tranches (German Federal Ministry of Economic Cooperation and Development [BMZ], Finland). An amount of EUR 11.3 million is available from the European Commission specifically for TA and investment grants and is not part of the PSTF; it is therefore not presented in this graph. Foreign exchange rates are as at 30 June 2025.

\*\*\* Inclusive of TA financing (grant).

Figure 2  
**Current portfolio (Executive Board approved) relative to share per region (exclusive of TA components) and inclusive of ARCAFIM**



Note: If the US\$90 million from ARCAFIM is excluded from the total approved by the Executive Board, the share of the portfolio attributed to ESA decreases to 60.39 per cent.

Figure 3  
Current portfolio (Executive Board approved) – number of investments per region (ARCAFIM counted once under ESA)

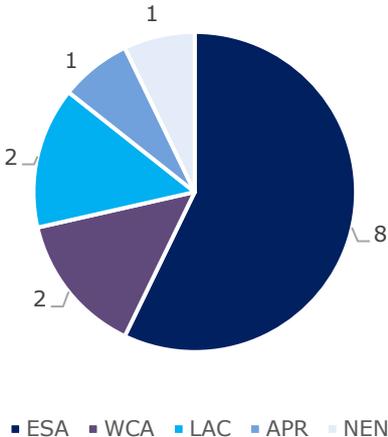
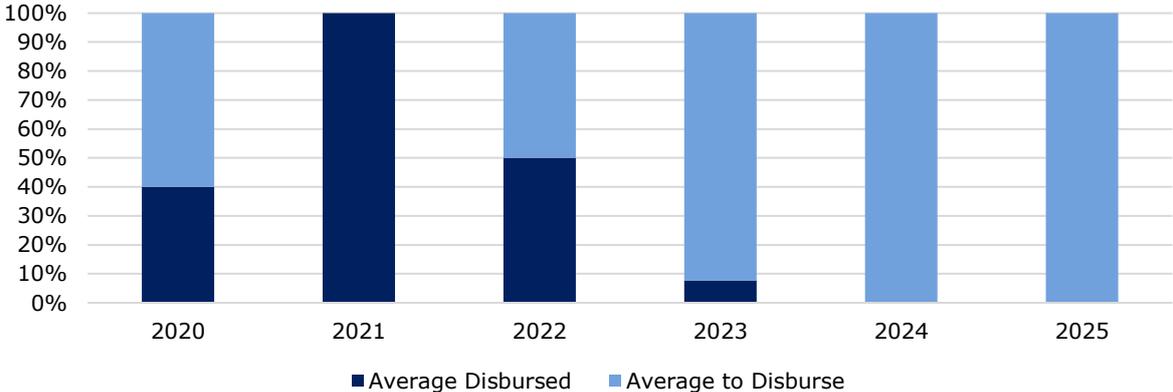


Figure 4  
Current portfolio (Executive Board approved) – disbursement rate (exclusive of TA)



Note: The low disbursement rate reflects the portfolio's early stage in its investment lifecycle. On average, investments have been operational for just over nine quarters (approximately 2.3 years) since approval by the Executive Board.

## Summary of private sector lessons from the IFAD12 impact assessment

(Document EB 2025/145/R.21)

### A. Private sector involvement is closely tied to value chain success

1. **Value chain projects with strong private sector engagement tend to deliver deeper impacts.** A meta-analysis referenced in related IFAD evaluations shows that projects with stronger private sector engagement consistently achieved higher income gains for participants:

- Approximately **64 per cent average income increase** where **private sector engagement was moderate to high**
- Approximately **33 per cent increase** with limited private sector engagement
- Only approximately **16 per cent increase** where there was little or no private sector engagement

This suggests that projects engaging private companies in input supply, marketing, processing and distribution tend to produce **deeper economic benefits** for rural producers.

2. **Private sector engagement helps unlock market-linked pathways.** IFAD12 impact assessments emphasize that **midstream and downstream investments** – such as **processing facilities, improved marketing, storage, contract farming and distribution systems** – are key to converting productivity gains into higher incomes. These activities often involve **private sector actors** (e.g. processors, aggregators and buyers), indicating that private sector participation is instrumental in linking farmers to real markets rather than only increasing production.

### B. Why private sector engagement matters for IFAD12 outcomes

3. **Private sector actors fill gaps that production-only projects do not address.** Projects with strong private sector involvement tend to tackle barriers such as:

- Access to credit and inputs;
- Marketing and distribution bottlenecks;
- Contractual arrangements for sales and quality standards; and
- Business development services and technology adoption.

This complementary role helps farmers reduce transaction costs and earn better prices – factors associated with deeper and more sustained income improvements.

4. **Bundled, market-oriented designs outperform.** IFAD12 highlights that “bundled approaches” (incorporating finance, market access, information and technical support) are more effective than siloed interventions. Strong private sector engagement is typically part of such bundles, particularly in **value chain projects** that span production to marketing.

### C. Institutional recognition of private sector roles

5. **IFAD is increasingly building strategies around private sector engagement.** IFAD’s strategic documents show that the institution sees **private sector participation as critical** for scaling financing, markets and innovation for rural people. IFAD’s evolving Private Sector Operational Strategy 2025–2030 explicitly aims to use private sector partnerships to improve access to markets, finance, technologies and services for small-scale farmers and entrepreneurs, demonstrating a commitment to learning from IFAD12 evidence.

Table 1  
**Summary of impact patterns**

<i>Aspect</i>	<i>Finding</i>
Income impacts	Projects with stronger private sector engagement show greater income increases for rural participants.
Value chain performance	Engagement of private sector actors in midstream and downstream activities (processing, marketing) is associated with deeper impacts.
Role in design	Bundled projects linking farmers with private services (inputs, finance, markets) have better outcomes.
Strategic emphasis	IFAD is expanding its frameworks to mobilize private finance and partnerships as part of future programming.

## **D. Bottom line**

6. **IFAD12 evidence indicates that private sector involvement – especially when integrated into value chain and market-oriented project designs – is a significant driver of deeper economic impact for rural producers.** These engagements help translate productivity gains into real income increases and stronger market participation, which are core goals of IFAD’s development work.