Transforming Agriculture by Linking Technical Assistance to Blended Finance for Agriculture:

Trends and Lessons from Africa



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Enclude
PEOPLE. PRINCIPLES. PROSPERITY.

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List of Abbreviations

AAF	African Agriculture Fund
AAITF	Africa Agriculture Trade Investment Fund
AECF	Africa Enterprise Challenge Fund
AfDB	African Development Bank
AgDevCo	Africa Agricultural Development Company
AGRA	Alliance for a Green Revolution in Africa
AGRF	Africa Green Revolution Forum
AMEA	Agribusiness Market Ecosystem Alliance
ASIF	Africa Seed Investment Fund
BoPInc	BoP Innovation Center
CFC	Common Fund for Commodities
CGAP	Consultative Group to Assist the Poor
CTA	Technical Centre for Agriculture and Rural Cooperation
DFI	Development Financial Institution
DFID	Department for International Development (UK)
FAO	Food and Agriculture Organisation
FI	Financial Institution
FMO	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden
FSD	Financial Sector Development
GAFSP	Global Agriculture and Food Security Program
GIIN	Global Impact Investing Network
IDH	Sustainable Trade Initiative
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFDC	International Fertilizer Development Center
JICA	Japan International Cooperation Agency
MCF	MasterCard Foundation
MFI	Microfinance Institution
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
SDGs	Sustainable Development Goals
SFF	Smallholder Finance Facility
SHFs	Smallholder Farmers
SMEs	Small and Medium Enterprises
TA	Technical Assistance
TAF	Technical Assistance Facility (part of AAF)
WB	World Bank
WEF	World Economic Forum

Glossary

Blended Finance: 'The strategic use of development finance and philanthropic funds to mobilise private capital flows to emerging and frontier markets' (WEF/OECD 2017).

Technical Assistance: Advisory, assistance or training to the investee business or other value chain and ecosystem actors provided either pre- or post-investment to reduce transaction costs and operational risks and increase developmental impact.

Core Business TA: TA that strengthens the operational capacity of a company.

Inclusive Business TA: TA that facilitates the uptake of more inclusive business models that contribute to the attainment of the Sustainable Development Goals, including increased climate change resilience and economic and physical access to food for base of the pyramid (BoP) producers and employees.

Additionality: The extent to which activities (and associated results) are larger in scale, at a higher quality, take place at a different location, or take place at all as a result of the concessional finance provided.

Financial Additionality: The extent to which the concessional finance is additional to what might anyway be invested or done by the applicant/partner company and other finance providers.

Development Additionality: the extent to which the investment's or TA's impact goals are achieved, relative to what have happened without it.

1 Introduction

1.1 Background

Agricultural transformation will be a key impact driver for development in Africa, and an essential part of achieving the Sustainable Development Goals (SDGs). In a context where public resources are increasingly under pressure, channelling more private investment into agriculture will be critical to achieve this goal.[1] **Blended finance**, a facility structuring approach in which public development funds are leveraged to attract (additional) non-concessional capital, will be required to transform the agricultural sector in Africa. Though blended finance has been increasing over the past years, only 3% of the value of blended finance initiatives is going to the agricultural sector[2]. Addressing both the capital and capacity needs of smallholder farmers and SMEs - the backbone of the agricultural sector in Africa - is crucial to achieve agricultural transformation. In the light of the risks pertaining to agriculture, blended finance has the potential to play a crucial role.

TA is a capacity solution that can attract and support private investment and financing for agriculture by managing risk and reducing transaction costs. At the same time it ensures that other constraints hindering the growth of the agricultural sector that cannot be financed from private sources are addressed to create the right enabling environment. Targeted and coordinated TA, together with well-designed blended finance facilities, needs consolidated support to catalyse sustainable, inclusive growth in smallholder supply chains.

During the World Economic Forum Roundtable in Davos in January 2017, it was agreed to dive further into TA that is currently provided to drive agricultural transformation and derive key lessons learned. IDH and AGRA commissioned Enclude to carry out this study and present the key lessons learned.

Benefits of TA linked to finance for different actors in the value chain:

- Training increases **smallholder farmers**' productivity, partnerships help them sell goods to a market, and capital helps them grow their businesses.
- For **local financial institutions**, training smallholder farmers helps to aggregate potential customers and de-risk loans by preselecting and training farmers; weather, performance, and productivity data can also be used for credit scoring, facilitating loan assessment and monitoring.
- Donor support helps **agri-businesses** to start and set up outgrower schemes with smallholders, as such schemes have high initial costs and low initial productivity.
- TA, participation in network events, and the strengthening of local knowledge can help **SMEs** considerably to grow their business by securing supply, improved marketing and distribution of products in local markets, as well as improved management capacity and financial systems.
- For **investment funds**, TA reduces risk, increases returns and reduces costs for pipeline development and investee management.
- **TA facilities** can maintain improvements in productivity and business performance through access to finance.
- Finally, **donors** can contribute to sustainable, long-term impact because TA helps link farmers and/or SMEs to the economic system, enabling them to generate their own income on a sustainable basis.

1.2 Approach and Methodology

The **key guiding questions** for the stocktaking of technical assistance related to blended finance were:

Key Guiding Questions for Phase 2: Stock-taking of Existing TA Facilities and Lessons Learned	
1.	Which TA facilities currently exist that have a focus on agriculture in Africa and a link with (blended) finance?
2.	What are the advantages and disadvantages of the different models for TA (integrated, linked and independent)?
3.	What are the key lessons learned in provision of TA linked to (blended) finance for agriculture in Africa, especially related to how this TA is being provided and managed?
4.	Which mechanisms help to increase the chances of the financial additionality of TA to prevent that TA is merely used to make financial products more attractive?

[1] WEF and OECD 2015.

[2] Credit Suisse, CDC, EMPEA, IFC and WWF 2015.

5. Which mechanisms help to increase the chances of developmental additionality of TA and ensure the sustainable development goals are met because of the use of TA?

Table 1. Key guiding questions for Phase 2.

An **interviewee list** can be found in Annex III. A **list of documents reviewed** has been included in Annex IV.

The main body of **this report** consists of three chapters:

- In Chapter 2 we look at the intervention context of TA linked to (blended) finance for agricultural development, including definitions, different TA models and an overview of existing TA facilities.
- Subsequently, Chapter 3 provides an overview of key lessons learned from other TA facilities linked to (blended) finance for agriculture.
- We conclude with some overall remarks on the stocktaking of TA related to blended finance facilities.

2 Blended Finance and TA: Intervention Context

The purpose of this chapter is to provide an overview of the landscape of TA linked to (blended) finance for agricultural development. First, we set out some definitions for blended finance, TA and other vocabulary necessary to discuss this topic. Second, we introduce models for TA within blended finance and outline the main characteristics that differentiate them. Finally, we provide an overview of the universe of existing blended finance facilities currently using TA as a supporting mechanism for the agricultural sector in Africa.

2.1 Blended finance

The **World Economic Forum (WEF) and OECD** define blended finance as **'the strategic use of development finance and philanthropic funds to mobilise private capital flows to emerging and frontier markets'**.[3] In essence, ''blending'' finance means using concessional funds—from public donors or philanthropic funds—to attract (additional) non-concessional funds—from private sources, but sometimes also public sources in case of international financial institutions. Blended finance has the three key characteristics of leverage ("use of development finance and philanthropic funds to attract private capital into deals"), impact ("investments that drive social, environmental, and economic progress"), and returns ("financial returns for private investors in line with market expectations, based on real and perceived risks"). The catalysing funds (development finance or philanthropic) can be used as direct funding (debt, equity, or grants) or supporting mechanisms, including TA, market incentives and risk underwriting.[4]

Successful sourcing and blending of finance requires an understanding of the different **providers of capital**. Key differentiators in terms of the providers of capital are the amount of capital provided, the return ratio and the associated (real or perceived) risk. Table 3 gives an overview of the different categories of capital providers, their return expectations and the advantages and disadvantages of the capital type. Well-structured vehicles combine different sources of capital preventing excessive use of concessional types of finance whilst at the same time considering the needs of the different actors along the value chain are taken into consideration ensuring the solution is beneficial for all.

Over the past decade, funds and facilities have launched with novel approaches, permitting an increased amount of analysis and reflection on blended finance models as they have had time to establish track records. Blended finance has received particular attention in the context of the SDGs and the USD 2.5 trillion annual gap between current investment in development and that required to achieve the SDGs.[5]

Specific blended finance structures can be categorised based on the concessional finance instrument. The OECD considers both direct financing (grants, guarantees, debt and equity) and support mechanisms, such as market incentives (results-based financing or price guarantees), risk underwriting (tools tied to specific risks), and TA. According to the MDB/IFI Working Group, the most common instruments are senior and subordinated debt, guarantees (including risk sharing), and equity, with guarantees and performance-based grants used for financial intermediaries[6]. For a full overview and analysis of the financial instruments landscape see AfDB report on blended finance tools to catalyse investment in agricultural value chains developed for the SAFIN network.

Return Expectation	Examples	Advantages	Disadvantages
Commercial (Annual returns of >10%)	• Pension Funds • Large International Banks • Other Institutional Investors	• Large sums of capital • Market discipline • Financially sophisticated	• Demand high financial returns • May require ratings → higher transaction costs • Stringent reporting requirements • Typically impatient • Place limited value on attaining SDGs

[3] WEF and OECD 2015.
[4] WEF and OECD 2015.
[5] Wilson 2016.
[6] For a full overview and analysis of the financial instruments landscape we refer to AfDB report on blended finance tools to catalyse investment in agricultural value chains developed for the SAFIN network (August 2017).

Quasi-Commercial (Annual returns of 5–10%)	• Development Financial Institutions (DFIs) • Corporations • Foundation Program Related Investment (PRI) Windows	• Growing pool of capital • Care about reaching SDGs • Less risk averse than commercial investors • Willing to accept lower returns than commercial investors	• DFIs tend to dictate terms, and reporting is cumbersome • Corporations usually invest for CSR activities (non-core activity) • Smaller pool of capital than commercial
Sub-Commercial (recycle principal and cover administrative costs)	• Foundation Program Related Investment (PRI) Windows • International Donors • Development Banks • HNW Individuals	• Lower financial return expectations • Willing to accept significant risk	• High levels of bureaucracy • Development banks often move slowly • Cumbersome reporting requirements
Donors (development impact only)	• Foundations • Governments	• Capital does not have to be repaid	• Funds may be restricted • Potentially smaller pool of capital

Table 3. Types of capital providers and their return expectations.

In practice, MDBs and IFIs use blended finance most often for climate finance, including renewables and energy efficiency, and SME finance.[7] Blended finance for the agricultural sector has turned out to be more difficult because there are limited projects at scale and due to the higher risk inherent to the agricultural sector. This requires more technical assistance and broader support systems to catalyse growth.

2.2 Technical Assistance (TA)

Discussions of **TA** in the context of (blended) finance typically focus on advisory, assistance and training provided to investee businesses or financial institutions directly, but not necessarily other ecosystem actors. Here, we take TA to more fully encompass the existing range of services and service recipients: TA for (blended) finance encompasses '**advisory, assistance or training to the investee business or other value chain and ecosystem actors provided either pre- or post-investment to reduce transaction costs and operational risks and increase developmental impact'**.[8]

Level	Examples	Examples of TA (training, advice, coaching)
Enabling Environment	- Policy & regulatory framework - National strategies & schemes	- Agricultural/digital finance regulations - National credit risk sharing schemes
Organisation	- Agricultural SMEs - Agri-business sourcing from outgrowers - Agri-business distributing via micro-entrepreneurs - Financial institutions - Farmer organisations	- Core business support to improve operational performance (e.g. financial management, HR, ICT) - Inclusive business support to engage outgrowers - Development of agricultural lending policy, loan products, loan portfolio management
Individual	- Smallholder farmers - Micro-entrepreneurs distributing produce of agri-business	- Agricultural extension services - Financial literacy training - Business coaching

Table 4. Types of TA recipients and examples of TA

TA can be provided at three different **levels**: the individual smallholder farmer (e.g. extension services, financial literacy training), the organisation (e.g. core business support to an SME or farmer organisation, inclusive business support to enterprises working with outgrowers, a financial institution moving into agricultural lending) or at enabling environment level (e.g. policies and regulations). Pre-investment TA can also directly benefit the (finance) facility fund manager, e.g. in the form of feasibility studies, pipeline development or due diligence-related activities.

[7] WEF 2017.
[8] WEF & OECD 2015.

A given TA activity or facility can be categorised across the following characteristics:

- **Governance:** The TA can either be linked to a specific fund or financing facility or operate completely independently; if linked, the TA can either be governed/managed by the fund manager or governed/managed by an independent TA manager.
- **Timing of TA:** The TA can either be provided pre-investment (used to get the business investment-ready, or to support it during the due diligence process), or post-investment. If pre-investment TA is available, then not all TA recipient businesses will necessarily receive financing. Pre-investment TA is particularly important for actors working with early-stage businesses, such as incubators and accelerators, as well as for a variety of actors for pipeline development.
- **Type of TA:** The TA can either be for core business support or focus on inclusive business support. Both types of support can lead to development impact, but they differ in their main focus. Core business support focuses on the strengthening of the operational capacity of a company, whilst inclusive business support focuses on facilitating uptake of more inclusive business models that lead to greater welfare for base of the pyramid (BoP) consumers, producers and employees contributing to the attainment of the Sustainable Development Goals.[9]
- **Risk reduction:** Core business TA provided to the investee can either be designed to reduce transaction costs or to reduce operational risks. Inclusive TA can decrease or increase the business's risk in some cases (e.g. a business model that more closely integrates smallholder farmers), but does not necessarily do so.
- **In-house / externally sourced:** The TA manager can either provide TA directly to clients (in-house) or tender out the projects for others to execute (externally sourced).

2.3 Additionality

A donor-business partnership brings along the question of additionality, or value[10] for concessional finance. Additionality is defined as the extent to which activities (and associated results) are larger in scale, at a higher quality, take place at a different location, or take place at all as a result of the concessional finance provided. [11] In other words, to establish whether the concessional finance is additional, the difference between the counterfactual (what would happen anyway), and 'what has been realized as a result of the concessional finance. We distinguish two types of additionality: financial (or input) additionality and developmental additionality.

Financial additionality, or input additionality, is an assessment of 'whether the concessional finance is additional to what might anyway be invested or done by the applicant/partner company and other finance providers and does not substitute other available funding'. Donor funding is intended to leverage additional investment capital that would not have been deployed in its absence. Providing the right amount of concessional finance at the right terms can be difficult. Concessional finance that does not adequately address the (perceived) risks may not suffice for the investment or project to occur, but concessional finance that provides too much concessions can generate excess rents for investors or permit investors to compete on price with other investors willing to invest at non-concessional rates (as such, private investors have an incentive to understate their risk-adjusted returns in order to get higher concessions). The effect being, that instead of leveraging, the concessional finance crowds out private capital.[12]

On the other end of the spectrum, concessional finance to commercially unviable projects and inefficient business models will not maximise input additionality. ODI suggests that donors can distort markets in this way by mistakenly subsidising the wrong projects, 'either by mistaking the social returns, by wrongly assessing risk and return, or by picking the wrong investors to support and perhaps propping up inefficient producers'.

The same principles apply to providing TA. Donors sharing the cost of core business TA with an investee agribusiness, for example, should take into account the business's ability to pay for the TA, the expected effect of the TA on the business's profitability and sustainability, the growth stage of the company and the efficiency of the TA project's design. Inclusive TA as well as TA to create an enabling environment, on the other hand, may present a clearer case for some subsidy, as its positive social and environmental impacts are less frequently reflected in

[9] AAF-TAF 2017.
[10] Both in terms of impact as well as additional non concessional capital mobilised
[11] DCED 2014
[12] ODI 2015.

the business's profitability[13]. However, the presence and amount of subsidy should still reflect the extent to which the inclusive TA benefits the company, and in each case the inclusive business case should be sustainable through a clear exit strategy. For example, one TA facility that frequently works to link SHFs with investee agribusinesses requires some cost sharing to ensure 'skin in the game', and often decreases the subsidy provided over the course of the project to transition full business model ownership to the business. Finally, even when the subsidy is appropriately calibrated, input additionality can be improved if the TA project can be optimised, delivering more value for the same amount of funds.

These financial additionality considerations should guide both the structuring of blended finance vehicles and the design of TA programs. However, they also apply to the interaction between the two. More specifically, there is a risk that the fund manager uses the TA for its own financial benefit (especially for investors with a strong focus on transaction targets). For example:

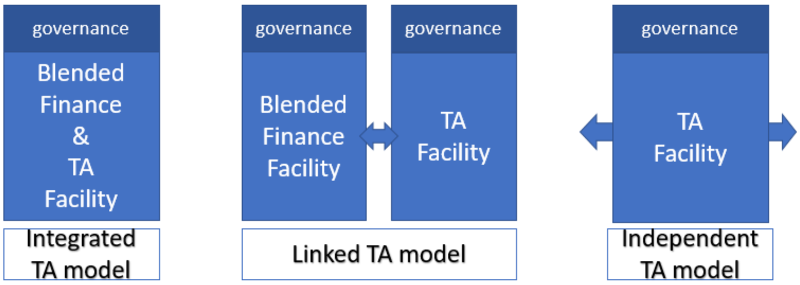
- In the case of pre-investment TA to do the due diligence resulting in non-transparent deflation of the actual costs of the fund.
- TA support used as a deal sweetener to compete with other finance providers.
- Subsidised TA provided whilst the company has the capacity to pay for (a larger part of) the TA costs.

The second type of additionality which justifies use of concessional funds is **developmental additionality**, which is present if the investment's impact goals are achieved and would not have been met without it. We focus on funds and facilities that support the agricultural sector in Sub-Saharan Africa. We assume that strengthening agribusinesses and agricultural value chains on the continent drives social and economic progress (according to the World Bank, growth in the agricultural sector is 2–4 times more effective than growth in other sectors at reducing poverty).[14] However, the specific developmental additionality of any given investment should be considered, particularly in function of its effects beyond a specific business.

Core business TA that supports the business's financial management and operations might result in a more profitable business with a few more staff, but would likely have only minimal developmental additionality. Inclusive TA that helps the business source from smallholder farmers, and that trains these smallholder farmers, might raise incomes for thousands of rural families and have some developmental additionality. Finally, appropriate TA to key ecosystem actors (e.g. the government or financial institutions) might link not only the smallholder farmers supplying to this agribusiness with a financial institution but also other smallholder farmers, creating catalytic impact and the greatest developmental additionality.

Assessing additionality it is not easy. It starts at project design stage with a clear and transparent narrative on the theory of change underlying the collaboration as well as the cost sharing mechanism to define financial additionality. This is crucial as it captures the ex-ante assessment of the counterfactual. The assumptions can be analysed during or after the partnership to measure the actual additionality and include longer term changes in the company's behaviour.
When assessing additionality are it is important to ensure that the information received provides the full picture by: being sensitive and creative in requesting information, personal interaction, triangulate information by speaking to different company staff and a range of other stakeholders and counterchecking key information with experts. The application stage could also be used to enhance the financial and developmental additionality of the proposal.[15]

2.4 Models for TA linked to blended finance



We have analysed a number of TA facilities operating in the agricultural sector in Africa. The categories of integrated, linked and independent, which TechnoServe and Enclude distinguished in earlier

[13] AAF-TAF 2017.
[14] World Bank. (2014). Agriculture: Sector Results Profile <http://www.worldbank.org/en/results/2013/04/15/agriculture-results-profile>. Accessed 20 June 2017.
[15] DCED, 2014

publications,[16] proved to be useful distinctions. Governance is the key differentiator among the three. In integrated models, the manager of the TA facility is the same entity as the capital provider. In linked models, the provider of TA differs from the capital provider, but close collaboration exists. In the independent model, there is no link between the TA facility and a provider of funding.

Apart from governance, we observe many similarities in terms of who provides the TA, the facility's key objective and the extent to which the TA facilities reduce the risk for the investor at the financing facility level. Similarly, conclusions can be drawn at the project level, such as the timing of the TA and the type of TA provided. Whilst acknowledging that some TA facilities have aspects from different models, we build on TechnoServe's categorisation to describe the following three most common archetypes.

	Integrated	Linked	Independent
Governance	• Managed by fund manager	• Separation of TA and fund management; strong coordination between fund and TA facility	• No link between TA and potential investors
In-house/ Externally sourced	• Often in-house	• Considerable in-house support, as proper management of TA requires internal knowledge • Majority of TA is externally sourced	• Focus is on in-house TA provision, but external sourcing does take place as well
Key objective	• Increase the return on investments is key objective.	• The key objective of the fund manager is to increase the return on investments. • Objective of the TA manager is to meet the sustainable development goals.	• Meeting SDGs is the key objective
Risk reduction	• Yes, risk reduction for the fund is a key focus	• Yes, risk reduction for the fund is key in core business support provided • Inclusive TA sometimes encourages companies to take risks they would otherwise not do	• Not applicable, as there is no related financing facility for which to reduce the risk. • Sometimes TA aims to reduce the production and price risks for the SHFs
Timing of TA	• Pre- and post-Investment • Preference to keep in control of pre-investment to ensure alignment	• Focus is often on post-Investment support • There is a demand for pre-investment TA to reach out to smaller businesses not linked to export value chains/cash crops	• Mainly pre-Investment
Type of TA	• Core business support • Inclusive TA if in line with company's strategy	• Focus on Inclusive TA • Core business support (for SMEs) provided if required	• Inclusive TA • In case of accelerators, also core business support

Table 5. Archetypes for TA linked to blended finance.

Each of those archetypes comes with its benefits and potential risks in terms of effectiveness and the financial and development additionality. These benefits and potential risks are described in the tables below.

Integrated	Linked	Independent
• Focus on catalysing change and exit strategy • Often quick turn-around times to provide TA • Linkage with investor eases alignment with priorities of investors and managers, which positively influences effectiveness of TA	• TA fund is managed by experts in TA who can play a key role in diagnosing TA needs, thereby catalysing change and monitoring quality • There is potential to work with different fund managers, which can facilitate the right blending of different types of finance • Pre-investment TA is especially interesting if the fund works with more than one investor.	• Thorough understanding of needs of the smallholder farmers and micro and small entrepreneurs targeted to benefit from TA • Developmental additionality incorporated in project design • Impact measurement often built in through baseline and endline

[16] AAF-TAF 2017, Enclude (Gommans & Korijn) 2016.

	It increases chances to link the company with the right type of finance • Developmental additionality independently assessed • Often there is a focus on the sharing of lessons learned and replication of working models in other contexts (without undermining competitiveness or intellectual property of portfolio companies) • Financial additionality is assessed by an independent team, increasing the likelihood of financial additionality	surveys

Table 6. Archetype benefits.

Integrated	Linked	Independent
• Ensure that the needs of the different actors along the value chain are taken into consideration and solution is beneficial for all • Effectiveness of in-house TA needs to be monitored through quality control • Usefulness of TA provided to be assessed from investee level, SHF, distributor and consumer levels. TA should not only be in the interest of the investor. • It is costly to recruit all staff in-house and finance this from the fund manager fees, especially in the case of smaller investments • In case of subsidised TA facilities, measures need to be in place to prevent these subsidies from mainly benefitting investors (by subsidising a higher amount than required, using TA as a deal sweetener or deflating actual costs to operate a fund) • Developmental additionality requires that attaining the social development goals are integrated in the program and do not come as an afterthought	• Alignment requires deliberate coordination efforts. This needs to be part and parcel of the TA facility • Effectiveness of TA requires flexibility benefits from quick turn-around times. This especially holds for pre-investment TA • The TA fund manager should understand the interests and language of different impact investors, investees, and the agricultural sector to be able to broker relationships effectively • To prevent the risk of no or limited financial additionality there is need to make an assessment on a case-by-case basis how much of the TA should be subsidised • An own contribution from the company needs to be in place in case the TA helps the business to implement its strategy.	• Focus on catalysers of change rather than identification of gaps • Involve capital providers from an early stage (pre-selection) to enable to work with an exit strategy in mind increasing the sustainability of the TA • Consider capacity to cost-share in case of support to a private company to ensure financial additionality • Assess the commercial viability of the project and prevent subsidisation of inefficiencies • Proactively coordinate, strengthen capacity, and work through permanent market actors to ensure sustainable change

Table 7. Archetype required risk mitigants.

2.5 Case Studies

The following cases provide examples of three different TA models, describing how each of the TA facilities is organised and ensures its effectiveness, financial additionality and developmental additionality.

Case Study 1: AgDevCo's Smallholder Development Unit[1] (Integrated)

Basic Information SmallHolder Development Unit			
Size of Facility	15 mln USD	In-house / externally sourced	In-house and fixed pool of external consultants
Time Frame	2015 - 2020	Pre or post-investment	Pre and post-investment
Related Financial Facilities	AgDevCo and Root Capital (LafCo)	Type of TA	Under SDU inclusive TA only.
Governance	Integrated	Risk reduction	Impact is primary focus. Core Business Support provided separately
Funded by	MasterCard Foundation, DFID and own contribution investees		

AgDevCo is a well-respected investor in African 'missing middle' agribusiness that are considered too risky for the traditional banking sector. Social impact is part and parcel of its mission as it seeks to be an engine for economic growth. AgDevCo currently has 50–60 investees. AgDevCo launched the Smallholder Development Unit (SDU) due to the challenges businesses face in dealing with sourcing produce from smallholder farmers (outgrowers) and in recognition that the successful management of outgrower schemes requires additional support (TA) on top of the core business support that AgDevCo offers to its investees as part of its Enterprise Development Team (e.g. financial governance) and regular management support. Rather, it needs grant funding.

SDU is a USD 15 million, five-year programme initiated by AgDevCo and supported by MasterCard Foundation (90%) and DFID (10%) that aims to assist 25 agricultural enterprises in total (five per year) with developing large outgrower schemes. AgDevCo chose for an integrated TA model (for SDU as well as its Enterprise Development Team) as they feel that TA is fundamental to their proposition and often more cost-effective and relevant delivered in house. TA has to be aligned with the business strategy of the company, the priorities of the management team and follow investor discipline. Furthermore specific technical knowledge and skills are required to ensure effective TA. Main challenges are the labour intensiveness and related costs. Especially pipeline development is a costly intervention and has a heavier need for grant funding.

After 18 months of operations, SDU works with five companies, with five more in the due diligence process. Some of the companies were already in AgDevCo's portfolio but others have been identified by SDU. In those cases, AgDevCo's Executive Committee looks at an initial concept note in which the financial status of the company, the planned intervention with smallholder farmers and the impact on smallholder farmers is presented. If the concept note is passed with no objections, SDU carries out the due diligence process (financial, legal, commercial and impact). An SDU sub-committee takes the final go or no-go decision for the provision of support by SDU. By looking at both impact and profitability at the same time, chances of the developmental additionality are increased. To ensure alignment, the SDU team is fully integrated into AgDevCo with staff members based in the head office in London, as well as in the field. The SDU team has regular meetings with AgDevCo Country Directors and investment teams, as with LAFCo, which provides working capital loans. This allows for quick interventions and adjustments that might be required. In addition it assists in the monitoring of the quality of the TA that is being provided.

The SDU works with some existing investees of AgDevCo for whom working with smallholder farmers is a key component of their business strategy and not part of their corporate social responsibility. For these companies, SDU's TA helps reduce investor risk, but also functions as a 'hook' or carrot for new investees. SDU insists on cost sharing to ensure commitment (companies should have 'skin in the game'). For example, if a company employs 10 extension officers to deal with SHF, then SDU may cover 75% of their salaries first year, 50% their second year and 25% their third year. Cost-sharing is usually in the range of 25–50% of total project costs, depending on the financial capacity of the company. Project costs range from USD 50,000 to USD 500,000. The cost-sharing arrangement increases the chances of the financial additionality. In addition, AgDevCo is a not-for-profit company so gains made by the financing facility will flow back. At the same time, AgDevCo's stresses that the returns of 15% and higher are rare for investments in agri-businesses and there is need to finance TA as well as covering the first loss risk.

Finally SDU actively shares the knowledge it gains through workshops and publications and are linking with the RAF Learning Lab.

Case Study 2: The Technical Assistance Facility of the African Agriculture Fund (Linked)[1]

Basic Information TAF: Technical Assistance Facility			
Size of Facility	EUR 10.3 mln	In-house / externally sourced	Externally Sourced
Time Frame	2011 - 2018	Pre or post-investment	Post-investment
Related Financial Facility	African Agriculture Fund	Type of TA	Inclusive TA and core business support for SMEs.
Governance	Linked, managed by IFAD implemented by TechnoServe		
Funded by	European Commission and co-sponsored by Italian Development Cooperation, UNIDO and AGRA	Risk reduction	Risk reduction crucial for core business support to SMEs. In case of inclusive TA, risk sometimes actually increases

The African Agriculture Fund (AAF) is a USD 246 mln equity fund managed by Phatisa and focused on agriculture and food security that invests in businesses throughout the food value chain across Sub-Saharan Africa. This includes a USD 30 mln SME sub fund managed by Databank. AAF has a well-defined linked Technical Assistance Facility (TAF), which aims to enhance the developmental impact of AAF's investments by building the capacity of its target groups (e.g. SMEs, smallholder farmers, farmer groups supplying portfolio companies and entrepreneurs distributing AAF portfolio company products), as well as by improving their access to markets and finance to enhance their productivity and income.

TAF is managed by the International Fund for Agricultural Development (IFAD) and implemented by TechnoServe. It is grant-based and is funded primarily by the European Commission, with co-sponsorship by the Italian Development Cooperation, United Nations Industrial Development Organisation and AGRA. Up to USD 600,000 is available per portfolio company.[1]

TAF has worked with 12 out of AAF's 16 portfolio companies. Once AAF has made an investment, TechnoServe does a scoping report, which is submitted to IFAD. For the investees with highest impact potential a full proposal is developed. Proposals with TA costs below EUR 250,000 are submitted to IFAD. Those with costs above EUR 250,000 are discussed and approved by a TA committee consisting of AAF's fund managers and the donors.[1] The procurement process starts following approval. AAF, TechnoServe and the benefitting company are members of the evaluation panel that decides which company to hire. TechnoServe regularly uses **external service providers**, as it can be costly to provide the range and level of support required via a small, in-house team. A combination of open, restricted and sole source procurement procedures are undertaken to identify service providers; following explicit procurement guidelines outlined in an Operations Manual developed by TechnoServe. The evaluation panel becomes the steering committee, which plays an important role in the alignment of investee, AAF, TAF and TA providers and manages these relationships. The steering committee meets quarterly and ensures that the different parties are aligned on the objectives and market and business dynamics that are being considered. It is crucial in the embedding of the TA in the business strategy and hence its sustainability.

TechnoServe produces the TAF Bulletin to inform IFAD and EU delegations. A quarterly report is presented to IFAD, Phatisa and AAF investors. The European Commission receives a bi-annual report with the impact metrics. Initially, TAF targeted pre- and post-investment TA. Pre-investment support was stopped because the TA did not automatically lead to an investment and therefore the contribution of the TA to the facility's overall goal of increased food security was not clear. In addition, in the case of pre-investment, TA timing is really crucial and requires a TA facility to move quickly.

The developmental additionality is assessed during the scoping survey for all investees. TA is provided to those investees where there is highest chance of additionality. By end of 2016, TAF activities had linked c.16,000 beneficiaries to portfolio companies and mobilised over $1,4M in additional attributable income benefits to smallholders and micro-entrepreneurs. Furthermore, TechnoServe very actively disseminates its lessons learned amongst its wider network through its bulletin, blog posts and publications. The financial additionality is also assessed separately and considered on a case-by-case basis.

Case Study 3: 2SCALE (Independent)

Basic Information 2Scale			
Overall Project Budget	EUR 41,5 million	In-house / externally sourced	In-house and externally
Time Frame	2012 - 2017	Pre or post-investment	Pre and post-investment
Related Financial Facilities	Wide range (local MFIs, banks as well as impact investors such as Root Capital, ICCO Investments and Oikocredit)	Type of TA	Inclusive TA only.
Governance	Independent from finance facility Consortium of IFDC, ICRA and BoPInc	Risk reduction	Risk reduction for the financial institutions they link up with.
Funded by	Ministry of Foreign Affairs (DGIS), the Netherlands		

2SCALE's goal is to improve rural livelihoods and food security in nine countries in sub-Saharan Africa by developing agro-food industries. 2SCALE is funded by the Dutch Ministry of Foreign Affairs through the Directorate-General for International Cooperation (DGIS), and is implemented by a consortium of the International Fertilizer Development Centre (IFDC), the International Centre for development-oriented Research in Agriculture (ICRA) and the Base of the Pyramid Innovation Centre (BoPInc).

2SCALE works with a variety of actors to achieve its goal of creating impact for at least 500,000 SHFs and 2,500 SMEs over its life (2012–2017), and works in nine countries. Approaches include work with agribusiness clusters (multi-actor networks) and specific business champions such as producer organisations, processers and traders. Finally, 2SCALE also works at the sector level through conducting market research and piloting products.
Two regional access to finance experts provide in-house TA, but 2SCALE also makes use of external coaches. The use of external coaches is in part to strengthen the ecosystem of financial coaching capacity around the company, so that when project ends, the relationship between company and coach can still meaningfully continue.

Companies and farmer organizations were partly selected after a call for proposals/call for ideas, and partly sourced from our networks. The governance of the activities is structured in a multi-actor partnership, involving lead firms (business champions) farmer organizations, input suppliers, MFI's, business coaches, etc. These partnerships are facilitated by a partnership facilitator (2SCALE staff) and decision making is done collectively in the partnership, leading to annual activity plans, including accompanying budget.

Though not linked to any specific financing mechanism, 2SCALE does facilitate relationships between farmer/ producer organisations and local financial institutions. 2SCALE has worked with Shalem, an agribusiness in the Sorghum value chain in Kenya that works with thousands of smallholder farmers in a structured buyer–seller approach. After an initial assessment and some core business support to Shalem, 2SCALE approached financial institutions to develop partnerships that would enable Shalem's SHF partners to access finance. 2SCALE worked with Faulu Microfinance Bank to design a new financial product tailored to small farmers growing Sorghum. Shalem went on to receive financing from Equity Bank as well as from Root Capital and ICCO Investments. The assessment of additionality is not part of 2Scale's processes, but it keeps track of the amount of finance attracted.

The fact that 2SCALE is not related to any particular financial institution, has resulted in a focus on the facilitation of access to finance along the whole value chain as well as the broader enabling environment. Interventions include: i) financial literacy training for farmers, ii) capacity building for producer organisations and processors, iii) technical assistance for financial institutions in the area of product development, iv) facilitation of semi-formal lending instruments such as VSLAs, v) facilitation of innovative financial models in the value chain; and vi) brokering/linkages/networking between farmers/producer organisations and local financial institutions and between processors and impact investors.

2.6 Overview of Blended Finance vehicles and TA facilities for agriculture

Below we include a list of TA facilities or funds offering TA that focus on agriculture in Africa. We provide more details on those TA facilities in Annex II. A list with financing facilities investing in agriculture in Sub-Saharan Africa is provided in Annex I.

Most of them are integrated models or linked models; of those that are linked model, most are linked to a single fund. Linked facilities are, on average, newer. All linked facilities included in the list were launched in 2010 or later. Integrated models are, in general, less likely than Linked facilities to have a strong focus on TA, or are more limited in the types of TA they provide to investees. Often, they provide managerial or financial advisory to investees, but not additional operational or impact support. As there are many TA activities focusing on agriculture, this list of independent facilities provides a selection of initiatives provide TA and additional seek to facilitate access to finance for the sector actors they work with.

Integrated:

- Africa Enterprise Challenge Fund (AECF)
- Africa Guarantee Fund (AGF)
- AgDevCo
- Agri-Vie I
- Agribusiness Booster (ICCO)
- AgRIF (Incofin)
- Alterfin
- Althelia Madagascar Climate and Conservation Fund
- Arise (Norfund, FMO and Rabobank)
- Beira Agricultural Growth Corridor (BAGC) Catalytic Fund (AgDevCo)
- Business Partners International Kenya SME Fund
- Business Partners International Rwanda SME Fund
- Business Partners International Southern Africa SME Fund
- DOB Equity
- European Solidarity Financing Fund for Africa (FEFISOL)
- Factor(e) Ventures
- Fanisi Venture Capital Fund
- Fund for Agricultural Finance in Nigeria (FAFIN)
- GAFSP Private Sector Window (IFC)
- Global Partnerships/Eleos Social Venture Fund (SVF)
- Grassroots Business Fund
- GroFin Africa Fund
- GroFin SGB Fund
- I&P Afrique et Entrepreneurs (IPAE)
- Injaro Agricultural Capital Holdings Limited
- Manocap Soros Fund
- Mercy Corp's Social Venture Fund
- Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL)
- Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)
- Root Capital
- The Take-Off Facility for Agricultural and Rural Microfinance in Africa
- Yunus Social Business

Linked:

- Acumen Fund
- Africa Agricultural Capital (Pearl Capital)
- Africa Agriculture and Trade Investment Fund (AATIF)
- African Agriculture Fund (AAF)/AAF SME Fund
- Boost Africa
- Moringa
- NISABA Impact Investment Fund
- Rabo Rural Fund
- Rural Impulse Fund II
- Smallholder Finance Facility (SFF)
- SME Impact Fund
- Voxtra East Africa Agribusiness Fund
- Yield Uganda Investment Fund

Independent:

- 2Scale
- Agrifin Accelerate
- Agro Innovations Zimbabwe
- Cocoa Challenge Fund (CCF) (IDH)
- Malawi Innovations Challenge Fund
- Partners in Food Solutions
- United States International University (USIU) Global Agribusiness Management and Entrepreneurship (GAME) Center

3 Trends and Lessons Learned

This chapter starts with an overview of the key trends observed in terms of TA and blended finance. Subsequently, key lessons learned from other TA facilities linked to (blended) finance for agriculture are highlighted.

3.1 Trends

1 Recognition that a combination of finance and TA is critical

Successful and sustainable interventions in the agricultural sector often require both finance and capacity building/TA support. While many asset managers have always provided some type of management support to their investees, there is an increased recognition that more specialised, tailored, on-the-ground TA support is critical to the success of small agribusinesses, and that such TA support is often needed both pre-investment and post-investment. As such, the trend to link finance with a dedicated TA facility is becoming more and more mainstream. According to a study by DFID, 64% of investors use TA in conjunction with their investments 'often' or 'nearly always'.[17] The annual survey of GIIN indicated that 62% of the impact investors in emerging markets use or are planning to use TA post-investment. Furthermore, respondents seeking below-market rates of returns were more likely to use TA both pre- and post-investment than respondents seeking market rates.[18] Of the 84 investment facilities that are working in the agricultural sector in Sub-Saharan Africa analysed under this study, 46 do provide TA (55%) whilst 38 either do not provide TA or no evidence of such TA could be identified, so while there is increased use of TA, many funds do not explicitly provide such support yet (see annex I and II).
Likewise more and more donor-funded TA projects no longer focus on the capacity aspect only. TA facilities increasingly focus on access to finance for smallholder farmers and agri-businesses. Incorporating access to finance in the design, rather than as an afterthought increases the chances of success.

2 From supply-driven to demand-driven TA delivery

The economic, climatic and social environment for agriculture is changing rapidly. As a result, farms are becoming increasingly diverse in terms of size, resources, production patterns, access to markets and household characteristics.[19] The same is true for financial institutions. AGRA's experience in PROFIT shows large differences among needs of banks as far as policies, systems and products for agricultural lending are concerned. There is a strong need for more diverse and specialised TA. This requires different ways of organising and financing TA and a shift towards systems that are led by and tailored to demand. Instead of understanding farmers, SMEs and financial institutions as 'beneficiaries' of TA, there is a trend towards more demand-driven services based on three main principles:

- TA based on user needs;
- TA providers accountable to users, particularly on content and quality;
- Users having a choice in TA providers.

3 From supply-side financing to demand-side cost-sharing of TA

There is ample evidence that successful and sustainable TA interventions require commitment and 'skin in the game' from the company receiving the technical assistance. Financing mechanisms for TA increasingly make use of cost-sharing strategies, for example:

- Contribution by enterprises and financial institutions for TA provision, whereby the own contribution can reach 100% in case of core-business support to larger companies, such as in the case of IFC's TA to financial institutions and agri-businesses;
- In some of the integrated models, funds are also paying for the technical assistance that is being provided as it helps them to develop their pipeline, reduce risks and increase returns;
- Indirect payment through membership fees, production levies and taxes by farmer organisations for TA to smallholder farmers;
- Public or donor funds channelled through the recipients of technical assistance who contract and pay the TA provider instead of the donor contracting and paying the TA provider directly.

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[17] DFID, Survey of the Impact Investment markets 2014 August 2015.
[18] 2017 Annual Impact Investor Survey, GIIN.
[19] FAO. 2014. The state of food and agriculture: innovation in family farming.

3.2 Lessons learned

1 Linked TA models: an effective partnership to catalyse investments in agriculture

In Chapter 2, we outlined three different models of combining TA and finance: Independent, Linked and Integrated. In integrated and linked models, TA provision is associated with the financing facility, while in independent models, TA is provided separately.

Through partnerships, linked TA facilities provide financing facilities the opportunity to access agricultural sector and TA knowledge. This offers a pragmatic solution to achieve impact with more flexible budgetary implications, as TA management and provision are not part of the cost structure of the financing facility. Furthermore, linked TA facilities often play a crucial role in the pre-investment stage assisting funds to develop their pipeline. For this reason, FMO has set up the Smallholder Financing Facility (SFF) with IDH.

Such a partnership is considered to be especially relevant for the agricultural sector because of:

- Risks inherent to agriculture, such as the production and price risk.
- The unmet demand for TA and finance for SME agribusinesses.
- The complexity and high set-up costs actors face when dealing with smallholder farmers.

Because linked models often focus much more on knowledge sharing than integrated models do, they offer this additional avenue to catalyse investments in the agricultural sector.

2 A TA fund needs to have clear objectives and monitor achievement of these objectives

Investment funds show increased interest in setting up TA facilities. However, the exact objectives are not always specified from the outset. Good governance of any TA facility starts with clearly defined objectives. Will the support be pre-investment or post-investment? Will it work with agri-businesses, financial institutions, cooperatives and/or other actors? What will be its focus in terms of the size and stage of development of the companies? Will it provide core business support and/or inclusive business TA? Will it be available for investees only or more widely? Are interventions also aimed at addressing any challenges in the enabling environment?

Likewise, what the TA is to achieve should be made explicit. Will it identify new leads for the financial fund (pipeline development), develop the agricultural sector to catalyse investments, increase the investee's financial performance, increase the investee's contribution to attain the sustainable development goals, measure impact or promote the finance that is being offered?

The quality of the TA subsequently needs to be monitored against the set objectives to assess the TA request as well as the quality of the TA provided. TAF, which is co-funded by AGRA, does this through a steering committee set up at the start of each TA project. Representatives of TAF, the finance facility AAF, the investee and the TA provider sit on the Steering Committee, which meets quarterly.

3 The TA decision and the investment decision should be taken by different people

For investment funds TA can reduce the risk of the investment, increases returns and reduces costs of pipeline development and investee monitoring. To prevent any conflict of interest, the TA decision and investment decision should be taken by different people. Finance providers vary widely in how they take the decision to provide TA. At IFC, there are different people responsible for TA and the investment. Though the investment and TA are part and parcel of the same deal, the company is free to decline the TA. In the case of TAF, AAF first takes a decision to invest in a company. Only once this is approved TAF comes in and assesses the need for inclusive TA and, in the case of SMEs, core business support to the company. SDU started working with one existing AgDevCo investee that met its donor requirements, but it has also worked with companies that later became AgDevCo investees. At Root Capital, a business development officer visits companies and assesses whether they are investment ready. If they receive a 'deferred qualified' assessment, a training officer visits the company, does an elaborate training needs assessment and starts providing the TA in house.

4 The importance of cost-sharing

If TA is fully paid for by the recipient or out of the profits of the finance fund itself, which can be the case for core business support to larger companies, the same person could take the TA and the investment decision. However, in cases in which the TA is subsidised, these roles are ideally separated to ensure focus on the objectives that the

TA fund has set, and that TA achieves both financial and developmental additionality. As mentioned in Chapter 2, grant-funded TA brings a risk of neutral or even negative financial additionality. If fully funded TA is used to reduce the operating costs of the investment fund (through developing pipeline, carrying out due diligence or increasing the return on investment) beyond what is necessary to crowd in non-concessional funds, then there is reduced financial additionality. In extreme cases, the donor contribution can actually crowd out commercial funds instead of leveraging funds, as is the key aim of blended finance. Therefore, cost-sharing is important to ensure financial additionality.

5 'Pre-investment' TA has an important role to play but needs to be donor-funded

Most TA facilities currently focus on post-investment support, or late stage pre-investment support. Yet as the pool of capital in developing markets and higher-risk segments (e.g. SMEs and agriculture) grows, there is an increasing need for pre-investment TA to build a pipeline of investment-ready companies. For example, the AAF TA facility found it hard to deploy pre-investment TA, as it was not resourced with a deal sourcing team, and therefore had to focus on potential investments identified by the Fund Manager. There is a natural tension between the objectives of a donor and those of a fund manager in this space. Fund managers typically prefer to focus TA on businesses that they know the fund will invest in, to ensure the TA investment leads to a financial return. On the other hand, donors are happy to fund the development of a pipeline of investment-ready businesses, even if the eventual investment is from an unrelated source.

6 Ensure that the TA is aligned with the finance to be provided and an exit strategy is in place

The two core aspects of an exit strategy are investor–investee alignment and effective management of on-going TA costs. As highlighted in Chapter 2, each provider of finance has its own requirements in terms of ticket size, return expectation and risk appetite. Furthermore, some capital will be available locally, whilst some needs to be attracted on the international market. It is important to understand the requirements of the different finance providers to identify which provider matches best with the financing needs of the farmers or companies. To increase chances of success, it is important to involve finance providers as early as possible to co-create solutions.

As dependency on subsidies makes it difficult to attract investors, it is important that any TA that needs to be provided on a continuous basis is established in such a way that the costs can be financed out of revenues once the concept is proven. Subsidies should be structured in such a way that the subsidy decreases and value chain actors finance on-going costs. Set-up costs can be fully subsidised, but on-going costs should be clear and own contribution to this should increase over time.

7 Flexibility is key

TA solutions should not be predefined. A one-size-fits-all TA solution will not work for all companies and in all situations. The same need for flexibility applies to social and environmental standards. Donors sometimes tend to define standards, but, if not applied to local circumstances, they might become irrelevant or have limited or even negative impact.

Flexibility also means allowing the facility to seize opportunities, as long as they are in line with its overall objectives and general criteria. Likewise, TA providers and managers need to be able adapt to challenges that companies face and to make adjustments according to new insights.

One other aspect, which TAF, SDU, IFC and AgDevCo all highlighted, is the need to have flexibility in terms of time. Long-term relationships are necessary and chances of delays are high, two factors best addressed through open-ended TA facilities. IFC's integrated TA facility is de facto an open-ended facility.

8 Alternative revenue models can reduce the amount of grants required

TA funds are generally financed from the following three sources:

- **Donor grants:** Provided for both core business support and inclusive finance. Examples are IFAD, EU and AGRA's support to TAF and DFID and MasterCard's support to the SDU of AgDevCo.
- **Own contribution by TA recipients:** As mentioned above, this is increasingly common. Own contribution is higher for core-business support, companies in more advanced stages of development and inclusive business support in line with the companies' strategy.
- **Contribution from the finance provider.**

As highlighted under trend 3, the contribution from TA recipients is increasing. The own contribution by TA recipients can be in-kind and cash. Some more innovative financing mechanisms that we came across are:

- Allow for later payment for the TA (IFC), and adding TA to the loan amount such as in the case of CARD Bank in the Philippines. With these conditional grants, pipeline development TA is grant funded, but the grant becomes a loan if the project or business qualifies for investment as a result.
- Agribusiness Booster provides TA prior to investing in a company. If the TA is successful and an equity investment is made, TA costs become part of the equity provided.

It is important to also look into the contributions finance providers can offer. Some DFIs, such as FMO and IFC, actually fund TA from their companies' profits, which are allocated mainly to core business support for the larger companies. However, contributions can also be considered when finance providers benefit through pipeline development or increased revenues. Interest was shown for more innovative revenue models, such as the payment of a finder's fee to the TA fund that facilitated pre-investment TA or a success fee for post-investment TA that yielded the agreed results and contributed to the financial performance of the investee. These contributions would flow into the TA fund from which other finance providers could be supported. Another possibility, suggested in a blog post by Sarah Marchand, is to blend donor and investor funding, allowing the TA facility to engage in both 'patient' pipeline development (early stage support 6–18 months before investment) funded by donors and late stage pipeline support (final 6 months) funded by both donors and investors.[20]

9 TA fund management requires highly qualified staff

The role of a TA manager is crucial. For pre-investment TA, the TA manager needs to be able to identify those businesses with highest chances for success, assess the biggest challenges for the company, determine which technical assistance best addresses those challenges, develop the scope of work, select the consultant who will provide the TA and assess the amount of subsidy that the company requires. This all needs to be done in close collaboration with the recipient company to ensure that the TA is relevant and well received. Subsequently, the provision of technical assistance needs to be overseen and monitored, and progress needs to be discussed with the company, investor and finance provider. The consultants providing the technical assistance need to be evaluated and the results of the TA need to be reported. Finally, often TA facilities also play a crucial role in the sharing of lessons learned to allow for a wider impact of the TA provision beyond the direct beneficiary of TA. All these activities require an in-depth knowledge of investing, business performance, the agricultural sector, consulting and knowledge management.

10 Combine internal and external consultants and local, regional and international consultants

Most of the TA facilities that we interviewed highlighted that they have a team of very experienced in-house staff, an asset that they consider crucial. The number of in-house staff is bigger for finance providers that follow an integrated model, such as AgDevCo, with its Smallholder Development Unit, and IFC. Particularly relevant areas of expertise include business management, agricultural knowledge (including the ability to understand the dynamics of agricultural markets) and the ability to identify, contract and manage external TA providers.

All parties also use external consultants. Some finance providers such as IFC and SCU have fixed lists of consultants. Others such as TAF and FMO (for support to financial institutions) work with pre-selected lists of consultants whereby different companies can submit a tender. In general, FMO has tried to keep this process short to be able to act quickly.

There is a general consensus that the involvement of local TA providers is key. A key advantage is the potential to follow-up consistently. However, the required skills are not always locally available and a combination of local, regional and international expertise might be required. Furthermore, experience from other areas and new approaches can help to sustainably develop the agricultural sector.

[20] Marchand 2016.

4 Concluding Remarks

Looking at the different TA and blended finance facilities that exist and talking to key players within the industry, we observe a discrepancy between the capital and capacity on offer for the agricultural sector and that needed to catalyse agricultural transformation. On one side, agri-businesses and farmers struggle to access finance and face several challenges in their enabling environment. On the other side, investors struggle to create a pipeline in line with their ticket size and risk return expectations.

Well-structured TA can catalyse the availability of blended finance for agricultural transformation, as it can play a crucial role in risk reduction and pipeline development. Linked models are of particular interest, as they independently assess financial and developmental additionality and can link TA recipients to different sources of finance, providing more flexibility for the company and a combined pipeline development effort for funds. Facilities need to be careful not to distort the market and hinder instead of promote the agricultural transformation they seek. The best designs include clear objectives, flexibility and strong emphasis on the specific market context.

For blended finance to catalyse agricultural transformation in Africa, there is need for:

- More specialised, flexible, demand-driven, cost-shared, on-the-ground TA support for agri-businesses, financial institutions and farmer organisations, as well as to address concrete eco-system challenges;
- More pre-investment TA to build a pipeline of investment-ready companies (as the pool of capital available in developing markets and higher-risk segments such as agriculture grows);
- Mechanisms to share costs between TA recipients and facilities—but also making available more grant funding for TA linked to blended finance, as cost-sharing will be incremental, and in many situations it will not (yet) work (e.g. in cases of pre-investment and enabling-environment TA);
- Improved co-ordination and standard setting for TA linked to blended finance for agriculture in Africa, preferably housed sustainably in a recognised organisation, rather than a project.

Annex I: Financing Facilities investing in Agriculture in Sub-Saharan Africa[21]

Type[22]	TA[23]	No TA
Wholesale multi-sector or agricultural funds	• Africa Agriculture Trade and Investment Fund (AATIF) • Agriculture Financing Initiative (AgriFI) • AgRIF • Arise • Boost Africa • Global Agriculture and Food Security Program (GAFSP) • Rural Impulse Fund II	• ACTIAM FMO SME Finance Fund I (SMEFF) • AfricInvest Fund III • Calvert Foundation • Capria Fund • DFID Impact Fund • Green Climate Fund (GCF) • I&P Développement 2 (IPDEV 2) • ICCO Guarantee Fund • Triodos Sustainable Finance Foundation
Niche impact funds	• Althelia Madagascar Climate and Conservation Fund • Moringa SICAR, SCA (the Moringa Fund) • Smallholder Finance Facility (SFF) • Take-Off Facility for Microfinance for Africa	• Africa Fine Coffees Association (AFCA) Coffee Development Fund • Althelia Climate Fund • Food Securities Fund • Global Environmental Fund (GEF) • Global Farmer Fund • Innovare • Livelihoods Fund for Family Farming • Smallholder Farmers Fertilizer Revolving Fund of Malawi (SFFRFM) • Terra Bella Global Fund
Local or small regional funds	• Africa Guarantee Fund (AGF) • African Agricultural Capital (AAC) and AAC's Africa Seed Investment Fund (ASIF) (Pearl Capital) • African Agriculture Fund (AAF) and AAF SME Fund • AgDevCo • Agri-Vie I • Beira Agricultural Growth Corridor (BAGC) Catalytic Fund • Business Partners International Kenya SME Fund • Business Partners International Rwanda SME Fund • Business Partners International Southern Africa SME Fund • DOB Equity • European Solidarity Financing Fund for Africa (FEFISOL) • Fund for Agricultural Finance in Nigeria (FAFIN) • I&P Afrique et Entrepreneurs (IPAE) • Injaro Agricultural Capital Holdings Ltd. • Manocap Soros Fund • NISABA Impact Investment Fund • Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL) • Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT) • SME Impact Fund • Voxtra East Africa Agribusiness Fund • Yield Uganda Investment Fund	• Actis Africa Agribusiness Fund • African Food Fund • Annona Sustainable Investment Fund • Aureous Africa Fund LLC • Aventura Rural Enterprise Fund • French African Fund • Horus Food & Agribusiness Fund • LAFCo (Lending for African Farming) • SilverStreet Private Equity Strategies SICAR - Silverlands Fund • Tana Africa Capital • Vital Capital II
Early-stage venture funds	• Acumen • Africa Enterprise Challenge Fund (AECF) • Agri-Business Booster • Factor(e) • Fanisi Venture Capital Fund • Global Partnerships/Eleos Social Venture Fund (SVF) • Grassroots Business Fund (GBF) • GroFin Africa Fund • GroFin SGB Fund • Mercy Corp's Social Venture Fund	• Accion Frontier Inclusion Fund • Accion Venture Lab • Ceniarth • Fairtrade Access Fund • Kampani

[21] List drawn in part from ISF (2017) and FAO (2016).
[22] Category definitions are provided on the following page.
[23] Here, "TA" refers to the provision of advisory services to investees, their suppliers, or other ecosystem actors in conjunction with an investment, regardless of who funds, manages, or provides the TA. Guidance that investors provide through the course of their role as a board member or shareholder is not included.

Type[22]	TA[23]	No TA
"Frontier plus" funds	• Alterfin • Rabo Rural Fund • Root Capital	• Global Partnerships • Oikocredit • ResponsAbility • Shared Interest • Yunus Social Business

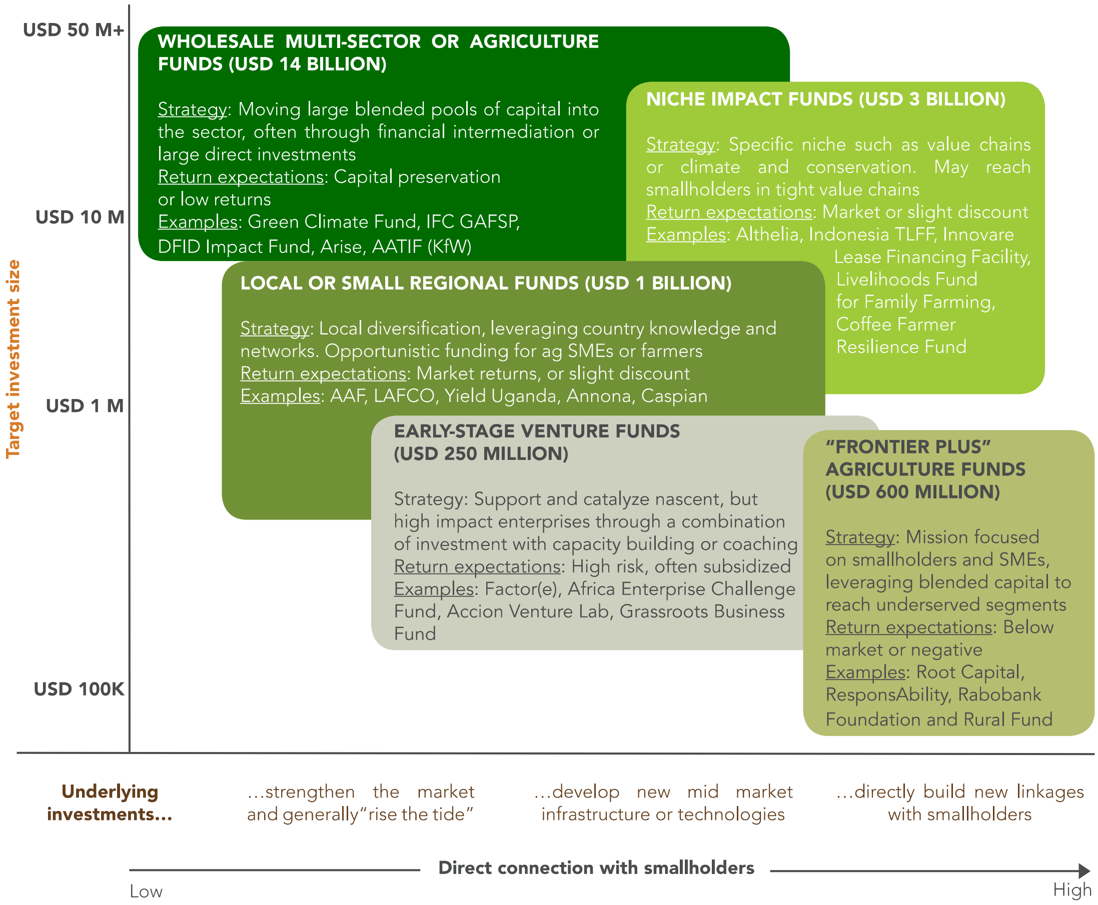

Figure A1. Financing facility categorisation (source: ISF 2017).

Annex II: Overview of Agriculture-related TA Facilities

Facility	Type	TA Manager	Fund Manager	Size of Associated Facility ($m)	Funders	Donors	Launch Year
2Scale	Independent	IFDC, BoPInc and ICRA	N/A	N/A	N/A	Dutch Ministry of Foreign Affairs	2012
Agrifin Accelerate	Independent	MercyCorps	N/A	N/A	N/A	MasterCard Foundation	2016
Agro Innovations Zimbabwe	Independent	TechnoServe	N/A	N/A	N/A	Nduna Foundation, Delta Corporation	2010
Cocoa Challenge Fund (CCF) (IDH)	Independent	N/A	IDH	5.0 - 8.0	N/A	IDH, Le Conseil du Café-Cacao	2016
Malawi Innovations Challenge Fund	Independent	MCIF	N/A	N/A	N/A	UNDP, DfID, KfW	2014
Partners in Food Solutions	Independent	TechnoServe	N/A	N/A	N/A	General Mills, Cargill, DSM, Buhler, Hershey, Ardent Mills, USAID	2010
United States International University (USIU) GAME Center	Independent	USIU	N/A	N/A	N/A	USIU, Bill & Melinda Gates Foundation	2011
Africa Enterprise Challenge Fund (AECF)	Integrated	N/A	AGRA	265.0	Governments of Australia, Canada, Denmark, the Netherlands, Sweden and the UK; CGAP; IFAD	N/A	2008
Africa Guarantee Fund (AGF)	Integrated	N/A	Africa Guarantee Fund	66.5	ADB, AECD, DANIDA	N/A	2012
AgDevCo	Integrated	AgDevCo's SDU	N/A	100.0	DfID	N/A	2009
Agri-Vie I	Integrated	N/A	Agri-Vie	100.0	Sanlam Private Equity, other investors	N/A	2008
Agribusiness Booster (ICCO)	Integrated	N/A	ICCO	11.2	ICCO	N/A	2014
AgRIF (Incofin)	Integrated	N/A	Incofin	71.0	EIB, Proparco, BIO, SIFEM, Volksvermogen, ACV-CSC Metea, KBC Bank, Bank für Kirche und Caritas, VDK Spaarbank and Incofin IM	N/A	2016
Alterfin	Integrated	N/A	Alterfin	64.9	Cooperative society	N/A	1994
Althelia Madagascar Climate and Conservation Fund	Integrated	N/A	Althelia	50.0	United Nations' Green Climate Fund	EIB, AfDB	2016
Arise (Norfund, FMO and Rabobank)	Integrated	N/A	Arise	660.0	Norfund, FMO and Rabobank	N/A	2017

Facility	Type	TA Manager	Fund Manager	Size of Associated Facility ($m)	Funders	Donors	Launch Year
Beira Agricultural Growth Corridor (BAGC) Catalytic Fund (AgDevCo)	Integrated	N/A	AgDevCo	23.0	DfID, The Embassy of the Kingdom of the Netherlands and the Royal Norwegian Embassy	N/A	2010
Business Partners International Kenya SME Fund	Integrated	N/A	Business Partners International	14.1	IFC, EIB, CDC, Sarona and EADB	N/A	2007
Business Partners International Rwanda SME Fund	Integrated	N/A	Business Partners International	7.2	IFC, Stichting DOEN, REIC	N/A	2012
Business Partners International Southern Africa SME Fund	Integrated	N/A	Business Partners International	40.0	IFC, Proparco, FMO, Stichting DOEN, AfDB and BUSINESS/PARTNERS	N/A	2012
DOB Equity	Integrated	N/A	DOB Equity	17.4/year	Private funds	N/A	1997
European Solidarity Financing Fund for Africa (FEFISOL)	Integrated	N/A	Alterfin, Sidi, Etimos	20.1	European Investment Bank (EIB) and the French Development Fund	N/A	2011
Factor(e) Ventures	Integrated	N/A	Factor(e) Ventures	Not published	Shell Foundation	N/A	2013
Fanisi Venture Capital Fund	Integrated	N/A	Fainisi Capital	50.0	Norfund, Amani Capital Limited	N/A	2009
Fund for Agricultural Finance in Nigeria (FAFIN)	Integrated	N/A	Sahel Capital (Mauritius) Limited	66.0	AfDB, German KfW Development Bank and the Government of Nigeria, through the Federal Ministry of Agriculture and Rural Development (FMARD)	N/A	2014
GAFSP Private Sector Window (IFC)	Integrated	N/A	IFC	232.0	Australia, Canada, Japan, the Netherlands, the United Kingdom, and the United States	N/A	2010
Global Partnerships/Eleos Social Venture Fund (SVF)	Integrated	N/A	Gobal Partnerships	5.0	Eleos Foundation, Global Partnerships	N/A	2016
Grassroots Business Fund	Integrated	N/A	N/A	49.0		N/A	2011
GroFin Africa Fund	Integrated	N/A	GroFin	170.0	AFDB, EIB, Shell Foundation FMO, CDC, Norfund, FISEA, IFC, GroFin	N/A	2008
GroFin SGB Fund	Integrated	N/A	GroFin	150.0	Shell Foundation, Federal Republic of Germany (KfW), The Norwegian Investment Fund for Developing Countries, Norfund, and the Dutch Good Growth Fund (DGGF), GroFin Risk Capital Facility, and GroFin MENA	N/A	2014

Facility	Type	TA Manager	Fund Manager	Size of Associated Facility ($m)	Funders	Donors	Launch Year
I&P Afrique et Entrepreneurs (IPAE)	Integrated	N/A	I&P	61.4	DFIs, private companies, and family offices	N/A	2013
Injaro Agricultural Capital Holdings Limited	Integrated	N/A	Injaro	49.0	AGRA, CDC, FMO	N/A	2009
Manocap Soros Fund	Integrated	N/A	Manocap	5.0	Manocap, Soros Economic Development Fund	N/A	2009
Mercy Corp's Social Venture Fund	Integrated	N/A	Mercy Corps	4.0	Family Foundations, HNWIs, Mercy Corps	N/A	2015
Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL)	Integrated	N/A	NIRSAL	320.0	Central Bank of Nigeria (CBN)	N/A	2013
Programme for Rural Outreach of Financial Innovations and Technologies (PROFIT)	Integrated	N/A	AGRA	10.0	IFAD, Government of Kenya	IFAD, Government of Kenya	2012
Root Capital	Integrated	N/A	N/A	106.0	OPIC, Mulago Foundation, Jasmine Social Investments, and Peery Foundation, among others	N/A	1999
The Take-Off Facility for Agricultural and Rural Microfinance in Africa	Integrated	N/A	Grameen Crédit Agricole Foundation		AFD	N/A	2013
Yunus Social Business	Integrated	N/A	Yunus Social Business	12.3	Individuals, foundations and family offices	Individuals, foundations and family offices	2011
Acumen's Technical Assistance (TA) Initiative	Linked	Acumen	Acumen	115.0	Various philanthropic and private sector funders	Dow Chemical, Unilever, Barclays, Coca-Cola and SAS	2013
Africa Agricultural Capital (Pearl Capital)	Linked	Pearl Capital	Pearl Capital	25.0	Rockefeller Foundation, the Bill and Melinda Gates Foundation, The Gatsby Charitable Foundation, JP Morgan Chase Social Finance and USAID	USAID	2011
Africa Agriculture and Trade Investment Fund (AATIF)	Linked	CFC	Deutsche Asset & Wealth Management	152.0	KFW, Deutsche Bank, Private investors	AATIF investors; BMZ	2011
African Agriculture Fund (AAF)/AAF SME Fund and Technical Assistance Facility (TAF)	Linked	Managed by IFAD and implemented by TechnoServe	Phatisa	246.0	DFIs, governments, IFIs, development banks, funds of funds, and private investors	EC, Italian Development Cooperation, AGRA and UNIDO	2011
Boost Africa	Linked	Boost Africa	Boost Africa	100.0	EIB, AfDB	EIB, AfDB	2016

Facility	Type	TA Manager	Fund Manager	Size of Associated Facility ($m)	Funders	Donors	Launch Year
Moringa Fund and Agroforestry Technical Assistance Facility (ATAF)	Linked	Moringa Partnership	Moringa Partnership	84.0	Edmond de Rothschild Private Equity and ONF International, among others	French Facility for Global Environment (FFEM), the Investment and Support Fund for Businesses in Africa (FISEA – AFD Group), AfDB, CFC and JICA	2015
NISABA Impact Investment Fund	Linked	Not yet established	Bamboo Finance	50.0	Louis Drefyus Holdings	Louis Dreyfus Holdings	Fundraising
Rabo Rural Fund	Linked	N/A	Rabo Foundation	18.0	70% Rabobank, 30% Cordaid	Rabobank	2011
Rural Impulse Fund II	Linked	Incofin	Incofin	95.5	Development banks (IFC, EIB, KfW, BIO, FMO, PROPARCO and NMI), financial institutions (Storebrand, BNP Paribas Fortis, Bank für Kirche und Caritas, VDK Spaarbank, Vinis-Die Erste Sparinvest, Microfinanza and Volksvermogen) and Belgian trade union ACV-CSC Metea	AFD	2010
Smallholder Finance Facility (SFF)	Linked	IDH	FMO	50.0	FMO, IDH	FMO, IDH	2015
SME Impact Fund	Linked	Match Maker Fund Management (MMFM)	Match Maker Fund Management (MMFM)	11.0	Cordaid; Hivos	Dutch Embassy in Tanzania	2012
Voxtra East Africa Agribusiness Fund	Linked	Voxtra	Voxtra	18.0	Norfund, Gjensidigestiftelsen, Grieg International, and Kavlifondet, and private individuals	Norwegian Agency for Development Cooperation (Norad)	2011
Yield Uganda Investment Fund	Linked	IFAD	Pearl Capital Partners Uganda	Target USD 25 million (currently USD 12 million)	EU, IFAD, and the National Social Security Fund Uganda (NSSF)	EU	2016
Agriculture Financing Initiative (AgriFI)	Unknown	AgriFI	AgriFI	227.8	European Commission	European Commission	2016

Annex III: List of People Interviewed

Nr	Organisation	Name	Position
1	AGRA	Ms. Hedwig Siewertsen	Team Leader - Smallholder Financial Inclusion
2	AGRA	Mr. Ronald Ajengo	Program Manager PROFIT
3	IDH	Mr. James Webb	Senior Programme Manager Innovative Finance
4	IDH	Ms. Iris van der Velden	Senior Manager Learning & Innovation
5	IFC	Ms. Tania Lozansky	Regional Head of Advisory Services East Africa/Pacific
6	AfDB	Ms. Atsuko Toda	Director for Agricultural Finance & Rural Devt.
7	AgDevCo	Ms. Sandi Roberts	Smallholder Development Unit (SDU)
8	AgDevCo	Mr. Chris Isaac	Director Investments & Business Development
9	FMO	Mr. Andrew Shaw	Senior Capacity Development Officer
10	Root Capital	Mr. Benjamin Schmerler	Senior Director
11	Technoserve	Ms. Abigail Thomson	Program Director TAF of AAF

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