



Food and Agriculture
Organization of the
United Nations

The design and implementation of Technical Assistance Facilities to unlock agribusiness investment

TAKING STOCK OF RECENT EXPERIENCES



INCLUSIVE RURAL FINANCE



The design and implementation of Technical Assistance Facilities to unlock agribusiness investment

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by Niclas Benni

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Abbreviations

AAF	African Agriculture Fund
AATIF	Africa Agriculture and Trade Investment Fund
ABC Fund	Agri-Business Capital Fund
ACP	African, Caribbean and Pacific Group of States
AGRA	Alliance for a Green Revolution in Africa
AVC	agricultural value chain
BMZ	Germany's Federal Ministry for Economic Cooperation and Development
CASA	Commercial Agriculture for Smallholders and Agribusiness
CDC	Common Fund for Commodities
DAMFL	Databank Agrifund Manager Limited
DFIs	development finance institutions
DFID	Department for International Development
EIB	European Investment Bank
ESG	Economic, Social and Governance
ESIA	Environmental and Social Impact Assessment
FAF	Fairtrade Access Fund
FCDO	Foreign, Commonwealth and Development Office
FI	financial institution
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
KfW	Kreditanstalt für Wiederaufbau (German Investment and Development Bank)
LDN	Land Degradation Neutrality
M&E	monitoring and evaluation
MIS	Management Information System
MFI	microfinance institution
SEMs	environmental and social management systems
SME	small- and medium-scale enterprise
TAC	Technical Assistance Committee
TAF	Technical Assistance Facility
TA	technical assistance
UNEP	United Nations Environment Programme



1. Core concepts

1.1 What is a Technical Assistance Facility?

Small and medium-sized enterprises (SMEs) in the agricultural sector play a critical role in the efforts to improve food security and reduce poverty for growing rural populations in developing and emerging countries. These businesses, which tend to generate a large share of the national agricultural GDP, are core players in the provision of key products, services and income opportunities in the local economy. Nevertheless, in developing and emerging countries, agri-SMEs still face a **considerable gap in access to quality financial services** (such as credit, savings and insurance), which strongly limits their capacity to grow and consolidate over time. Formal financial institutions (FIs), such as commercial banks and financial cooperatives, are reluctant to engage this client segment owing to a variety of factors, including the lack of conventional credit collateral of agri-SMEs, their scarce financial education, lack of an established credit history, and geographical fragmentation over wide (and remote) rural areas. As a consequence of this mix of barriers, private FIs in developing contexts view the vast majority of agri-SMEs as unfit and not ready to be profitable recipients for their financing.

In recent years, several impact investment funds (and a range of similar facilities) have been established in developing and emerging contexts specifically to target enterprises across all segments of agricultural value chains, in an effort to partially compensate for the widespread lack of investment capital that curtails the growth and expansion of the agricultural sector. This took place within the frame of an explicit mandate to achieve both a development impact in developing agriculture and a financial return for investors. These investment funds have quite varied origins, having been set up by development finance institutions (DFIs), governments, international finance institutions (IFIs) with a strong mandate in agriculture, and a range of other public and private stakeholders.

One of the main bottlenecks that investors encounter in developing contexts is the **widespread lack of technical capacity** on the part of most of the enterprises they seek to invest in. A wide range of capacity gaps, such as those concerning financial education, governance, administration,

accounting, production techniques and market access, can ultimately reduce the creditworthiness and strongly raise the risk profile of potential investees in the agricultural sector. That is why both public and private investors in developing agriculture usually accompany their investments in agri-SMEs by **considerable technical support** for their recipients, aimed at mitigating or overcoming many of these technical gaps, with the ultimate goal of supporting these enterprises in their growth and, ultimately, making the fund's own investment profitable.¹

Typically, the technical assistance (TA) provided by a fund covers a wide range of areas linked to enterprise development, from business management to accounting, governance and market access. The costs of such direct assistance are **usually covered by fund management fees**, and sometimes also by consulting fees. That being said, for those funds that seek to achieve a development impact, this type of fee-covered support often does not suffice to respond to the specific (and substantial) technical assistance-related needs of investee agribusinesses. Therefore, support in the form of a dedicated grant often complements technical assistance offered to investees. Grant-funded TA goes beyond conventional assistance by fund managers and is used to enhance both financial returns and the sociodevelopmental impact of the investment.

Different management and operational modalities can be adopted to design and deliver TA activities. While small TA grants are usually directly implemented by the investment fund managers, large TA grants tend to be administered by a third-party institution that avails itself of **independent technical assistance facilities (TAFs)** for this purpose. The support interventions carried out by TAFs can vary widely in scale, scope and nature, encompassing advisory services, staff training, governance strengthening, improvements to production practices, and several other TA-related areas that can ensure the investment readiness of an agribusiness, as well as strengthening the impact of the investment carried out by the Fund² with which the TAF collaborates. Overall, TAF activities can aim to reduce the risk associated to the Fund's investment; magnify its developmental impact; cut down transaction costs; and increase the investment's returns, among other objectives. These types of TAF interventions are often essential to enable agricultural investments in developing contexts, due to the high levels of systemic risk involved, the low capacity of investment recipients, the scarcity of information available, and the relative state of underdevelopment of the enabling environment.

It should be noted that TAF support interventions are not necessarily always aimed directly at the investee company, but can also seek to benefit and strengthen other value chain agents to which the company is connected (such as processors, input providers or wholesalers). Beyond that, TAF support can potentially be granted to **any partner institution** that collaborates with the Fund in the frame of a specific agricultural investment, provided that this can help maximize the financial returns and socioenvironmental impacts of the investment itself. For example, in the case of a co-financing agreement between the Fund and a local FI such as a commercial bank, the TAF could support the bank in strengthening and refining its credit risk-scoring system specifically where agricultural financing is concerned.

Usually, a TAF offers its services at three different levels: to **the individual agri-SME** or farmer; to a **meso-level organization** or financial intermediary (e.g. a farmer organization or apex representative

¹ A study by TechnoServe (2020) estimated that, even though agricultural investments account for a relatively minor share of the financing portfolios of DFIs (7 percent on average), 30 percent of technical assistance (TA) resources spent by these institutions are used in projects focused on strengthening agribusinesses.

² Throughout this study, any impact investment fund, blended finance facility or similar entity whose investments are linked to – and supported by – a TAF, will be generally referred to as “the Fund”.

body, a large-scale value chain agent, a partner FI); or at the level of the overall **environment** (which could encompass, for instance, supporting the development of local infrastructure crucial for the investment). As will be further explored in this study, the activities of TAFs can also support directly the manager of the associated Fund, for example by carrying out feasibility studies for possible investments in specific value chains or areas, or due diligence assessments around a prospective investee. In line with this, a dedicated TAF can play a key role in assisting a Fund in developing a pipeline of potential investment projects in agriculture, by scoping and identifying possible investees at ground level, mediating between the Fund and possible local partners, and assisting in the design of specific investment projects.

The **aim of this study** is to provide insights when it comes to the design, operation and evaluation of TAFs active in the agricultural sectors of developing and emerging countries. These insights draw on a series of case studies analysing successful facilities of this kind, which the author developed by conducting direct interviews with TAF managers, and by consulting a variety of documents made available by TAFs and other relevant stakeholders in recent years. Overall, the study intends to showcase the core constraints, advantages and opportunities associated with operating agri-focused TAFs in developing contexts, in the hope of encouraging a more widespread use of these types of facilities, which is key to an increased mobilization of public and private investments towards financially underserved agribusinesses. With this in mind, the study also offers a series of recommendations in its concluding section, which are meant to assist DFIs, development agencies, service providers and other stakeholders, in designing and operating more efficient, effective and impactful TAFs in agriculture.

1.2 What kinds of services does a Technical Assistance Facility provide?

A broad but useful **categorization of the TA services** that can be provided through a dedicated grant-funded technical assistance facility is the one developed by TechnoServe (2019). It characterizes support interventions on the basis of the main objectives/impacts that they seek to achieve (see Figure 1):

- **Core business development services:** Through these interventions, TAFs seek to promote the growth of investee enterprises by providing functional support aimed at improving their operational capacity (e.g. strengthening business-related aspects such as institutional strategy, finance, marketing, human resources, etc.), with the overall goal of catalysing the growth of investee business and mitigating the investment risks incurred by the associated Fund. As noted by TechnoServe (2019), these support interventions rely on the acknowledgement that investees are usually still small in scale, that their management can still be quite inexperienced, and that basic systems that are critical for the correct functioning of an enterprise (e.g. financial accounting) might not be developed enough to keep pace with the growth of the business, all of which constitute potential risks for investors.
- **Inclusive business support:** Its aims are to enhance the direct impact of investments, by promoting the uptake of more inclusive, cost-efficient business models developed with the low-income local communities connected to the target investee agribusiness in mind. The engagement of the “bottom of the pyramid” in TA interventions, i.e. the vast network of small-scale producers, traders, retailers, and other marginalized actors that revolves around the investee business, is critical to this TA model. The goal of these interventions is to expand the number of ways in which the investee business can create economic opportunities and livelihood improvements for these communities at local level. From the perspective of the investee agribusiness, this can result in substantial direct benefits, such as more reliable

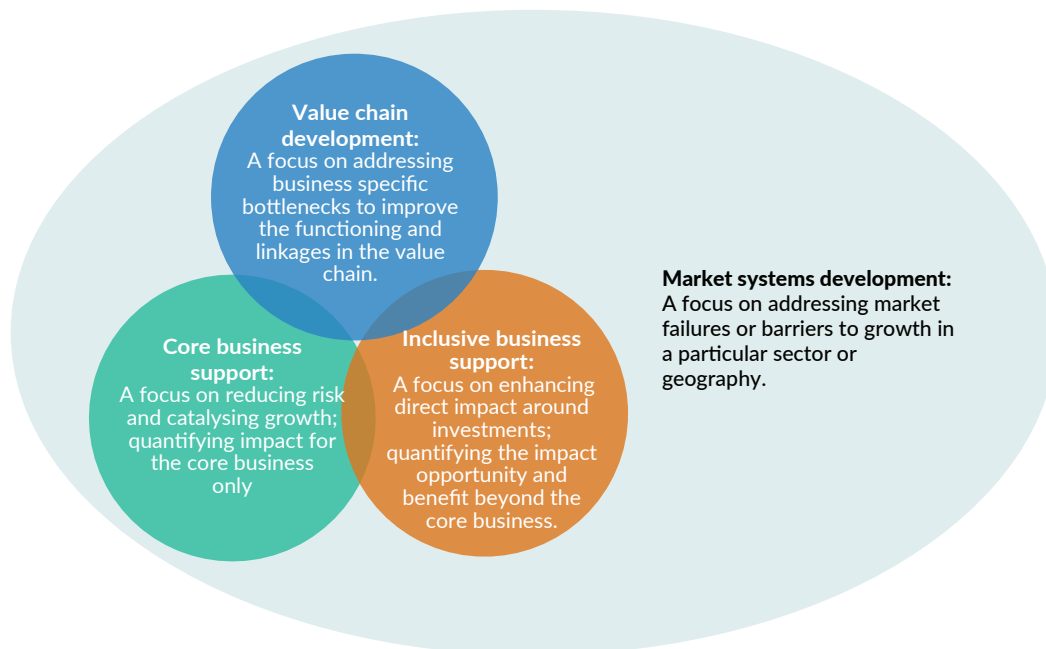
sourcing networks, a higher average quality of the sourced produce, fewer instances of side-selling, and increased economies of scale resulting from better aggregation models.

- **Value chain development:** These interventions are intended for TAFs to address bottlenecks at value chain level, with a view to improving the functioning and linkage between various segments of the target chains, and thus creating a more enabling environment in which the associated Fund’s investment can maximize its impact. These TA projects tend to be considerably more costly and larger in scope and scale than interventions focused on core business development.³

Beyond these three categories of assistance, there is also a fourth, more general category of interventions aimed at removing bottlenecks that are endemic to the **overall market system** in a specific area (e.g. regulatory, infrastructural, sociocultural). Nevertheless, these types of interventions normally fall within the purview of development agencies, governmental institutions, civil society organizations and other entities of this kind, and only the largest-scale TAFs engage in such interventions.

Figure 1 provides a simple visual representation of this model. It should be noted that there can be significant overlaps and linkages within the model as part of individual projects supported by TAFs, with TA interventions straddling different categories in terms of the goals and impacts they seek to achieve.

FIGURE 1. Proposed categorization of Technical Assistance services



Source: Adapted from TechnoServe. 2020. *A review of inclusive technical assistance in agriculture deployed by development finance institutions*. Arlington, USA. <https://www.casaprogramme.com/wp-content/uploads/20200630-CASA-TAF-Review-of-DFI-Inclusive-TA.pdf>

³ An assessment of cost structures in agriculture-focused TAFs carried out by TechnoServe (2019) found that, on average, the TA projects conducted by the facilities that paid heed to inclusive business and value chain development were 3.5 times more costly than those focused on core business support.

Another common classification model for TAF interventions does not use the “goal” of the interventions as the basis for its categorization, but rather the **timing of the TA activities** in relation to the investment made by the Fund that the TAF supports. Figure 2 illustrates the different categories of TAF intervention based on where they would be situated along the timeline of a Fund’s investment. More specifically, the four categories are as follows:

1. **Pre-investment support.** These types of TA interventions are carried out to enhance the investment readiness of future investee companies and other relevant partners, as well as refining the design of the investment project in order to maximize both financial and developmental impacts. In the frame of these interventions, the TA can, for example, assist potential investees (i.e. the agribusinesses) in developing a sound business plan for the company, or improving current governance, financial administration, and operational processes.

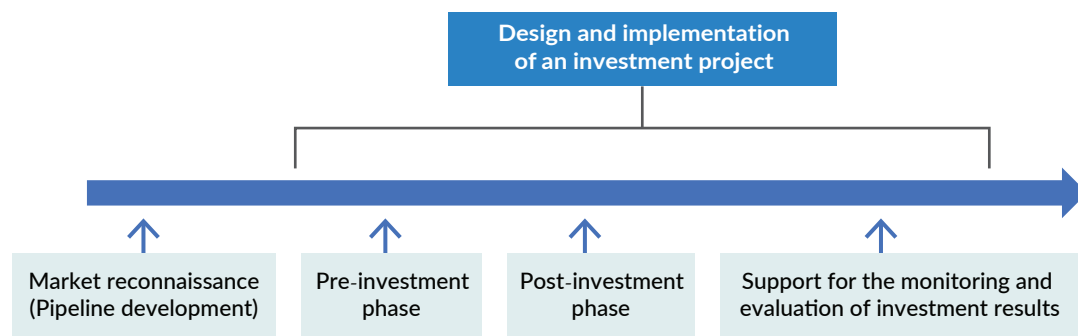
Significantly, in the case where TA is provided in the pre-investment phase, not all agribusinesses supported through these interventions may necessarily end up becoming the recipients of an investment from the associated Fund. There might be instances in which, either 1) the TA project is incapable of bringing the investment readiness of the agribusinesses to the point where the investment becomes a feasible and appealing proposition for the Fund, or 2) the Fund decides not to proceed with the investment regardless of the technical support provided to the agribusiness by the TAF. This has led some TAFs (such as the AAF TAF discussed in Section 2.1) to dispense with the provision of pre-investment support, although this implies glossing over several agribusinesses that, given adequate TA,⁴ could potentially become part of the Fund’s investment pipeline.

2. **Post-investment support.** These types of TA interventions focus on strengthening the implementation of the investment project, as well as mitigating the overall risks assumed by the Fund and its partners. Providing the network of smallholders who work with the investee agribusiness (such as a large-scale processor that sources raw produce from these small-scale farmers) with training to promote financial literacy and the uptake of climate-smart agricultural practices is an example of this kind of support. Another is supporting a local FI, which has partnered with the associated Fund to make an investment, in designing a customized loan product intended to facilitate the purchase by farmers of decentralized clean energy technology (such as solar irrigation systems).
3. **Support to impact monitoring and evaluation.** In this area of work, the TAF supports the Fund in validating the investment project’s impact data (as reported, for example, by the Fund’s implementing partners and end customers), while also complementing the evaluation with alternative data sources (such as satellite imagery of cultivated terrain and qualitative surveys carried out among beneficiary farmers).

⁴ In relation to this ongoing debate, it is worth highlighting the view shared by a handful of TAF Managers interviewed for this study, according to whom pre-investment support should be mainly the responsibility of governments, development agencies and other public/multilateral stakeholders, whose TA and capacity-building work directed at agribusinesses should be provided as a public good and in the frame of public programmes. Consequently, this responsibility should not fall to a Technical Assistance Facility, which, though not guided by strictly commercial objectives, remains closely linked to an investment fund that does.

4. **Market reconnaissance and identification of possible deals.** This area of work relates to the creation of a pipeline of possible investment deals for the Fund, and as such it predates any specific investment. Within its remit, the TAF carries out evaluations, feasibility studies, and analyses of different agricultural markets and value chains,⁵ while assessing opportunities for the Fund to carry out new transactions and initiate collaborations with a range of possible local partners. Depending on the mandate of the TAF, this type of research and knowledge-generation work can also be sometimes be made available to the general public, as a form of public good meant to spur on the mobilization of capital in the analysed value chains or regions.

FIGURE 2. The timing of a Technical Assistance Facility's intervention in relation to the investment carried out by a Fund



Source: Author's own elaboration.

It is worth stressing that not all TAFs actually carry out interventions across all the four categories described above, as these facilities can be limited by available resources, their own mandate, donors' expectations, and a range of other factors. In fact, the majority of TAFs established to promote the development of agricultural sectors focus on the provision providing pre- and post-investment support, with a marked preference for the latter, given that – as previously mentioned – not all businesses that receive pre-investment support may actually end up becoming recipients of the associated investment Fund.

Moreover, it should be noted that the vast majority of TAFs in agriculture do not have sufficient in-house capacity to directly implement their technical assistance and capacity-building interventions. These support activities are usually designed by the TAF management, but implemented by third-party service providers, selected either through direct contracts or competitive bidding depending on the TAF's regulation and the size of the TA project being implemented. Some TAFs designate service providers beforehand, which – if done correctly – can considerably shorten the turnaround associated with finding the best people for the job, while ensuring the quality of the services. Investee companies are usually required to provide co-financing (often up to 50 percent) for the services they receive. A few TAFs are managed by large-scale institutions that can leverage a considerable network of technical experts on the ground (such as Agriterria and the ABC TAF,

⁵ So far the TAF has published two sector papers on this subject, focused on assessing the scope for further interventions by the Fund in different value chains in Brazil and Indonesia.

described in Section 2.2), which means that they avoid having to rely mainly on external service providers (Miller, Ono and Petruljeskov, 2018).

1.3 What is the added value of a Technical Assistance Facility?

A Technical Assistance Facility is capable of channelling and supporting private investment in the agricultural sector by **managing risks and lowering transaction costs**. It can also intervene on the broader bottlenecks that prevent agricultural financing in a specific region or value chain (and the resolution of which is beyond the scope or interest of private investors), contributing to the overall development of an enabling environment for investment in the sector. The type of tailored TA provided by such facilities is capable of catalysing sustainable and inclusive growth not only among agribusinesses, but also in the value chains that they operate in (Enclude, 2017).

Ultimately, the real strength of a TAF is linked to its ability to simultaneously pursue **both commercial and social objectives**. As TechnoServe (2019, p. 3) puts it, a TAF is “a facility that speaks to business but can also generate development impact; that works with the private sector while being funded by donors to transform agricultural markets and increase food security”. In order to achieve this, the TAF requires a core staff team that is capable of interacting and working with both public and private sector partners, with the overarching goal of achieving a balance between TA facilitation and direct involvement.

1.4 Typologies of Technical Assistance Facilities

TAFs can vary widely in terms of the resources they are granted, the way they are managed, the kind of support interventions they can implement, and a variety of other factors. The following are some of the main aspects as to which TAFs can diverge:

- **Governance:** When it comes to supporting the investment activity of a Fund, the technical assistance can either be provided by an autonomous TAF with its own separate management structure (also known as a “linked” TAF model), or by a host facility within the Fund itself, which falls directly under the Fund’s management (an “integrated” TAF model) (Enclude, 2017). The next section discusses in more detail the advantages and disadvantages of each model. Having a separate management structure for an agri-focused TAF is quite a common occurrence, especially when these facilities have a substantial capitalization; all cases analysed in this study, for example, follow this model.⁶ The specific structure of a TAF’s governance framework can widely differ in terms of its complexity and the number of decision-making/monitoring bodies involved: the various case studies of TAFs discussed in Section 2 illustrate some of different arrangements that are possible in this respect.
- **Funding:** A typical TA associated with an agricultural investment fund is capitalized through a grant provided by a public entity, which is usually (but not always) one of those that had also allocated capital to the linked Fund. The amount of funding provided through this grant can vary, although it typically ranges between 4 and 7 percent of the associated Fund’s capitalization (e.g. a USD 50 million Fund will have a TAF with funding ranging from USD 2 to 3.5 million) (TechnoServe, 2019).

⁶ There are also rare instances of agri-focused TAFs that are not linked to any specific investment fund, which Enclude (2017) refers to as “independent” TAFs. These TAFs are able to partner with different types of agri-investment funds to provide specialized TA to its investees, with the overall aim of strengthening specific aspects of the development-related impacts generated by the funds’ investment portfolios. The CASA TAF described in Section 2.7 is an example of such a facility.

- **Goal of a TA intervention:** As mentioned in Section 1.2, the TA interventions carried out by a TAF can focus on providing core business support, inclusive business support, support towards broader value chain development, support for the creation of an enabling environment, or, as the case may be, a combination of these different types of activities. That said, TAFs engaged in agriculture tend to concentrate on the provision of core business support and inclusive business support.
- **Timing of a TA:** Similarly, a TAF can focus its support activities mostly on the preinvestment phase, the post-investment phase, or on both phases in equal measure. More rarely, TAFs can also provide support for the monitoring and evaluation of the results for an investment project (i.e. ex-post), as well as in the scoping and identification of new investment opportunities (i.e. before an investment proposal is actually designed).
- **In-house/externally sourced:** As discussed in Section 1.2, depending on the TAF's resources and the size of the project at hand, the TAF staff can either implement directly the TA interventions, by leveraging in-house expertise, or (more commonly) these can be outsourced to external consultants or service providing companies that have the required skillset.

1.5 Advantages and disadvantages of using a Technical Assistance Facility

For an investment fund, there are several positive and negative factors to take into consideration when deciding whether to provide technical assistance directly through the fund itself, or through an autonomous, dedicated TAF component. In the first instance, a direct TA management model adopted by the fund can lead to a **flexible and efficient use of TA funds**, due to the lean management structure being employed in the frame of this model, as well as the “proximity” of the investment fund to the TA activities. This model also holds the potential to maximize synergies between TA support and actual investments: investment fund managers who oversee TA grants can easily prioritize support needs according to their investments and implement tailor-made TA activities. The downside is that direct TA management may result in **the diversion of the limited resources available to investment fund managers**, especially when donors ask for detailed reports on the use of TA grant funds. In addition, it is possible that the TA provided would be leveraged mainly to ensure financial returns, thus paying less attention to developmental and social impacts, which are usually the main focus of the grants that support the provision of TA (Miller, Ono and Petruljeskov, 2018).

On the other hand, an autonomous, dedicated Technical Assistance Facility can benefit from greater transparency when it comes to its decision-making and project approval processes, as well as from a closer adherence of its interventions to a specific set of objectives – not just financial, but also developmental. In particular, assigning autonomous management responsibilities for running the TAF helps to reduce the risk of a **conflict of interest** with the Fund's management and its decisions. As pointed out by Enclude (2017, p. 2): “Finance providers vary widely in how they take the decision to provide TA, but the most effective models have governance structures that keep these decisions separate, enabling the TA to have a clear impact focus and avoiding the possibility that TA is used as a subsidy for the fund manager. Companies should also be free to decline TA.”

There are some trade-offs associated with a model that disengages TA management from fund management. For one thing, TA activities in the frame of this arrangement will be most likely implemented **at a slower pace**, since they will have to follow the TAF's own internal processes and requirements. As explained by Miller, Ono and Petruljeskov (2018, p. 27), “with dedicated

management entities, TA requirements could be prioritized based on certain criteria (usually putting emphasis on development impact) and eventually translated into TA activities. However, this model may lead to slower TA implementation, depending on its project approval requirements". Another major issue has to do with **ensuring adequate coordination between the TAF manager and the investment fund manager**, as their priorities might not be aligned when it comes to achieving the correct balance between financial and developmental impacts.





2. Review of relevant experiences in the agribusiness sector

This section seeks to examine a series of agri-focused TAFs whose governance arrangements, strategic objectives, operational mechanisms and achieved results have been shared with the author, so that the important lessons and good practices illustrated by these experiences can be leveraged to successfully replicate them in the future.

Significantly, while several TAFs have been established in recent years to complement the operations of agricultural investment funds, relatively few of these facilities have made their results or operational/governance details widely available to the public.⁷ That is why, besides the data extracted from the documents provided by the TAFs and associated funds, the insights and information presented in this section draw extensively on a series of interviews carried out directly with the relevant TAF managers.

2.1 The African Agriculture Fund TAF

The Fund. The African Agriculture Fund (AAF) was launched in 2008 as a private equity fund. It was actually made up of two funds: the original AAF and a subsidiary fund focused on SME lending called the AAF SME Fund. The AAF is managed by Phatisa, an African private equity fund manager with a focus on the agriculture and food production sectors, while the AAF SME Fund is managed by Databank Agrifund Manager Limited (DAFML), a private equity group.

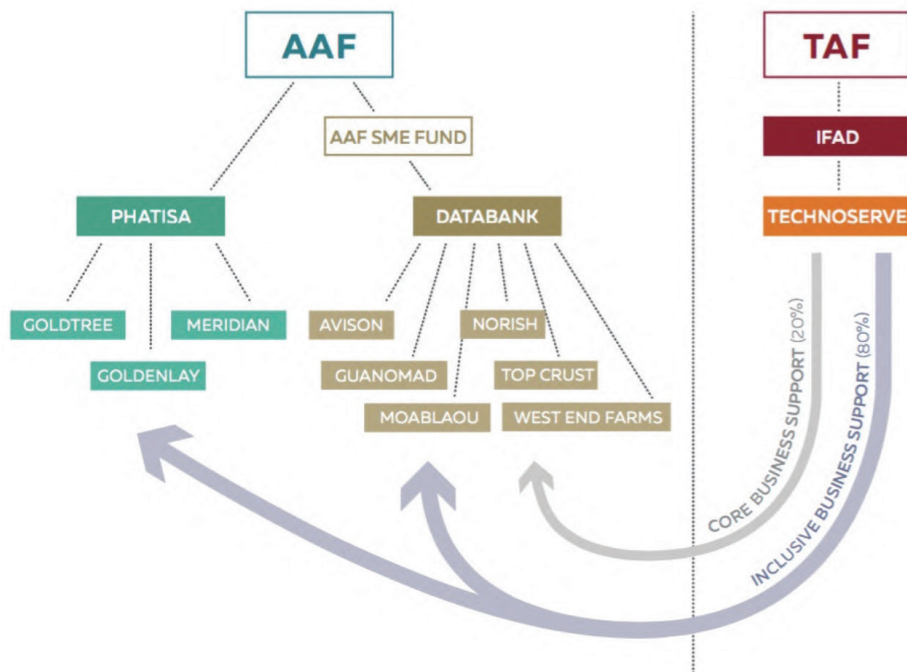
⁷ The AAF TAF, discussed in Section 2.1, is a notable exception in this respect, as the TAF Manager, TechnoServe, has regularly published assessments and evaluations of its results and operational bottlenecks throughout the years, which have proven quite useful for developing some of the key insights presented in this document on the agricultural strategies and approaches of TAFs.

The AAF was financed by a pool of European and African development finance institutions, for a total capitalization of USD 246 million. The Fund seeks to mobilize private capital through an anchor group of development finance partners. The overall aim of the AAF is to create a stronger, more competitive agricultural sector on the African continent, better able to meet the food needs of its growing population. The Fund invests through equity and debt in established businesses with high growth potential in the primary, secondary and tertiary sectors of the agrifood industry, as well as in the services and infrastructure that enable this industry to function (AAF, 2019).

The TAF. The AAF was supported by a **USD 10.3 million TAF component**, whose objective was to enhance the developmental impact of AAF’s investments by building the capacity of its target groups. The TAF component had a duration of 7 years, from 2011 to 2018. It was a notable early example of an independently managed TA facility linked to a private equity fund active in the agricultural sector.

The TAF was primarily funded by a grant made by the European Union with additional contributions from the Italian Development Cooperation, the United Nations Industrial Development Organization (UNIDO) and the Alliance for a Green Revolution in Africa (AGRA). It was supervised by the International Fund for Agricultural Development (IFAD), and directly implemented by TechnoServe.⁸ TechnoServe staff were integrated in the Fund’s structure and physically located at the Fund’s offices. Figure 3 illustrates by means of a diagram the coordination model underpinning both the AAF’s and the TAF’s operations.

FIGURE 3. Management and synergies of the AAF and its Technical Assistance Facility



Source: Smith, K. & Schramm, C. 2017. Introducing an ‘unusual beast’: The Technical Assistance Facility to the African Agriculture Fund. In: InclusiveBusiness.net, 5 June 2017. [Cited 14 June 2023]. <https://www.inclusivebusiness.net/ib-voices/introducing-unusual-beast-technical-assistance-facility-african-agriculture-fund>

⁸ TechnoServe is not-for-profit organization with headquarters in the US, which has over 40 years of experience in catalyzing private sector-led inclusive economic growth in Africa.

The core aim of the AAF TAF was to foster the medium-term economic development of smallholders and agri-SMEs on the African continent, while allowing them to benefit from the AAF's investments – either directly or indirectly. As far as the nature of its interventions is concerned, the facility provided both core business support and inclusive business support (see Section 1.2), yet considerably more importance was given to the latter, in terms of the overall funding mobilized at the closure of the facility. These two different types of support were deployed in the frame of separate operational components of the TAF, namely:

- The **SME component**, which assisted enterprises in the agricultural sector in reaching their full potential. As part of this component, the TAF provided a variety of support activities, such as hiring technical experts to assist businesses, the implementation of management information systems, knowledge exchanges between companies, skill audits and other. It had a capitalization of USD 2 million.
- The **Agricultural Value Chain component**, which supported activities strengthening smallholders and microentrepreneurs with mutually beneficial linkages to the AAF portfolio companies. Agricultural Value Chain linkages were either buyer-based (i.e. when the AAF company bought raw produce from small-scale farmers) or supplier-based (i.e. when the AAF company supplied key inputs or services to small-scale farmers or microentrepreneurs), and included outgrower schemes, access to finance initiatives, downstream distribution schemes, and “bottom of the pyramid” distribution schemes aimed at microenterprises. It had a capitalization of USD 8.3 million.

The AAF TAF assessed the improvements achieved with respect to the economic well-being of supported smallholder farmers and microentrepreneurs by analysing variables such as improved incomes derived from the new economic opportunities, increased sales and jobs created, and heightened production and productivity resulting in increased food for consumption and sales. Examples of the TA projects supported by the AAF TAF are provided at the end of this section.

As regards the timing of the TA interventions, it is worth noting that the AAF TAF focused primarily on providing **post-investment support** to recipient agribusinesses and connected stakeholders. While the TAF did at first assist the AAF in carrying out the due diligence required to scope and validate possible investment interventions, as well as providing TA to potential future recipients, it was decided at an early stage in the TAF's existence to direct more of its resources towards addressing the capacity gaps of target agribusinesses that had already been selected as recipients for investment. This was considered a more judicious use of the TAF's time and resources, on account of the fact that many of the enterprises that received pre-investment support from the TAF did not actually end up becoming recipients of the AAF's investment (AAF TAF, 2017). This tallies with the ongoing debate about whether TAFs should (or are best placed to) provide pre-investment support to agribusinesses, as already discussed in Section 1.2.

The TAF made available up to USD 600 000 per company in the AAF's portfolio. Proposals for more than USD 250 000 were discussed and approved by a TA committee comprised of the AAF managers and the donors, while those under USD 250 000 were submitted directly to IFAD. Once approval had been granted the Technical Assistance Committee, TechnoServe selected and contracted the **external service providers** needed for each specific TAF project. A combination of procurement procedures (open, restricted and sole source) was used to select these service providers, following a series of specific procurement guidelines detailed in an Operations Manual developed by TechnoServe. TechnoServe also monitored the delivery of the TA services by the external providers (TechnoServe, 2019).

To ensure the effective use of the grant resources, the AAF TAF put in place a range of conditions on the TA projects it carried out:

- the TAF could only fund projects worth up to EUR 600 000, or 30 percent of the value of the AAF investment (whichever was smaller), per AAF investee company;
- TAF projects could not last longer than three years;
- the TAF funds would not subsidize long-term operating costs or capital expenditures of the beneficiaries;
- portfolio companies had to demonstrate commitment to the project outcomes and, in some cases, they were expected to match the funding provided by the TAF;
- all TAF projects had to achieve development-related outcomes, with a particular focus on job creation and income growth. The potential for development additionality was assessed through pre-investment surveys for target companies, carried out by the TAF itself.

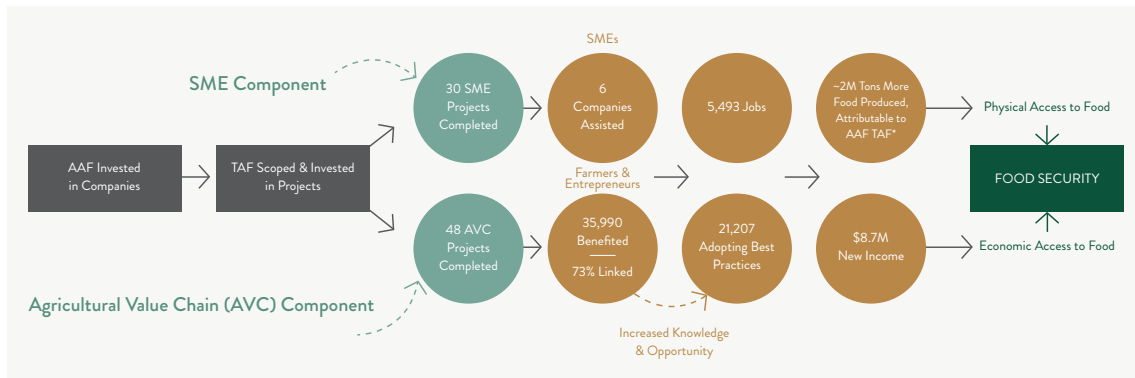
Governance and coordination. The AAF is governed by an Advisory Board, comprising the major promoters of the Fund. An Investment Committee reviews and clears investment deals for approval by the Board. The TAF component had its own decision-making committee dedicated to the approval of TA proposals (the Technical Assistance Committee – TAC), consisting of the TAF donors. The coordination between the Fund and the TAF was ensured by having Phatisa, the AAF Advisory Board Chairman and Databank Agrifund Manager Limited (DAFML) be part of the TAF's decision-making committee. A steering committee met on a quarterly basis to ensure that all the different parties were aligned on the specific objectives of both the fund and the TAF. A quarterly report was produced by TechnoServe to keep IFAD, Phatisa and the AAF investors abreast of the TAF's operations, while a biannual report was produced with impact metrics that assessed the TAF's results (Miller, Ono and Petruljeskov, 2018).

Results of the TAF. At the time of the TAF's closure, the facility had supported 12 of the 16 companies that were part of the AAF's portfolio. The 78 projects carried out by the TAF enabled AAF portfolio companies to reach almost 36 000 low-income beneficiaries (half of whom were women), generating over USD 5 million in additional sales and USD 8.7 million in increased revenues that could be directly attributed to TAF projects (TechnoServe, 2019). Figure 4 provides a breakdown of the main results achieved by the AAF TAF in the frame of both its SME and AVC components, over the course of its existence.

A few key examples of the specific TA projects supported by the facility:

- **Goldtree, Sierra Leone:** Goldtree is a large-scale commercial palm oil plantation in Sierra Leone's Eastern Province, which benefitted from a USD 10 million investment made by the AAF in 2011, aimed at re-establishing its operations following the damage sustained during the 1991–2011 civil war. Between 2013 and 2015, the AAF TAF supported the company through:
 - carrying out a feasibility study to analyse the economics of the smallholder network from which the company could source its raw produce, to develop a financial product to assist in oil palm tree replanting;
 - the development of a maintenance plan for the roads that connected the smallholder outgrower farms to the Goldtree buying stations;
 - a two-year support program that provided Goldtree's smallholder supply network with training, supported the replanting oil palm trees, and sought to facilitate access to finance for product transport and inputs.

FIGURE 4. Results of interventions at the closure of the AAF's Technical Assistance Facility



Source: TechnoServe. 2019. *Understanding models of technical assistance*. Arlington, USA. <https://www.technoserve.org/wp-content/uploads/2019/11/Understanding-Models-of-Technical-Assistance.pdf>

- West End Farms, Cameroon.** West End Farms is a mixed farming enterprise located in Cameroon's Centre Province, which specializes primarily in pig, cattle and poultry farming, as well as maize and soya production used as inputs for the pig diet. In 2012, the company became the recipient of an equity and mezzanine investment made by the AAF SME fund, aimed at improving the performance of its piggery unit. The AAF TAF supported this investment by strengthening a variety of the recipient's operational areas. One example of this is the support it provided to the business by introducing a Management Information System (MIS) to improve operations. It also provided capacity building on farm management and procurement to West End Farms' staff. Furthermore, it piloted the development outgrower scheme that sought to complement the company's own production of maize and soya with produce sourced locally from a network of 200 smallholders.

Finally, one of the AAF TAF's most interesting interventions, i.e. the support provided to egg producer Moablaou S.A. in Burkina Faso, is outlined in a separate Box below.

BOX 1: The AAF TAF's support for Moablaou

Moablaou S.A. is one of the largest egg producers in Burkina Faso, sourcing thousands of tons of maize each year for poultry feed from a network of 2 000 smallholder farmers. These maize farmers face considerable risks as part of their business models, chiefly due to a lack of access to input finance (which is particularly critical given the increasingly volatile rainfall and degraded state of the soil) and a lack of guaranteed market channels to sell their produce. Between 2016 and 2018, the AAF TAF sought to support Moablaou in strengthening its sourcing model, while addressing the two core challenges that its network of smallholders is confronted with, through six separate TA projects. This was done to complement an investment into Moablaou made by the AAF's SME fund to support the company in expanding its market reach.

The AAF TAF assisted Moablaou in partnering with a local input provider and an agricultural extension firm, both of which supported the smallholders in producing maize that was up to

(cont.)

Moablaou's high standards as regards feed: homogenous, insecticide-free, high-protein yellow maize with a very low moisture content. Through this structured partnership, Moablaou's suppliers gained access to improved seed varieties, fertilizers and capacity building for good agricultural practices. Furthermore, they were able to count on Moablaou to guarantee the offtake of their produce at better prices than informal traders. A post-intervention evaluation carried out by TechnoServe noted that, while the TA interventions were extremely helpful for smallholders in gaining a stable income stream from what is traditionally viewed as a subsistence crop, after the TAF's intervention ended, the fluctuations of the domestic price of maize at times limited Moablaou's capacity to cover the cost of the extension service and input provision provided to farmers.

Source: Adapted from TechnoServe. 2021. *Sourcing from smallholders: Complex challenge or commercial opportunity? Perspectives from investors and agribusinesses*. London. <https://www.technoserve.org/wp-content/uploads/2021/04/Sourcing-from-Smallholders-Complex-Challenge-or-Commercial-Opportunity.pdf>

2.2 The Agribusiness Capital Fund TAF

The Fund. IFAD launched the Agribusiness Capital (ABC) Fund in 2019 as an impact investment fund, financed by the European Union, the African, Caribbean and Pacific Group of States (ACP), the Government of Luxembourg, and the Alliance for a Green Revolution in Africa (AGRA). The Fund received an initial capitalization of EUR 55.5 million, with the objective of mobilizing an additional EUR 200 million from public and private investors over a ten-year period.

The Fund is managed by Bamboo Capital Partners,⁹ while Injaro Investments acts as investment advisor. Although the Fund has a global scope, it was mainly focused on the African continent in its initial phase of operations. The Fund also pays special attention to financing projects and solutions that help smallholder farmers adapt to climate change and reduce greenhouse gas emissions. The objectives of the ABC Fund are:

1. strengthening agriculture value chains in low and lower-middle income countries in a sustainable manner, by tackling ongoing investment capital constraints, especially for the "missing middle";¹⁰
2. supporting job preservation and the generation of new, viable employment opportunities for women and the rural youth, as an alternative to migration.

As part of its first phase of lending, the ABC Fund seeks to provide loans and equity investments to rural SMEs, farmers' organizations and rural financial institutions. The Fund offers loans below EUR 5 million to local financial intermediaries, while direct investing in SMEs and farmer organizations for a maximum of EUR 1 million. As will be further discussed in what follows, the ABC Fund aims to actively leverage IFAD's existing pipeline of projects to identify suitable investment prospects from a network of local FIs and agri-SMEs. At the end of 2022, the Fund had disbursed EUR 43 million to 28 investees, including 3 farmer cooperatives, 12 agricultural SMEs and 13 financial intermediaries,

⁹ Bamboo Capital Partners is an impact investing platform which provides innovative financing solutions to businesses in emerging markets, serving the needs of low- and middle-income populations. It seeks to bridge the gap between seed and growth stage funding through a full set of finance options – from debt to equity – provided unilaterally or through strategic partnerships. Bamboo is a partner of the Palladium Group, a global impact firm with operations in 90 countries.

¹⁰ The term "missing middle" refers to the category of mid-sized agribusinesses, ones that have reached either the expansion or maturity phase, whose investment needs are too large to be serviced by traditional MFIs or similar providers, yet too small to be of interest to commercial banks.

across 11 countries in Africa and Latin America. The average size of the Fund's investment tickets was EUR 1.28 million. Overall, the Fund estimated that almost 350 000 smallholder farmers had been positively impacted thanks to the results of its investments (Bamboo Capital Partners, 2023 and 2022).

The TAF. The ABC Fund's operations are complemented by a **EUR 5 million TAF component**,¹¹ managed by a consortium led by Agriterra, an international non-profit foundation that provides advisory services to FIs and cooperatives in developing economies. To manage the TAF, Agriterra established a consortium together with AgriCord, a global alliance of agri-focused agencies and agri-consultants; Rabo Partnerships, a subsidiary of Rabobank (a Dutch multinational bank) with experience in strengthening FIs and cooperatives; and Advance Consulting, a business advisory company whose focus is on raising impact finance and providing TA services to SMEs.¹²

The TAF focuses on three separate target groups: farmer cooperatives; agri-SMEs working with networks of smallholder farmers, such as processors and input providers; and financial institutions servicing agriculture (e.g. commercial banks, MFIs). Each of these groups is bound to require a specialized and tailored TA service bundle. The TAF provides **both pre- and postinvestment support to potential investees**, while also carrying out monitoring, evaluation and impact assessments.

The core objective of the TAF is to mitigate the risks associated with the ABC Fund's investments, both the core business risk attending the ABC investee company's activities and the related Economic, Social and Governance (ESG) risks. The TA interventions designed and offered by the TAF are always tailored to the specific needs of the investee company and short-term in nature (usually around six months).

As part of its operational framework, the ABC TAF provides two core categories of support activities:

1. **Delivery of core TA services:** The TAF primarily provides pre- and postinvestment support to potential investees and portfolio companies of the ABC Fund, with the aim of mitigating core business risk. The specific intervention delivered by the TAF are designed jointly by the ABC Fund manager and the TAF manager, on the basis of the needs identified among the investees. The needs addressed by this range of TA services are specific and short-term in nature.
2. **Support for ESG monitoring and evaluation:** The TAF manager supports the design of the ABC Fund's framework for the monitoring of investees, where the TAF directly contributes to the monitoring and reporting of the financial and developmental returns achieved both by the ABC's investments and the TAF's interventions. This includes collecting data and evidence on the ESG risk factors associated with the investments and related interventions.

Regarding the **targeting strategy of the TAF's operation**, it should be noted that the TAF adopts the following classification for investee companies, when it comes to evaluating what is the most suitable TA intervention:

¹¹ A further capitalization of EUR 10 million destined for the facility is also expected over the next 10 years.

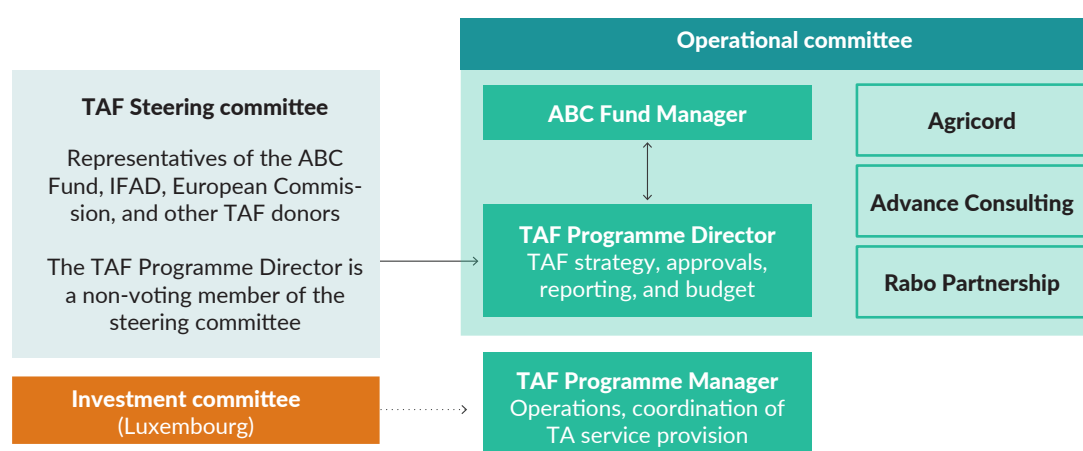
¹² It is worth noting that each partner organization is tasked with supporting specific TAF projects depending on the type of beneficiary being targeted, corresponding to the TA provider's specific expertise: Advance Consulting, given its experience in agribusiness development, works on projects targeting agri-SMEs; Agriterra works on TA projects targeting farmer cooperatives; and Rabo Partners works with FIs. This is done to ensure that the area of expertise of each partner is put to best use.

- **Category A companies:** with a turnover of less than USD 1 million. Agribusinesses in this category usually require less focused types of TA, and ticket sizes for investors usually do not exceed USD 250 000. Pre-investment TA in this category extends to strategy development, market assessments, business plan development and technical feasibility studies, while post-investment TA generally consists in the upgrading of business plans, HR management training, match-making, financial management training, company governance and reporting structures.
- **Category B companies:** with a turnover exceeding USD 1 million. Agribusinesses in this category usually require specialized types of TA and tickets sizes for investors are usually over USD 250 000. Pre-investment TA and post-investment TA can focus on the same areas as Category A companies, but they can also include specialized TA services such as supply chain management training, extension services, Management Information Systems (MIS), certification and risk mitigation procedures.

The average duration of the implemented TA activities is around six months, to ensure that the de-risking and mitigation effects generated by these activities have enough time to take hold and make an impact on the investee company's ability to repay the ABC Fund's investment.

Governance and coordination. The TAF operates in close collaboration with the ABC Fund itself. The overall organizational structure (illustrated in Figure 5) ensures that the TA services are not only in synergy with the needs of the ABC Fund manager and the donors, but are also coherent with the TA services provided to other target groups. To ensure the effectiveness of this approach, a **TAF Steering Committee** was established, which – every six months – brings together the TAF manager, the ABC Fund manager, IFAD, and the other consortium members. The **TAF Programme manager** is responsible for providing formal financial and technical reporting to the TAF Steering Committee. The Fund and the TAF also actively seek to coordinate their investment activities with IFAD, whose project portfolio provides **pipeline development opportunities** that can leverage the institution's presence at country level, its sector expertise, and its long experience in building multistakeholder partnerships.

FIGURE 5. Governance of the ABC Fund's Technical Assistance Facility



Source: IFAD. 2020. *Overview: Agri-business Capital Fund (ABC Fund)*. Rome. <https://businessacp.com/wp-content/uploads/2020/02/ABC-Fund.pdf>

The TAF Programme manager is tasked with ensuring the day-to-day coordination of the facility's operations with those of the ABC Fund. The TAF manager – in the role of participant observer – sits on the Investment Committee, so as to keep up-to-date with the Fund's activities. The ABC TAF also benefits from an internal coordination mechanism where all consortium partners are represented. A separate **Operational Committee**, where all consortium members and the ABC Fund manager are represented, meets on a monthly basis to decide on the specific TA services for each beneficiary. This includes making decisions as to the selection of external parties/implementing partners for the provision of TA services (IFAD, 2018).

Results. As of 2021, the ABC TAF had made support available to 9 of the ABC Fund's investees (6 value chain companies; 2 farmer cooperatives; 1 financial institution). It provided funding and capacity-building to enable a series of interventions, including the introduction of ESG monitoring tools and Enterprises Resource Planning Systems; improvements to governance and HR management; support to business digitization; and supply chain monitoring. Furthermore, the TAF had carried out due diligence assessments of 26 prospective investees for the Fund, developing integrated TA plans that could address specific capacity gaps these businesses were facing (ABC Fund, 2021). The following are some of the TA projects implemented by the ABC TAF:

- **Kaworo, Burkina Faso:** in 2021, the TAF supported the ABC Fund's EUR 450 000 debt investment into this large producer agribusiness with technical assistance and capacitation aimed at strengthening the company's governance structure and developing a bankable business plan to orient the company's growth. This was meant to help achieve the company's longer-term goals of expanding into new commodity markets (namely flour), kickstarting the production of fertilizer, and generally increasing its profit margins. The TAF assisted Kaworo in "establishing a board of directors, developing an accounting and auditing protocol (including the appointment of a qualified auditor), and improving and formalizing HR and out-grower policies and processes" (ABC Fund, 2021, p. 20).
- **Mali Shi, Mali:** Mali Shi is an industrial processing plant focused on shea butter, the first of its kind in Mali. It sources shea kernels from a local network of 26 000 smallholder collectors, and turns the shea kernels into shea butter which is exported abroad for use in the foods and cosmetic industry. In addition to a 800 000 equity investment made by the ABC Fund in 2021, which Mali Shi used as a source of working capital, the TAF supported the company through a wide range of interventions: rolling out an Enterprise Resource Planning System for better management, optimizing the existing supply chain, introducing renewable energy sources to enable processing, and providing general improvements to the company's governance structure.

2.3 The Africa Agriculture and Trade Investment Fund TAF

The Fund. The Africa Agriculture and Trade Investment Fund (AATIF) is a public-private fund whose investments target all types of agricultural value chains on the African continent. The objective of the Fund is to improve food security, while creating additional employment and income opportunities for agricultural actors by investing responsibly in efficient local value chains. The AATIF was launched in 2011 by the German development bank KfW, with Deutsche Asset and Wealth Management (DWS) acting as investment advisor.

The Fund was capitalized through a first-loss investment made by Germany's Federal Ministry for Economic Cooperation and Development (BMZ) for USD 54 million, on top of which a USD

48 million mezzanine investment was jointly made by KfW and Deutsche Bank. Over the years, a range of public and private funders have further invested into the Fund: as of December 2022 the total funding available to the AATIF was approximately USD 200 million. Two UN institutions, the International Labour Organization (ILO) and the United Nations Environment Programme (UNEP), act as sustainability advisors for the Fund and have the duty of ensuring that the Fund's interventions are in compliance with its foundational rules as well as making a positive impact. The AATIF invests in all segments of agricultural value chains, including cooperatives, commercial farms and processing companies, and employs primarily debt capital. The Fund also invests in FIs and other intermediaries that on-lend to agribusinesses of various sizes in its target markets. The AATIF's investments normally range between USD 5 and 30 million.

Since its inception, the fund has disbursed over USD 400 million to 20 investee companies across 18 countries. The Fund's portfolio includes investments in **financial institutions**, such as a five-year loan of USD 25 million to the pan-African bank BancABC to support the growth of its agricultural portfolio; in **large-scale value chain intermediaries**, such as an 18-month loan of USD 11 million to African Milling Zambia, a maize aggregator and processor working with a network of 22 000 smallholder farmers; and direct investments in **producer companies**, such as a five-year loan of USD 11 million to Agrivision Africa to promote its seed farm and vertical integration into wheat and maize processing (Blended Finance Taskforce, 2020).

The TAF. A dedicated TAF provides projects with grant-based support to help ensure that AATIF investments achieve their development potential. The TAF was funded with a grant of EUR 12 million from the BMZ, with an additional USD 215 000 contributed by the AATIF itself. The TAF is managed by the Common Fund for Commodities (CFC), an intergovernmental financial institution established within the framework of the United Nations, specialized in development projects for the global agricultural commodity sector. The CFC also provided an additional USD 100 000 in grant funding to establish the TAF.

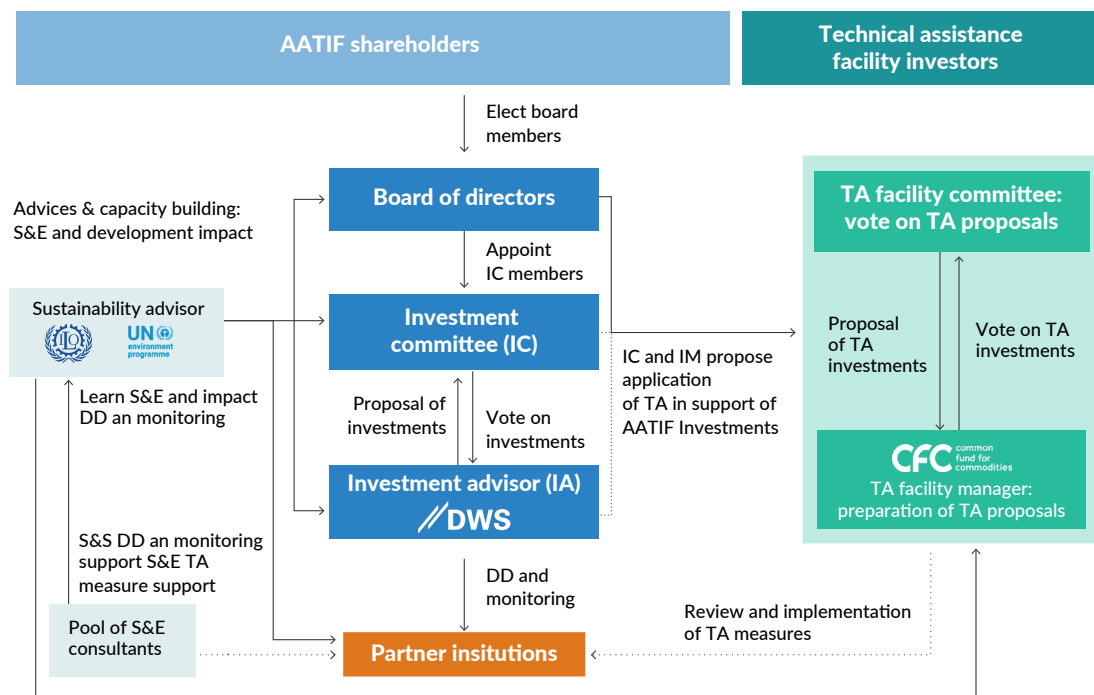
The AATIF TAF follows a five-year strategy to guide its own interventions, focusing mainly on the provision of **inclusive business support** to the Fund's recipients and related stakeholders. The TAF's interventions aim to generate social, environmental and commercial value, for the investee companies and the related communities alike. Five staff members from the CFC are tasked with identifying, designing and managing the TAF interventions. This TAF team has expertise in tropical agriculture, commodity value chains, impact assessment, ESG risk management and project management, as well as financial and administrative support (AATIF, 2022).

The AATIF TAF projects can vary considerably both in grant size (ranging from EUR 6 000 to EUR 600 000) and scope. To date, the facility has carried out a wide range of projects, from improving and expanding sourcing networks for value chain companies; assisting investees in establishing solid E&S Management Systems as a prerequisite to access AATIF funding; strengthening the business skills of agribusinesses; and assisting the staff of FIs in assessing E&S risk in agricultural lending; to promoting the use of sustainable agricultural practices among agri-SMEs.

The TAF also carries out substantial work in knowledge generation and dissemination, which includes the development of research and trials in such areas as social impact or climate change effects. Lastly, another important aspect of the TAF's work is supporting the evaluation of the impact generated by the Fund's investments: the TAF, together with the AATIF Fund's Sustainability Advisors, carries out rapid appraisal studies of AATIF investees to assess impact. These assessments are posted on the AATIF Fund's website (<https://www.aatif.lu/impact-briefs.html>), in the form of publicly available study summaries or "impact briefs".

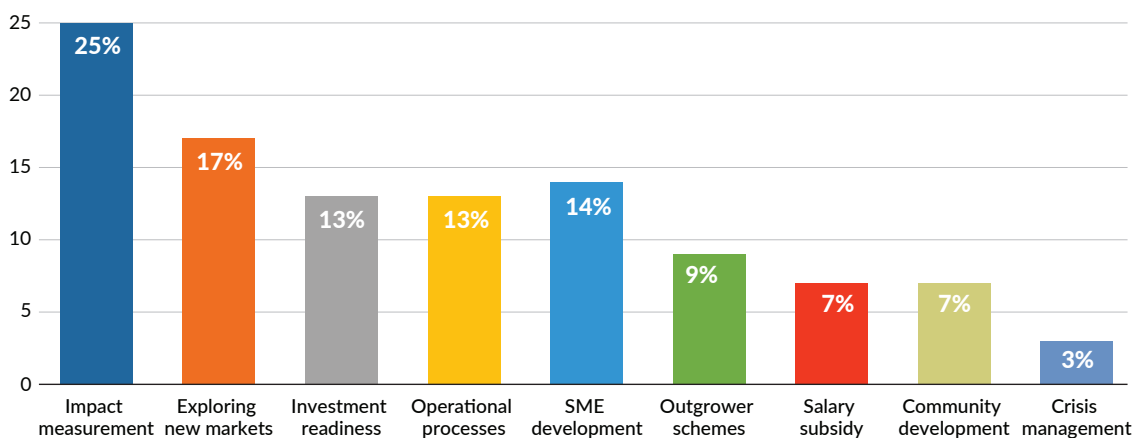
Governance. As is shown on the right side of Figure 6, the TAF is supervised by the Technical Assistance Facility Committee which ensures that the TAF's interventions are aligned with the mission of the Fund, whereas a TAF manager is responsible for the design, monitoring and day-to-day management of the TA interventions. The TAF Committee is composed of representatives selected from among the TAF's donors, fund sponsors and independent experts. At regular Committee meetings, which are also attended by the AATIF's investment advisor and sustainability advisor, new TAF interventions are approved, while the ongoing portfolio of activities is discussed and monitored.

FIGURE 6. Governance of the AATIF and its Technical Assistance Facility



Source: Provided by the AATIF TAF in an email exchange with the author on 15 October 2023

FIGURE 7. Types of interventions carried out by the Technical Assistance Facility (as of September 2023)



Source: Provided by the AATIF TAF in an email exchange with the author on 15 October 2023

Results: Since its inception in 2012, the TAF has designed and approved 103 interventions to support the AATIF's investment activities, targeting 33 agribusinesses and financial institutions across 16 African countries. As of the third quarter of 2023, EUR 6.7 million in funding was pledged for TA projects. As can be seen in Figure 7, the bulk of these TAF interventions consisted in carrying out impact measurement for AATIF's investments, exploring new potential markets, ensuring the investment readiness of the Fund's recipients and related stakeholders, and assisting investees in the preparation of Safety and Environmental Management Systems (SEMS).

2.4 The Fairtrade Access Fund TAF

The Fairtrade Access Fund. The Fairtrade Access Fund (FAF) is an evergreen impact investment fund,¹³ set up in 2012 by Incofin Investment Management, in collaboration with Fairtrade International and Grameen Foundation. Under Incofin's management, the FAF seeks to create a fairer and more transparent agricultural sector by addressing the financial and technical assistance needs of smallholder farmers, focusing in particular on agribusinesses that have obtained a Fairtrade or other sustainable certification.

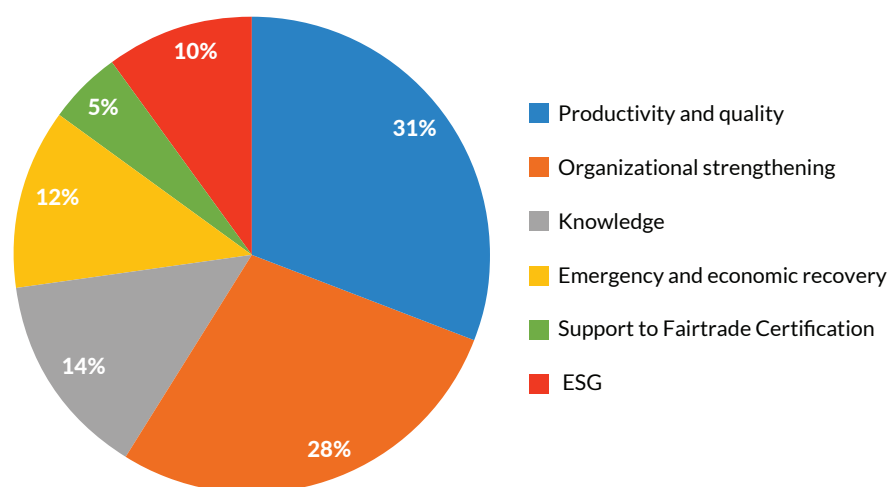
The FAF's investments encompass three main targets: 1) SMEs in the agricultural sector; 2) FIs engaged in agricultural financing; and 3) agricultural producer organizations. As of the 2022, the FAF had disbursed more than **USD 124 million through 119 investments**. Approximately 54 percent of the 71 total FAF's investees were agri-SMEs, 36 percent were producer organizations, and 10 percent were local FIs, distributed across 21 countries and 16 commodity value chains in Latin America and the Caribbean (65 percent of overall portfolio) and Africa (35 percent). Of the FAF's entire portfolio, 64 percent was made up of trade finance, 24 percent of long-term financing, and 11 percent of working capital financing, while long-term financing represented 34 percent. **The FAF has estimated that it has impacted positively the lives of almost 425 000 farmers**, of which roughly a fourth are women (Incofin, 2022).

The TAF. A dedicated TAF supports FAF's investee companies in addressing the challenges and constraints they encounter when seeking to access and make use of financial services. The TAF's range of activities includes strengthening the organizational, social and environmental performance of the FAF investees; improving the productivity and quality of smallholder agriculture; assisting producers in meeting Fairtrade certification requirements; and sharing knowledge and best practices to promote sustainable agricultural finance.

As shown in Figure 8, the FAF TAF's interventions focus on a wide number of areas, although the most common ones are those aiming to increase the productivity and quality of the investee agribusiness, and those dedicated to the overall strengthening of recipient organizations. An additional, important focus of the FAF TAF is supporting smallholder farmers in meeting the standards required to obtain and maintain organic, Fairtrade and/or other sustainable responsible certifications. This prepares potential investees to become recipients of the FAF's investments, since the Fund can invest in agribusinesses that are not Fairtrade certified in only two cases: 1) if these businesses are in the process of obtaining a Fairtrade certification or a similar (sustainable) alternative; or 2) if they are dedicated to specific "food security" crops (and, in this last instance, only for up to 20 percent of the FAF's portfolio).

¹³ Evergreen funds are open-ended fund structures with no termination date.

FIGURE 8. Distribution of Technical Assistance by intervention area (2021)



Source: Incofin. 2022. *Fairtrade Access Fund – Annual report 2021*. Antwerp, Belgium. <https://incofinfaf.com/wp-content/uploads/2022/07/Annual-Report-Incofin-FAF-2021-Wo-Financials.pdf>

Results. At the end of 2021, the TAF had disbursed USD 1.9 million in grant funding across 29 projects in 13 countries in sub-Saharan Africa and Latin America. Overall, the TAF's interventions were estimated to have impacted the lives of about 119 000 beneficiaries, including 25 000 smallholders who received capacity-building training from the TAF. To provide a general idea of the kind of interventions that the FAF TAF carries out, the list below highlights a number of select TA projects implemented in recent years:

- **SOPACDI, Democratic Republic of the Congo:** In 2020, a FAF TAF project sought to enhance the capabilities of the coffee processing and exporting cooperative SOPACDI, operating in North and South Kivu. The initiative consisted in establishing 42 demonstration farms and providing training to SOPACDI's farmers on various subjects, including soil management, compost production and other essential agricultural practices necessary to obtain a Fairtrade certification. Additionally, the project aimed to strengthen SOPACDI's management and staff by training them in marketing and finance, promoting women's leadership, and fostering good governance practices (Incofin, 2020b).
- **CoSurCa, Colombia:** The TAF sought to enhance the operational efficiency of the Cooperative of Southern Cauca (*Cooperativa del Sur del Cauca*, CoSurCa) and provide its farmers with practical strategies to address the challenges posed by climate change. Through a range of targeted interventions, the TAF sought to empower CoSurCa and its farmers, enabling them to operate more efficiently, adapt to climate change and improve their livelihoods, while promoting sustainable agricultural practices. The TA project focused on four key areas: 1) strengthening the financial management skills of the cooperative's staff; 2) supporting farmers in achieving the organic certification; 3) diversifying farms to produce organic cocoa alongside coffee; and 4) establishing farmer agroecology schools (*Escuelas Campesinas de Agroecología*; ECAS), a platform allowing farmers to exchange local knowledge about responsible natural resource management.

- **Jardín Azuayo, Ecuador:** Jardín Azuayo is a well-established Ecuadorian credit and savings cooperative that is particularly active in rural areas. The FAF made long-term credit available to Jardín Azuayo, alongside advisory services provided by the TAF, with the objective of expanding the cooperative's Productive Credit and Technical Assistance (PCTA) program. The aim was to support Jardín Azuayo in reaching vulnerable farmers in 15 regions of southern Ecuador with both financial services and technical support. Moreover, with support from the TAF, Jardín Azuayo worked with 20 producers to design a tailored investment plan aimed at renovating their farms, coupled with the necessary financing and technical assistance.
- **Sindan, Plurinational State of Bolivia:** The TAF partnered with SINDAN Organic S.R.L., a leading processor and exporter of Fairtrade and organic-certified quinoa, chia and amaranth in the Plurinational State of Bolivia's Andean Plateau. The TAF project sought to support SINDAN's 400 suppliers in strengthening their productivity. The objective was to boost quinoa yields using climate-smart agricultural practices, by implementing an integrated productivity training program covering topics such as the use of organic fertilizer, erosion prevention, pest and disease control, and seed management. A climate change adaptation action plan was developed so as to equip producers with adequate strategies for adapting to increasingly changing climatic conditions.

2.5 The CASA Programme TAF

The CASA Programme. The Commercial Agriculture for Smallholders and Agribusiness (CASA) Programme is a five-year, USD 42 million initiative launched in 2019 by the UK Department for International Development (DFID).¹⁴ The overall aim of the CASA Programme is to foster global investment in agribusinesses that trade with smallholders through equitable commercial relationships, with a view to strengthening smallholders' incomes and their resilience. Its three main components, listed below, are operated by a series of implementing partners:

1. **Support to agri-value chain development**, as part of which the CASA Programme seeks to create more inclusive market structures in agriculture and foster a more transparent and competitive environment for the growth of agribusinesses. This strand is managed by the development consultancy firm NIRAS and the non-profit SwissContact. Unlike the other two components, it has a highly specific geographical remit, with a focus on Nepal (vegetable and dairy value chains), Malawi (aquaculture and poultry) and Uganda (sesame and beans).
2. **Research communication**, which aims to generate and disseminate evidence and data to bolster global investment in climate-resilient agri-food systems, as well as shaping the debate on smallholder agriculture to influence the actions of investors, governments and donors. In this frame, the CASA Programme has produced over 30 research papers on agricultural investment, and it has also created the online CASA Agricultural Investment Database (CASA AID), which contains data from 300 investors, categorized according to sector, type of investment and ticket range. This strand is managed by the Centre for Agriculture and Bioscience International (CABI).
3. **The CASA TAF**, which is managed by TechnoServe and described below.

With these three components, the CASA Programme seeks to change how investors, donors and governments perceive (and invest in) agribusinesses that source from smallholder supply chains,

¹⁴ As of 2020, the DFID has been replaced by the Foreign, Commonwealth and Development Office (FCDO) as the UK governmental entity responsible for administering foreign aid.

by demonstrating that financing these businesses is an appealing and profitable proposition, both from a commercial and a developmental perspective. To achieve this aim, it generates evidence and suitable proof-of-concept of the commercial profitability associated with investing in small-scale agriculture, while providing both investors and policymakers with the kind of data required to bolster investment in the sector (Thomson, 2020).

The TAF. The CASA TAF is one of the Programme's three components. It consists of a USD 11 million facility managed by TechnoServe, whose main targets are large-scale agribusinesses which source products from smallholder farmers. It is a rare example of an "independent" TAF, i.e. a facility of this kind that is not associated to any individual specific Fund. Instead, the TAF's modus operandi is to establish partnerships with a variety of development-minded investors across Asia and Africa **who seek to increase the financial and developmental impact of their agricultural investments** in agribusinesses sourcing from smallholder farmers; the TAF supports them in designing and implementing innovative and inclusive business models. In the frame of this collaborative model, the TAF has partnered with DFIs (e.g. CDC or FMO, the Dutch Entrepreneurial Development Bank) as well as impact investment and venture funds (e.g. Acumen, DOB Equity) in a range of projects that sought to assist large-scale agribusinesses in raising the volume of their purchases from smallholder sourcing networks, and to draw more smallholders into such networks.

Overall, the CASA TAF pursues three core objectives:

- increasing the impact of existing agricultural investments on smallholder farmers;
- raising investors' expectations as far as the potential impact of future investments in smallholder agriculture is concerned;
- strengthening the provision of technical assistance by investors with development interests.

As regards **the prospective investors** that seek to partner with the CASA TAF and receive its support, they have to meet a number of specific requirements in order to collaborate with the facility (Thomson, 2020). In particular, they should:

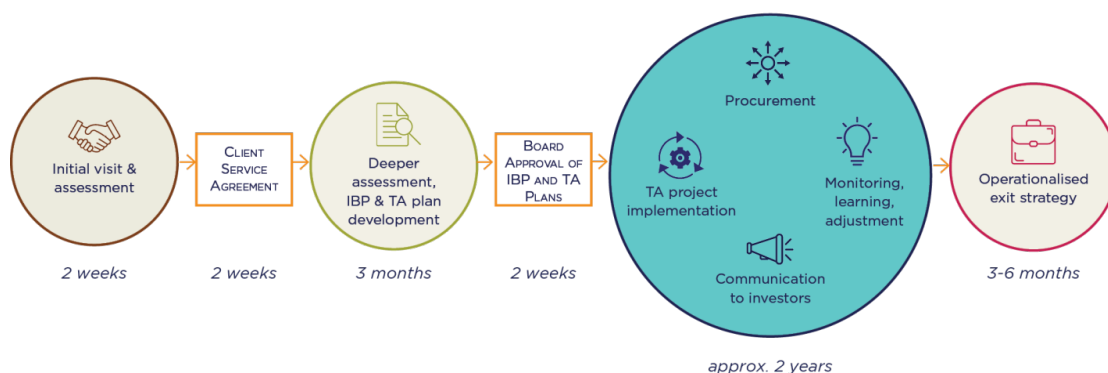
- hold investments in medium- and large-scale agribusinesses and have an interest in achieving both financial and developmental returns;
- own an investment portfolio with a high impact potential;
- have considerable reputation and credibility, which can be leveraged to attract more potential investors in the TAF network;
- have interests that align with the CASA TAF's objectives and be willing to advance quickly in a partnership; and
- conduct quality Environmental and Social Impact Assessments (ESIAs) of investments to ensure compliance with ESG standards.

The TAF carries out rapid diagnostic assessments for every agribusiness in the CASA portfolio, with the objective of developing an **inclusive business plan**, i.e. a "roadmap for the agribusiness to deepen, broaden or strengthen supply chains in a way that delivers value to both smallholders and shareholders" (TechnoServe, 2022, p.?). The enterprise managers that are the recipients of an investment also collaborate actively in the design and implementation of such a plan. Over the years, the CASA TAF has developed over 100 templates for TA interventions linked to climate-smart agriculture and the fight against climate change. During the preparation of an inclusive business plan, the TAF narrows these down to a range of potential options. The selection of TA interventions that will become part of the business plan depends mainly on the appetite of the

recipient business, the priorities of the TAF, and the impact expected on the recipient and the smallholder networks that revolve around it. Possible TA interventions that can be included in such a business plan include the promotion of inclusive supply chain models; the strengthening of agricultural extension networks; improved inputs for farmers; improved access to finance; and promotion of climate-smart agricultural practices.

As pointed out by Thomson (2020, p. 3): “The design process of the inclusive business plan is a fundamental step to ensure that the TA intervention aligns with the investment itself, and to ensure adequate commitment on the part of all stakeholders involved for – at least – a two-year period. The inclusive business plan includes the description of the CASA TAF intervention being proposed, as well as the outputs, outcomes, cost-share and exist strategies associated to its realization”. The overall design and delivery process for the TA provided in the frame of such an inclusive business plan is shown in Figure 9.

FIGURE 9. Design process of Technical Assistance activities carried out under the CASA Programme



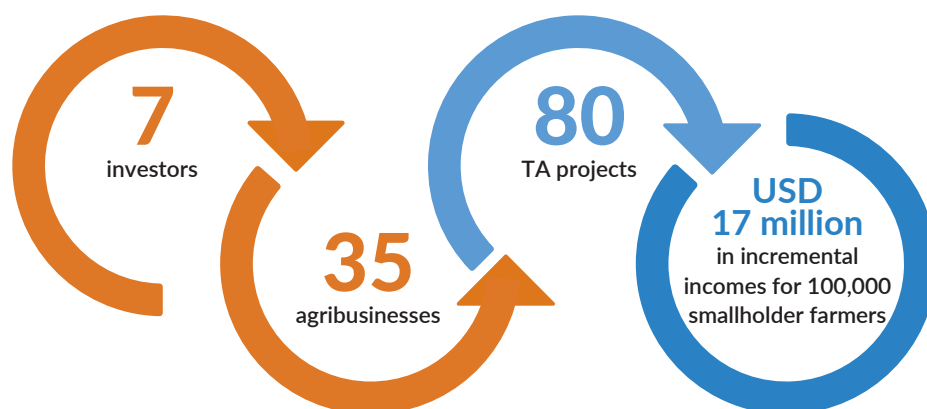
Source: Thomson, A. 2020. *Commercial agriculture for smallholders and agribusinesses Technical Assistance Facility*. Arlington, USA, TechnoServe. <https://www.casaprogramme.com/wp-content/uploads/2021/08/CASA-TAF-Brief.pdf>

To conduct its interventions, the CASA TAF relies both on service providers that are part of TechnoServe (i.e. selected from its in-house pool of experts) and on external consultants – either local or international. The TAF also provides target enterprises and other key stakeholders with **matching capital**, to assist them in carrying out TA and business promotion activities that they would not be able to implement with their own resources alone. This type of support is not given only to the recipient businesses, but also to other chain actors that play an important role in the inclusive business model that is being financed by the TA project. The exact cost-sharing arrangement that underpins the financing of these TA activities is decided by the TAF on a case-by-case basis, with the goal of reaching a balance between facilitating the inclusive business plan in question and ensuring that it remains sustainable once the TAF’s engagement ends (Thomson, 2020).

In line with the overall mandate of the CASA Programme, all of the TAF’s interventions have a strong learning and evidence generation component. As part of it, the TAF aims to gather a wide range of data and insights on the results and impacts generated by the Programme’s TA interventions,

especially in terms of how they affect three categories of actors: the investee agribusinesses; the networks of smallholders they work with; and the investors that partner with the TAF. In doing this, the CASA TAF seeks to showcase to commercial and impact investors the importance of collecting granular data for tracking both financial and developmental returns of inclusive TA projects, as this is critical in order to generate the evidence and proof-of-concept required to demonstrate the effectiveness of such interventions (CASA, 2021).

FIGURE 10. Results of the CASA Technical Assistance Facility



Source: CASA. 2021. Annual review 2021. Penicuik, UK. [Cited 23 May 2023]. https://iati.fcdo.gov.uk/iati_documents/61340884.odt

Results. As of 2021, the CASA TAF was providing inclusive technical assistance to 35 agribusinesses across various value chain segments, through 80 TA projects delivered by a network of 7 partner investors (see Figure 10). The overall objective of the facility is to impact the lives of over 100 000 smallholders, with a total income increase for smallholder farmers of USD 17 million, and a particular focus on women’s inclusion. In response to the COVID-19 pandemic, the facility has also diversified its TA interventions to help smallholders withstand and adapt to the crisis (CASA, 2021). A detailed example of a recent TA intervention carried out by the CASA TAF is given in Box 2.

BOX 2: The CASA TAF’s support provided to Kentaste

Kentaste is one of the largest coconut processing companies in Kenya. It operates two processing facilities on the coast of Kenya and sources around a million coconuts per month from a network of 3 000 smallholder farmers. It purchases raw products from its sourcing network at consistently high volumes and fixed prices, thereby shielding smallholders from price fluctuations on international commodity markets. Kentaste processes coconuts for both bulk exports and local markets, developing products such as coconut milk, coconut cream, desiccated coconut and virgin coconut. The company has received funding from impact funds such as DOB Equity and Acumen.

(cont.)

Starting from 2021, the CASA TAF began to provide support to Kentaste to improve its sourcing model, expand its market reach, and promote the uptake of climate-smart agricultural practices on the part of Kentaste and its network of smallholders. To guide these TA interventions, which are expected to last until 2024, the TAF developed an inclusive business plan that sought to promote “improvements to [Kentaste’s] operating model with the potential to drive volume growth and increased efficiency for the business, as well as net income benefits for farmers in the supply chain” (Technoserve, 2022, p. 7). Among the activities implemented by the CASA TAF in the frame of this plan, we can mention:

- piloting a new village-based aggregation module for raw produce that targets villages and farmer segments that Kentaste is having trouble engaging with effectively;
- supporting Kentaste in investing in environmentally friendly solutions such as using coconut husks to produce biochar, which can serve both as a renewable fuel, reducing the company’s energy costs, and as an organic mulch that can be used by Kentaste’s farmers to improve the quality of soils at farm level;
- helping Kentaste in shifting to a market price-indexed model that can assist the company in competing more effectively with brokers, while continuing to offer advantageous prices to its network of farmers;
- developing an agricultural extension model that uses training videos and in-person consultations with experts to strengthen farmers’ understanding of concepts such as organic input use, organic compliance and pest control.

Based on the inclusive business plan developed by the TAF, 4 000 smallholders are expected to benefit by Kentaste’s improved sourcing model by the end of the TA activities (2024), with an anticipated incremental benefit to farmers’ net income of USD 151 per year, on average. Kentaste, meanwhile, is expected to more than double the volume of coconuts it sources, which will assist the company in satisfying the growing demand for its products, while also cutting costs thanks to greater economies of scale (TechnoServe, 2022).

Source: TechnoServe. 2022. *CASA Technical Assistance Facility inclusive business case study – Kentaste*. Arlington, USA. <https://www.casaprogramme.com/wp-content/uploads/2022/11/CASA-Kentaste-case-study.pdf>

2.6 The Land Degradation Neutrality Fund TAF

The Fund. The Land Degradation Neutrality (LDN) Fund, established in 2017 with a capital allocation of USD 120 million, is a blended finance vehicle sponsored by the United Nations Convention to Combat Desertification. The fund’s main investors include the European Investment Board, the French Agency for Development, BNP Paribas, the Government of Luxembourg, the Global Environmental Facility, and IDB Invest. It is managed by Mirova, a French asset management company specializing in sustainable investing.

The LDN Fund aims to mobilize private and public investments for rural development projects that promote **land restoration and sustainable land use**. It focuses on sectors such as sustainable agriculture, sustainable forestry and complementary areas like ecotourism. To encourage investments in land restoration projects, the Fund seeks to facilitate financing characterized by

longer tenors, flexible repayment structures and improved grace periods. To this end, it provides both debt and equity capital for investments lasting between 10 and 15 years, with amounts ranging from USD 5 to 20 million. The majority of its financing, around 80 percent, is directed towards developing and emerging countries. Given that sustainable land use projects usually offer low and volatile financial returns, relative to the risk and complexity involved, the LDN Fund's investments seeks to improve the risk-adjusted return ratio for investors by combining different revenue streams (e.g. cash crops and carbon finance), sustainably increasing yields/quality, and creating added value through processing.

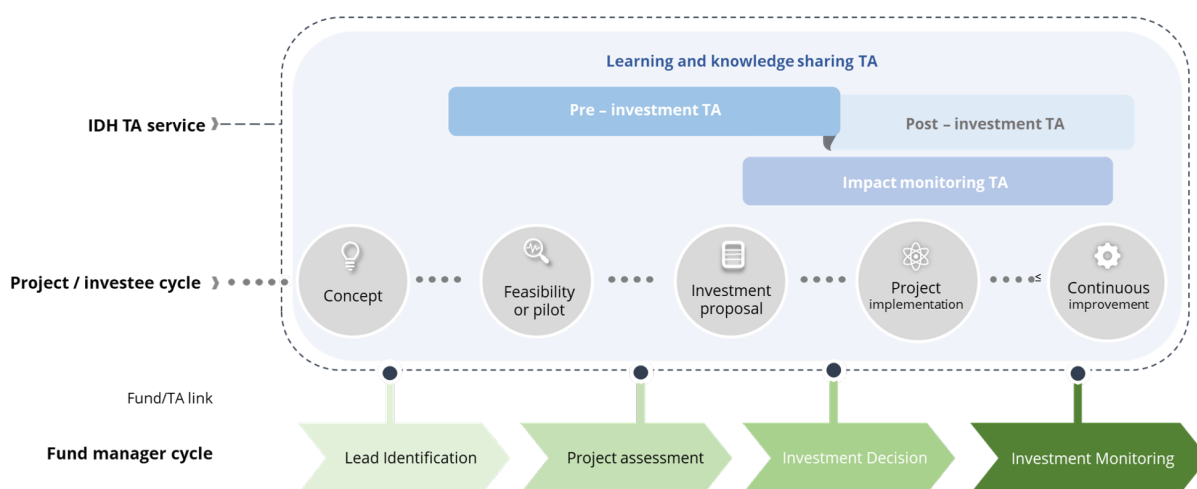
The TAF. Since 2019, the LDN Fund has been supported by a TAF of USD 7 million managed by the IDH Sustainable Trade Initiative. The LDN TAF's primary goal is to alleviate the various bottlenecks that might prevent the LDN Fund's investments in sustainable land management practices from generating both acceptable financial returns and positive socio-environmental impacts. To this end, it carries out interventions across four core components:

- **Pre-investment TA:** Through this component, the TAF seeks to “mobilize project proposals of higher technical quality, and with greater potential for Sustainable Land Management and restoration impacts and broader environmental and social co-benefits for the LDN Fund” (IDH, 2023, p. 1). There is a range of eligibility criteria that an agribusiness has to meet in order to receive pre-investment support from the LDN TAF, including full business compliance with international environmental and labour standards, and having the potential to become ready for an investment made by the LDN Fund – through the TA support received – within 24 months.¹⁵
- **Post-investment TA,** aimed at strengthening the capacity of the LDN Fund's investment recipients and other related stakeholders, with a view to reducing project risk and maximizing positive socioenvironmental impacts.
- **Impact monitoring TA,** aimed at strengthening the capacity of investees and the LDN Fund to monitor and evaluate the investment's impacts, and to practise adaptive management in a more effective manner. An important part of this work consists of supporting investees in developing a “LDN baseline” prior to the start of a project, which makes it easier for both the investee and the LDN Fund to assess and quantify positive improvements – according to different LDN-related indicators – resulting from the investment and the complementary TA.
- **Learning and knowledge sharing TA:** The LDN TAF also carries a strong mandate, linked to the generation of evidence and proof-of-concept, on innovative and disruptive business models in agriculture that promote land restoration and sustainable land use. These can encompass value chain financing models, disruptive technologies and alternative financing products, among other innovations. The knowledge sharing TA has led to the publication of a wide number of case studies on the TAF's projects, available on the facility's website (<https://www.idhsustainabletrade.com/landscapes/ldn-taf>).

The overall timing of the TAF's interventions, in alignment with the LDN Fund's investment cycle, is illustrated in Figure 11.

¹⁵ A full list of the LDN TAF's Pre-investment Eligibility Criteria can be found at <https://www.idhsustainabletrade.com/uploaded/2019/04/LDN-TAF-Eligibility-criteria.pdf>

FIGURE 11. Coordination framework between the Facility's interventions and the Fund's investment cycle



Source: IDH (The Sustainable Trade Initiative). 2023. *LDN Insights*. [Cited 5 May 2023]. <https://www.idhsustainabletrade.com/ldn-insights>

To support the LDN Fund, the TAF has also developed a **methodological framework** that is used to directly measure and track progress of the investments against SDG target 15.3, namely to “combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world”. The main objective of this methodology is to showcase and demonstrate the positive socioenvironmental impacts achieved by the LDN Fund’s investments **in a more standardized and comparable manner**, thereby facilitating the development of a scientifically proven track record of the Fund’s interventions. The framework was devised in collaboration with the NGO Conservation International and the Global GeoHub network, and in consultation with the UNCCD.

The framework rests on **three sub-indicators**: land cover, land productivity (measured as net primary productivity), and carbon stock (measured as soil organic carbon). These indicators are measured mainly by means of satellite imagery, complemented, if needed, with soil sampling on the field. A positive overall change registered across all three indicators¹⁶ indicates that both land productivity and land health in the target area are increasing. In the frame of each investment made by the Fund, the TAF supports the investees **in establishing a baseline** using this methodology, while supporting the project managers in developing the capacity required to monitor the relevant LDN-related changes over time. As explained by the IDH (2023, p. 1), this “not only allows companies to report on progress and comply with environmental and social action plans, it also enables them to practice adaptive management, minimizing land degradation risk and optimizing positive environmental, social and financial returns resulting from restoring land”.

¹⁶ The LDN TAF follows a “one-out-all-out” principle, meaning that each indicator is required to show an improvement, or at least a stabilization, before a positive impact can be declared (IDH, 2023).

Governance. Three core entities are tasked with governing the LDN TAF:

- **The Strategic Board:** The Board oversees both the TAF and the LDN Fund. It is expected to meet twice per year, to provide guidance to the TAF Donor Committee and the LDN Fund Advisory Board on matters of strategy and internal regulation. It also provides recommendations in terms of high-level resource allocation and the prioritization of the LDN TAF's activities.
- **The Donor Committee:** This body oversees the LDN TAF's operations, which includes reviewing the TAF's annual plans and reports, and approving the eligibility and selection criteria for the TAF projects.
- **The Project Selection Committee:** This body is tasked with approving the TAF projects slated for implementation, in line with the project eligibility criteria and the selection criteria approved by the Donor Committee (IDH, 2023).

Results. As of 2023, the LDN TAF has carried out 22 TA projects across 15 countries in Latin America, Africa and Asia. Of all the projects supported by the LDN TAF, 17 focused on boosting the capacity of potential recipients to receive financing on the part of the LDN Fund, while 5 aimed at strengthening existing LDN investees. So far, the facility has spent EUR 1.74 million in TA projects, while also managing to mobilize an additional EUR 3,31 million in cofinancing from 19 project partners. The following are some interesting TA projects carried out by the LDN TAF:

- **Mountain Hazelnuts, Bhutan:** Mountain Hazelnuts is a large-scale Bhutanese processor and exporter of hazelnuts, working with a network of 12 000 Himalayan smallholders who supply the company with nuts for drying, sorting and various other value-adding processes. The harvested nuts are purchased by the company using a guaranteed price structure, thus mitigating market risks for the smallholders. Smallholders usually turn to hazelnut planting as a side activity meant to generate an additional income stream. The company supports smallholders interested in its sourcing model by inspecting their farms and assisting them in hazelnut tree planting on fallow or degraded land. Mountain Hazelnuts was the recipient of a ten-year equity investment of USD 9 million made by the LDN Fund in 2010, aimed at further scaling up and expanding its operations. As a complement to the investment, the LDN TAF supported the company in a wide range of areas linked to the strengthening of the environmental and land restoration impacts of hazelnut production (IDH, 2023). Some of the key interventions are listed below:
 - supporting orchard and yield optimization, carried out by hired third-party experts;
 - using drone imagery for orchard mapping;
 - offering assistance in obtaining a Rainforest Alliance certification;
 - giving expert advice on how to optimize the drying process for post-harvest processing;
 - establishing a partnership with a Bhutanese civil society organization (Loden Foundation) to provide concessional loans to small-scale entrepreneurs seeking to establish new businesses in different segments of the hazelnut value chain;
 - facilitating the establishment of an LDN baseline to monitor and assess progress on land restoration and adaptive management practices, on the part of the broad smallholder network and the actual investee company.
- **Café Selva Norte, Peru.** Café Selva Norte is an alliance between a group of farmer cooperatives in northern Peru and private investment actors, which focuses on the sustainable production

and export of specialty coffee on international markets. In 2022, Café Selva Norte received a mixed equity/debt investment of USD 14.5 million from the LDN Fund, aimed at establishing a line of credit for the farmer cooperative to on-lend to their members to pay for the transition towards sustainable land use models, as well as developing a new processing plant for coffee, whose ownership will be gradually transferred from the Fund itself to the cooperatives as the investment runs its course (IDH, 2023). The LDN TAF supported this investment by:

- providing the cooperatives with technical support to promote the use of hybrid coffee varieties characterized by a higher resilience to climate change and a stronger market potential;
- developing a value chain commercialization study that sought to explore how coffee farmers could kickstart timber production on their land, with a view to establishing a complementary income stream;
- strengthening the capacity of the farmer cooperatives, with particular attention given to women empowerment and bolstering the role of women farmers in cooperative governance structures;
- supporting the establishment of an LDN project baseline that would allow for standardized monitoring and assessment of the environmental and social returns of the investment, not unlike the Mountain Hazelnut Project.



3. Key takeaways and lessons learned

The following section, which is based on desk research and direct interviews with TAF managers, seeks to provide a series of key takeaways and lessons learned that can assist in the design and implementation of new facilities of this kind in the agribusiness sector.

- **Balancing outsourcing and direct TA provision.** In our analysis, hiring external service providers is the most common approach adopted by the TAFs to implement their interventions, especially considering the notable costs associated with developing an in-house team of experts on the different areas of work that a TAF's programme might require (e.g. accounting, governance, ICT, climate-smart agriculture, to name but a few). External providers are usually sourced locally, given their proximity to the investee companies and their knowledge of the context at hand, although international experts might have to be brought in for specific tasks if the necessary expertise is lacking. That said, it is essential to also account for the option of **direct TA delivery** by the TAF staff or the managing organization, when they have the expertise/added value to do so. In the case of the ABC Fund's TAF, for example, the non-profit Agritererra delivers directly most of its TA interventions aimed at farmer cooperatives, given its long-standing experience in providing this type of TA support to these specific actors, as well as its strong ground-level network in the countries of operation of the TAF. As pointed out by TechnoServe, the TAF management should develop **explicit guidelines** for both the direct TA provision and the outsourcing of external service providers, which would include additional required controls and M&E (AAF, 2019).
- **Aligning the timing of TAF's activities with those of the investment fund.** The TAF's interventions should unfold in a timely manner to effectively support the investee company in receiving the benefits associated with the Fund's investment. If the TAF intervention takes too long to have an impact on the investee company's capabilities, any potential synergies – whether financial or developmental – resulting from the collaborative efforts of the TAF and the associated Fund may be lost. For instance, in the case of the ABC TAF, it is expected that technical assistance operations will not exceed a duration of six months. This time frame

ensures that the risk reduction and mitigation effects generated by these interventions can positively affect the investee company's ability to repay the ABC Fund's investment.

Another timing-related consideration concerns the total disbursements made by a TAF throughout its lifecycle, since this type of facility typically deploys its resources in a much slower manner than the associated Fund. This discrepancy can be observed, for instance, in the case of the AAF and the AAF TAF, where the AAF had disbursed 50 percent of its committed capital by 2015, while the AAF TAF had only allocated 15 percent of its available funding at that date (AAF, 2019). This difference is attributed to the time lag between the Fund making the investment and the TAF beginning to engage with the investee company to provide TA. It is crucial to ensure that the operations of the TAF do not lag excessively behind those of the associated TAF. Moreover, it should be ascertained that there are suitable exit strategies in place for the TAF's interventions, once the Fund's investment has run its course.

- **Ensuring that the TAF management has a broad and considerable expertise.** It is essential that the staff of the TAF be capable of adequately carrying out the various tasks it is responsible for, all of which require a **considerable degree of technical expertise** in a variety of different domains related to the TAF's work (e.g. climate-smart agriculture, agri-investment, value chain financing). As pointed out by Enclude (2017, p. 4): "TAF Managers must be able to identify businesses, design TA (including subsidies) and select TA providers in close collaboration with the recipient company, oversee TA provision, evaluate TA provision and report findings and share lessons learned. All these activities require in-depth knowledge of investing, business performance, the agricultural sector, consulting and knowledge management".
- **Core business support needs to be provided long-term to be truly effective.** The type of short-term consultancy and advisory support that TAFs often offer to recipient enterprises, while useful for developing a strategic orientation that can guide their future growth, does not provide these businesses with **either the capacity or the resources to concretely act on the suggestions that stem from such exercises**. Thus, as Marchand (2016) points out, the TAFs need to design projects and interventions aimed at providing core business support with a longer-term perspective in mind, using tools such as mentoring, temporary secondment of managers or regular expert advice provided remotely to ensure that business owners actually have the capacity to implement the guidelines they received – and are thus able to initiate a more radical process of change within their enterprises.
- **Harmonizing donors and investors' expectations to enable the provision of pre-investment TA.** As exemplified by the experience of the AAF TAF, pre-investment support can be challenging to implement for a TAF due to the fact that: 1) providing this type of support does not always necessarily result in a subsequent investment on the part of an associated Fund; and 2) the TAF project can end up positively benefitting multiple actors in value chains connected to the investee agribusiness (e.g. input suppliers and processors), but that does not necessarily translate into a positive impact for the investee. As a result, the majority of TAFs focus more on post-investment support, or at least late-stage pre-investment support (where a subsequent investment in the recipient agribusiness is already more likely). Nevertheless, **pre-investment support remains critical for the generation of a pipeline of investment-ready businesses** among the higher-risk segments of the agricultural enterprise, even if not all TA interventions are bound to necessarily lead to an investment in a TA-recipient enterprise made by an associated Fund. This mismatch in expectations can generate a clash between the wishes of Fund managers, who would rather prioritize TA projects that have a higher probability of

resulting in solid investments for the Fund, and the TAF donors, who find that funding the development of a pipeline of investment-ready businesses translates into the creation of a **valuable public good** that satisfies their developmental (and not strictly commercial) objectives. A solution proposed by Marchand (2016) is to combine donor and investor funding, thereby allowing a TAF to pursue at once the development of an early-stage pipeline of businesses ripe for investment by relying on donor funds (with TA provided between 6 and 18 months prior to a possible investment), and a late-stage pipeline of less “risky” agribusinesses that hold a higher investment appeal for the associated Fund (with TA provided less than 6 months before the investment), funded by donor and investor money.

- **Allowing for simple, streamlined procurement processes:** It is important for a TAF to have, embedded in its administrative guidelines, flexible and simple procurement processes which allow for a more streamlined and efficient contracting of suitable TA providers. While full public tenders should be used for TA projects of a larger magnitude, having to follow complex and time-consuming procurement processes at all times can prove to be counterproductive, especially as TAFs often work in contexts where the availability of suitable service providers is quite limited from the outset (Marchand, 2016). There are instances when an investee company has already worked with (or has at least identified) a specific service provider that would be a good fit to meet their TA provision requirements – in which case the TAF manager should facilitate this connection. Moreover, **local service providers** should be selected whenever possible from the TAF’s network of consultants; international experts are only really necessary when the specialized skills that are needed for a TA project cannot be found at the regional or national level.
- **Setting clear goals and ensuring regular monitoring.** Making a TAF operational can be considerably more difficult when the TAF’s core focus and its overarching objectives are not clearly laid out or explained in sufficient depth at the start of its operations (Enclude, 2017). This can make it challenging to promote good governance of any such facility, as well as ensuring that the TAF’s activities align with the actual goals intended by its founders. It is therefore vital that those who are responsible make sure, preferably during the design phase of a TAF, that a wide range of aspects related to the TAF’s future operations are defined as clearly as possible **in the frame of its mandate and regulatory documents**. This involves having to clearly define variables such as:
 - whether the TAF will focus mainly on pre-investment or post-investment assistance;
 - whether the TAF is expected to provide support for evaluating the impact of the Fund’s investment projects, as well as having a broader knowledge generation/research component to its work;
 - whether the TAF should concentrate on target recipients (e.g. farmer cooperatives, FIs, technology providers) or have a broader remit;
 - the size range of the businesses which will be eligible for support (e.g. only small- and medium-scale enterprises) and their stage of development (e.g. the nascent or expansion phase);
 - whether the TAF will focus mainly on core business or inclusive business support, and whether interventions addressing bottlenecks linked to the broader value chain or general enabling environment will also be considered;
 - the core goals that will be pursued by the TA projects, such as strengthening investee’s financial performance; increasing the impact of the investee’s operations on the lives of the farmers connected to the enterprise; or catalysing existing instruments (financial and non-financial) to bolster impact by means of targeted TA (Enclude, 2017)

While there should of course be room for flexibility and the option to alter these variables over the course of the TAF's implementation, in response to the feedback received and the results of project evaluations, the fact remains that clearly laying out the above-mentioned variables at the design stage will prove a considerable boon for the TAF in terms of good governance and the results achieved. Once the TAF has clarified the nature and scope of its interventions, it should also ensure that **appropriate monitoring and evaluation systems** are in place to effectively gauge the impact of these interventions, and comply with minimum standards of quality. In this respect, the AAF TAF (see Section 2.1) provides a relevant and positive example, in so far as it mandated a **steering committee** consisting of representatives from the AAF, the TAF, and the investee business to meet quarterly in order to monitor the quality of the project assistance provided and its alignment with the intended objectives.

- **Inclusive business support requires the capacity for precise evaluations of impact.** In order to implement TA interventions aimed at strengthening the vast networks of smallholders connected to an investee agribusiness, it is critical for a TAF to be able to carry out precise evaluations and projections of the expected socio-economic impact of such actions. Given the vulnerability and diversity of the group of marginalized actors that is going to be impacted by such TA activities, there is always risk that badly designed or shortsighted interventions might actually end up **creating undue distortions** that end up negatively affecting the livelihoods of these actors. To carry out such evaluations, the TAF should build a network of experts that have the capacity to identify and highlight the various risks that might be linked to specific TA interventions (such as, for example, an expert on gender dynamics in agriculture).
- **Carefully balancing match funding requirements.** It is important for the recipient company to have a stake in the TA project, i.e. to partially match the funding contributed by the TAF with its own resources, as a way to encourage its continued engagement in the TA project that is being financed by the facility. Most TAF managers interviewed in preparation for this paper point to a business-side commitment of 25 to 50 percent as the optimal co-funding range, neither so low as to lose the “incentivization” effect on recipient businesses, nor so high as to weigh too much on the business’s resources.

There is another important reason behind the recommendation to ensure some degree of cost-sharing between the TAF and the investee: excessive reliance on the TAF’s resources can narrow the space for commercial financing sources to invest in the recipient agribusinesses. As noted by Enclude (2017, p. 3), “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”. Overall, the TAF manager needs to carry out a careful **cost-benefit analysis** for each individual case to determine the level of optimal matched funding, usually in coordination with the Fund manager. In general, a higher share of matched funding should be required from recipient businesses when the proposed TA intervention has the potential to generate **considerable positive changes** in the business’s bottom line (such as a new product or market channel), whereas lower amounts of the business’s own resources should be requested when the TA proposition has the potential to be impactful yet its ability to achieve concrete results is more uncertain (Marchand, 2016).

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