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Proposed Restructuring of the Global Agriculture and Food Security Program Financial Intermediary Fund

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Agriculture and Food Global Practice
Development Finance Vice-Presidency

Abbreviations and Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
CAADP	Comprehensive African Agriculture Development Programme
CU	Coordination Unit
FAO	Food and Agriculture Organization of the United Nations
FCV	Fragility, conflict and violence
FIF	Financial Intermediary Fund
GAFSP	Global Agriculture and Food Security Program
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
MMI	Missing Middle Initiative
NAIP	National Agriculture Investment Plan
SC	Steering Committee
SDG	Sustainable Development Goal
SE	Supervising Entity
SME	Small and Medium Enterprise
TA	Technical Assistance
WB	World Bank
WBG	World Bank Group
WFP	World Food Programme

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I. Introduction

1. **This Paper provides an update to the Executive Directors on the implementation of the Global Agriculture and Food Security Program (GAFSP or the Program) Financial Intermediary Fund (FIF) and seeks the Board's approval of the proposed restructuring.** The restructuring of the Program is a response to the changing environment within which GAFSP operates and serves to better position GAFSP as a key global vehicle for catalytic investment in agriculture and food security to support low income countries in the achievement of Sustainable Development Goal (SDG) 2 on Zero Hunger and related SDGs through 2030.

2. **In light of the recommendation under the FIF Management Framework[1] to provide more regular updates to the Board on FIFs, this paper is being presented to the Executive Directors to provide an update on progress, results and developments under the GAFSP Program, which was approved by the Board in January 2010, and to seek the Board's approval of the GAFSP restructuring.** Section II of this Paper provides the background and an update on GAFSP, section III presents the context for the restructuring, section IV outlines the revised operational structure for GAFSP, section V provides a risk analysis on the Bank's continued engagement in GAFSP, and section VI details the next steps in the implementation of the restructured Program. This Paper is presented to the Executive Directors for approval.

II. Background & Implementation Update

3. **The GAFSP[2] was created in 2010 in the aftermath of the 2008 food price crisis at the request of the G20 to invest in agriculture worldwide to reduce poverty and improve food and nutrition security in low income countries.**[3] Over the past nine years, GAFSP has successfully pooled donor funds to make lasting improvements in those areas where financing and support are most needed to help alleviate poverty, improve rural livelihoods, and improve food security by raising agricultural productivity, linking farmers to markets, reducing risk and vulnerability, improving non-farm rural livelihoods, and strengthening capacity and institutions including through technical assistance. In the face of the twin climate and food security challenges, GAFSP's mandate is as relevant today as it was 10 years ago. To date, the Program has received over $1.7 billion in funding from 12 donors – Australia, the Bill and Melinda Gates Foundation, Canada, Germany, Ireland, Japan, the Netherlands, Norway, the Republic of Korea, Spain, the United Kingdom and the United States – through its Public and Private Sector Windows.

4. **The Public Sector Window**, which is managed as a FIF with the World Bank serving as Trustee and Supervising Entity (SE) as well as hosting the Coordination Unit (CU),[4] **has allocated**

[1] The Financial Intermediary Fund Management Framework Update was discussed and approved by the board on July 16, 2019.
[2] Refer to the GAFSP website for complete information on the Program – www.gafspfund.org
[3] The GAFSP Framework document was approved by the Board of Executive Directors on January 8, 2010. The FIF became active in April 2010 when the first five donors signed Contribution Agreements.
[4] The GAFSP Coordination Unit (CU) is hosted in the Global Engagement Unit of the Agriculture and Food Global Practice. The CU provides secretarial and monitoring and evaluation functions to the GAFSP Steering Committee.

$1.2 billion in grant funding[5] to 31 low-income countries for 48 projects supporting agricultural development across the entire value chain. The decision-making and governance body of the Public Sector Window is the Steering Committee (SC)[6], comprising an equal share of voting members between contributing donors and regional representatives. Grants are allocated on a competitive Call for Proposal basis for public sector investments and technical assistance (TA) that are demand-driven and aligned with the country's approved agriculture and food security development plan, in the case of African countries the National Agriculture Investment Plan (NAIP) developed through the Comprehensive African Agriculture Development Programme (CAADP) process. Recipients implement GAFSP projects with implementation support provided by their selected SE – the African Development Bank (AfDB), Asian Development Bank (ADB), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD) or World Bank (WB) for investment projects and/or technical assistance, and the Food and Agriculture Organization (FAO) of the United Nations or World Food Programme (WFP) for TA only. As of December 2018, GAFSP's Public Sector Window has directly enhanced the livelihoods of over 10.4 million people, of which about 40 percent are women, and projects are on track to reach 15 million smallholders and their families by 2025. To date, $252 million in incomes has been generated for farmers each year and project impact evaluations are highlighting income gains among targeted recipients ranging from 18 percent to 44 percent in countries including, *inter alia*, Haiti, Liberia, Nepal and Rwanda.

5. **The Private Sector Window**, which was originally envisaged to be part of the WB-managed FIF, is managed directly by IFC[7] and is overseen by the Donor Committee (DC).[8] The Private Sector Window is the only venue for funding private sector activities under the current structure. IFC is the sole SE under the Private Sector Window and hosts its Secretariat. Under the GAFSP Program, **the Private Sector Window has provided $330 million for 66 investment projects and $30m in advisory assistance for 71 projects across more than 30 countries** – of which over 50 percent in the past two years have been in settings of fragility, conflict and violence**.** As of 2019, projects financed by GAFSP's Private Sector Window had reached 1 million farmers, and supported the creation of 6,100 jobs, 40 percent of which are for women. Over the period FY13-19, for every dollar that the Private Sector Window has invested into projects, it has leveraged on average 1.6 times that funding from IFC and 5.3 times in total project financing, including from commercial partners. GAFSP offers an appropriate degree of concessionality in its financing, structured in investments where that concessionality is used to mitigate the risk for the investment partners, helping IFC to extend its reach in low income countries, in line with the principles of blended finance.[9] This distinguishes Private Sector Window financing from, for example, IFC's regular financing, although it should be noted that the blended finance model requires that IFC also offer co-financing from its own balance sheet. GAFSP has enabled IFC to

[5] A total of $1.3 billion has been committed in funding decisions by the Steering Committee. This includes grant funding to countries ($1.2bn), administrative fees, the Trustee and CU budgets, and monitoring and evaluation costs.
[6] The Steering Committee (SC) is composed of voting and non-voting members. Voting members are limited to an equal number of major donors and recipient representatives. Non-voting members are representatives from SEs, Trustee, civil society organizations and the Director for Sustainable Development in the Executive Office of the Secretary-General at the United Nations.
[7] Refer to GAFSP – An Update to the Board of Executive Directors of the World Bank, document number 56717, September 9, 2010 for an update on Private Sector Window arrangements.
[8] The Donor Committee (DC) comprises GAFSP donors that contribute funds to the Private Sector Window.
[9] The principles are accessible here.

successfully finance investments in riskier markets and with less mature clients and has relied on IFC's internal procedures to identify and structure resulting deals appropriately.

6. **GAFSP, through its Public and Private Sector Windows, has made innovative, catalytic, and integrated investments to achieve transformational change in agriculture and food security whilst also addressing access to finance, nutrition, climate and gender issues in many of its investments.** Recognizing both the vulnerability of agriculture to climate variability and the role of agriculture in contributing to climate change, 75 percent of GAFSP public sector projects include activities that focus on climate adaptation or mitigation - and in the two most recent Calls for Proposals this has been 100 percent. Ninety percent of Public Sector Window projects address elements of good gender mainstreaming[10] and many GAFSP projects have a high proportion of female beneficiaries—as high as 70 percent in Nepal and at or above 50 percent in several other countries. Almost $200 million in GAFSP funding supports nutrition-sensitive agriculture and other direct nutrition-specific activities. To date, almost one million people have received nutrition services, such as the distribution of micronutrient supplements to women and children, behavioral change campaigns and improving household conditions. Ninety-seven percent of Public Sector Window projects contribute to the development of rural infrastructure. New agricultural technologies have been adopted on close to 200,000 hectares of arable land, over 330,000 hectares of productive agricultural land were provided with new or improved irrigation and drainage services, and over 2,000 kilometers of public roads were constructed and/or renovated with GAFSP support.

7. **GAFSP is unique and flexible in how it delivers and channels aid.** In 2016 the Program piloted the Missing Middle Initiative (MMI) to provide funding through SEs specifically to producer organizations to better serve smallholder farmers. In March 2019, the Program launched a Special Call for Proposals targeted to countries affected by fragility, conflict and violence (FCV) in response to growing global evidence of fragility as a driver of food insecurity and the rapidly rising number of hungry and malnourished people in FCV countries[11].

8. The recent independent evaluation of GAFSP[12] assessed the overall development, organizational and operational effectiveness of the Program.[13] **The evaluation found that GAFSP represents a good practice example of inclusive multi-stakeholder governance,[14] with an effective balance between stakeholder inclusion and decision-making efficiency.** The GAFSP SC comprises key donors, recipient countries, and civil society organizations representing producer organizations, who all have a seat at the table, alongside the SEs engaged in financing

[10] As measured by: (i) gender analysis and related consultation during preparation, (ii) inclusion of gender-informed actions in the subsequent project design, and (iii) gender-disaggregated monitoring and evaluation.

[11] Per data from *The State of Food Security and Nutrition in the World (SOFI)* reports, 2017 and 2018. The SOFI Report is issued annually by FAO, IFAD, the United Nations Children's Fund (UNICEF), WFP and the World Health Organization. It presents the latest estimates on food insecurity, hunger and malnutrition at the global and regional levels.

[12] An independent evaluation of the Program was completed between August 2017 and March 2018 by LTS International Ltd (UK).

[13] The independent GAFSP Program Evaluation Report is available on the GAFSP website at https://www.gafspfund.org/sites/default/files/inline-files/GAFSP%20Program%20Evaluation%20Final%20Report%20with%20comments.pdf

[14] Donors, recipients, multi-lateral development institutions and civil society are all represented on GAFSP's government body.

for agriculture and food security. Public Sector Window investments were found to be in line with country investment plans, successfully delivered by experienced SEs and increasingly addressing key cross-cutting issues such as climate change and gender equity. By channeling investment and TA funds through one of eight SEs and relying on the SEs' own policies and procedures, the Program is efficient and leverages the strength, and at times co-financing, of the SE in supporting recipient countries and clients. The Private Sector Window was found to effectively catalyze new funding and support businesses that could not access other sources of finance. The funding through the Private Sector Window provides a combination of concessional financial products, high commercial and blended finance standards, and advisory services which is rare. On the other hand, the evaluation highlighted the significant financing gap, which GAFSP has not come anywhere near to closing and the need to adapt the program to further **maximize the value generated from donor grant funding, scarce public resources and to crowd-in private investment following the "Maximizing Finance for Development" approach. This included a recommendation for enhanced synergies between GAFSP's public and private sector activities.**

9. **Based on the Program's success and lessons learned, and also recognizing that both public and private investments in agriculture remain well below required levels, the GAFSP SC and DC approved the continuation and replenishment of GAFSP through 2030**, endorsing GAFSP as a primary vehicle to deliver SDG2 on Zero Hunger and emphasizing the fundamental importance of investment in agriculture, nutrition and food security to achieve many of the other SDGs, including on climate change, health, education, gender equity and job creation.

III. Rationale for the Restructuring

10. **The GAFSP SC, which is the governing body of the FIF, has acknowledged that both public and private investments in agriculture globally remain well below required levels, particularly in the world's least developed countries.** Based on the 2019 State of Food Security and Nutrition (SOFI) Report,[15] an estimated 820 million people suffered from hunger in 2018, marking the *third consecutive year of increasing global hunger*. Climate and conflict are identified as clear drivers. Over two billion people, mostly in low- and middle-income countries, do not have regular access to safe, nutritious and sufficient food. The situation is most alarming in Africa, where 60% of GAFSP's resources have been channeled to date. Without substantial additional investments in agriculture, food and nutrition security, and more targeted and effective use of this financing, SDG2 will not be reached by 2030. Furthermore, the key role played by climate change in impacting future food and nutrition security warrants significant investment in adaptation as an integral part of GAFSP interventions.

11. In addition to recalibrating GAFSP in full support of SDG2, **the restructuring of GAFSP is intended to further enhance synergies across GAFSP's public and private sector activities.** At country level, GAFSP funding will reinforce the dialogue and analysis on the complementary roles of the public and private sectors to ensure that scarce grant financing is used efficiently in conjunction with relevant private sector financing in line with the "Maximizing Finance for Development" approach.

[15] The 2019 SOFI Report is available at http://www.fao.org/publications/sofi/en/

12. Consistent with the above objectives, **the GAFSP SC agreed to the following overall objectives and principles for the restructuring**:

- To enable increased access by smallholder farmers and producer organizations to the opportunities and benefits provided by both public and private financing offered under the GAFSP.
- To enable all investment SEs that are applying the Enhanced Blended Finance Principles to have access to financing for the development of the private sector through the FIF.
- To catalyze additional investment from other sources alongside GAFSP project financing.
- To better capture synergies and increase complementarity between available GAFSP instruments, including technical assistance and advisory services.
- To reinforce country level analysis so that scarce grant financing is used efficiently and instances where private sector finance would be more appropriate are identified.
- To continue to rely on existing SEs and their policies and procedures for appraisal and implementation support of the projects.

13. **In line with GAFSP's value proposition, the restructuring will leave GAFSP better positioned to support resilient and sustainable agriculture in developing countries that benefits and empowers poor and vulnerable smallholder farmers.** With the introduction of a mandatory "opportunities analysis" that derives from the World Bank's "Maximizing Finance for Development" approach, grant applicants must demonstrate that the requested financing is targeted to priority public sector needs and that any opportunities for appropriate private sector investment (from co-operatives to commercial partners) have been identified and leveraged, or will be developed through the project, or through GAFSP's other financing channels. By broadening the pool of SEs accessing and channeling financing to private sector recipients, GAFSP's restructuring will allow the GAFSP FIF to increase client choice and access to private sector investments. Application of the Enhanced Blended Finance Principles will allow GAFSP financing to offer appropriate levels of concessionality while further leveraging private sector investment in low income and higher risk markets through smallholder-targeted projects that may otherwise not materialize. Going forward, IFC will be able to receive funds through the continuing Private Sector Window or the FIF[16] to implement private sector activities. The restructuring will allow GAFSP to continue to cost-effectively pool development resources and selectively allocate them through a mix of public and private investment tools to where they are most needed and can be most effective and catalytic to expand the horizon of agricultural financing.

IV. Description of the Revised GAFSP Operational Structure

14. Following an extensive working group process that included all GAFSP stakeholders, the SC approved the overall recommendations for the design of the revised GAFSP operational model "GAFSP 2.0" in January 2019, in line with the approved restructuring principles and objectives. **The following design elements frame the agreed operational model for GAFSP 2.0:**

[16] Subject to IFC signing a Financial Procedures Agreement with the IBRD, as is established practice for all SEs to the FIF.

- **Grant contributions from donors will be held in the FIF for which the World Bank serves as Trustee** (Annex 1, Figure 1). The contributions from donors held in the FIF can be allocated for public or private sector activities through a dual-track funding model. The IFC will continue to administer their existing GAFSP Trust Funds[17] for private sector activities alongside the FIF. IFC-administered Trust Funds will be outside the governance structure of the FIF.

- **The SC adopted a dual-track funding model: (i) Grant-based Financing, and (ii) Business Investment Financing** (Annex 1, Figure 2).
  - **The Grant-based Financing track will fund public sector or producer organization-led proposals** submitted through SEs for SC approval following an open call for proposals process. The SC will decide whether a Call for Proposals will be targeted to eligible governments or producer organizations, or both.
  - **Proposals for public sector-led financing should also support private sector development in the applicant country.** As part of the proposal, a mandatory "opportunities analysis"[18] is required to identify possible technical assistance and advisory services oriented towards exploring and building private sector engagement opportunities.
  - **Producer organization-led proposals will offer financing to the farmer-focused private sector.** This builds on the MMI pilot experience and provides access to GAFSP funding to farmer or producer organizations and civil society organizations through one of GAFSP's SEs.
  - **The Business Investment Financing track will offer multi-year budget envelopes to be managed by existing SEs to support business-led private sector financing.** Existing SEs that have private sector investment arms or departments and are applying the Enhanced Blended Finance Principles will be eligible to apply for funding under this track in response to a SC-issued internal Call for Proposals. Funding under this track will, through the SEs, offer concessional/blended financing targeted to Small and Medium Enterprises (SMEs).

- **The FIF will continue to operate on a Call for Proposals basis** – Under GAFSP 2.0, the Calls may be *open* Calls for Proposals targeted to eligible countries or producer organizations for Grant-based financing and *internal* Calls targeted to the GAFSP SEs with a private sector investment arm for Business Investment Financing. The SC decides on launching a call under either track and makes all allocation decisions against submitted proposals. Any approved GAFSP fund allocations will be channeled through the selected SE(s), whose applicable policies and procedures will apply. Potential synergies and complementarity between the tracks as well as the continuing the trust funds administered by IFC for private sector activities is expected and will be closely coordinated by the FIF CU and IFC Secretariat.

[17] IFC refers to the Trust Funds that it administers directly as "GAFSP Private Sector Window" in the contribution agreements with development partners.

[18] All applicants must complete an "opportunities analysis" as part of their submission, demonstrating that grant-financing is targeted to priority public sector needs, including where the government may play a role in addressing market failures, and/or is used at an appropriate level of subsidy to support the farmer-led private sector, and that any opportunities for appropriate private sector investment (from co-operatives to commercial partners, as determined by sub-sector or context) have been identified/leveraged or will be developed and built on through the project.

- **The IFC-administered GAFSP Trust Funds for private sector activities will continue to operate alongside the FIF.** As under the existing structure, the IFC will continue to manage resources received directly from donors into the IFC-administered Trust Funds. In addition to administering these resources received directly from donors, IFC will be eligible to apply for funding through the Business Investment Financing track.

15. **The review and revision of the existing GAFSP governance arrangements to align with the GAFSP 2.0 operational model are ongoing.** Any revisions to the GAFSP governance arrangements will remain in line with the GAFSP partnership's core principles of inclusivity, efficiency and transparency. The details of the revised operating model and governance arrangements will be reflected in the updated GAFSP governance and operational documents. A revised Governance Document will cover the governance arrangements for the FIF, including the SC, its members and partners; whereas a new Operational Manual will outline the operational delivery mechanisms to allocate GAFSP FIF funds and implement activities in line with the GAFSP 2.0 principles and design elements as above[19]. Detailed guidelines will be developed for Calls for Proposals to provide clear and transparent guidance to GAFSP stakeholders on eligibility and processing for each Call for Proposals. Each of these documents is subject to approval by the GAFSP SC.

V. Potential Risks to the Bank and Mitigation Measures

16. **The overall risk to the Bank of the GAFSP restructuring and the Bank's ongoing engagement in the Program is considered moderate.** Changes to the FIF's governance and operational model may cause implementation challenges and decrease the efficiency of the Fund. In addition, funding uncertainty could impact the ability to meet the Program's objectives and its long-term success. On the other hand, GAFSP is an established program with a successful operational track record and demonstrated tangible results. The revised operational structure responds to the requests from donors and other stakeholders to better position GAFSP within the current aid environment as a key financing mechanism to respond to the development needs in the agriculture and food security sectors in its target countries. The agreed GAFSP 2.0 operational principles are the result of a systematic working group process and have benefitted from extensive deliberations and consultation with all GAFSP stakeholders.

17. **However, there are some inherent risks to the revised GAFSP operational model.** The primary risks identified, and proposed mitigation measures are the following:

- **Strategic Risk (risk rating: moderate):** The GAFSP development objectives continue to be well-aligned with the WB Twin Goals and the strategic priorities of the Agriculture and Food Global Practice. However, any uncertainty about future donor funding contributions could impact the ability to meet the Program's objectives and its long-term success.
  Mitigation measures: *An active resource mobilization effort is underway to replenish the GAFSP FIF and enable the operationalization of the adjusted model. The replenishment effort,*

[19] The revised Governance Document and new Operational Manual will be finalized on a timeline that allows GAFSP 2.0 to be ready for delivery following replenishment in June 2020.

which is led by several key GAFSP donors and supported by an external advocacy firm, will culminate in a major fundraising event in June 2020.

- **Operational Risk (risk rating: moderate):** Operationalization of the revised GAFSP operational model could encounter delays and implementation challenges. The different funding modalities through the two financing Tracks under the FIF and the continuing private sector Trust Funds at IFC, may cause confusion among targeted stakeholders, reducing the Program's implementation efficiency. Furthermore, the FIF and the private sector Trust Funds could be competing to raise funds from donors.
  Mitigation measures: *The GAFSP CU will work closely with the SC and Trustee to develop a workplan and timeline for the implementation of GAFSP 2.0. The CU will collaborate closely with the Trustee, Legal, donors and the existing SEs in the revision of GAFSP governance and operational documents to draw lessons from the GAFSP experience to date and ensure that any potential challenges can be anticipated and addressed early on. The governance and operational documents will detail the institutional arrangements for the Program, including detailed guidelines for Calls for Proposals, that will provide clear and transparent guidance to GAFSP stakeholders on eligibility and processing for each Call for Proposals. In addition, a coordination note will be developed that will outline the areas for coordination and synergies between the FIF and the IFC private sector Trust Funds. Fundraising will be coordinated through regular communication between the FIF CU and the IFC Secretariat on donor outreach.*

- **Partnership and Stakeholder Risk (risk rating: low):** The GAFSP restructuring has created heightened expectations for significant amounts of additional funding among recipient countries and other stakeholders that may expect to be eligible to receive funding under GAFSP 2.0.
  Mitigation measures: *Clear and transparent communication is essential and will be deployed to manage stakeholder expectations on who is eligible to apply for funding and expected funding availability.*

- **Financial risk (risk rating: low):** The WB, as limited Trustee, only faces limited risks associated with the financial management of funds, while such funds are in its care as set out in the GAFSP governance documents. As limited Trustee for GAFSP, the WB's financial responsibility ends when funds are transferred to SEs.
  Mitigation measures: *This risk is mitigated by the continued acceptance of only grant contributions to the FIF. Funding allocation decisions by the SC and Trustee commitments to SEs will continue to only be made based on cash available in the FIF.*

VI. Timeline and Next Steps

18. Following approval by the Board of this proposal for restructuring, the CU and Trustee will develop the required restructuring documents[20] in collaboration with relevant members of the SC. The objective is to have the restructuring documents approved by the SC and GAFSP 2.0 fully operational by June 2020, with the expectation that a successful replenishment at that time will lead to a Call for Proposals under the revised operational model in the fall of 2020. No further approval from the Board would be required to complete the restructuring.

19. The SC is actively developing and implementing a fundraising plan with the support of the CU and an external advocacy firm, which will culminate in a major replenishment event in June 2020, to be hosted by the current Chair to the SC, Germany. The target fundraising amount for the replenishment of the FIF is $1.5 billion over a five-year period (2020 – 2024).

[20] These documents include the legal documents (amended and restated Contribution Agreements with the donors to the program; updated Financial Procedures Agreements with each Supervising Entity; updated Governance Document) and operational documents (Operational Manual and relevant operational guidelines, plus a coordination note to assure synergies with the private sector IFC Trust Funds) to allow for delivery under the Program.

Annex 1: Revised GAFSP Operational Structure

Figure 1: Revised GAFSP Operational Structure

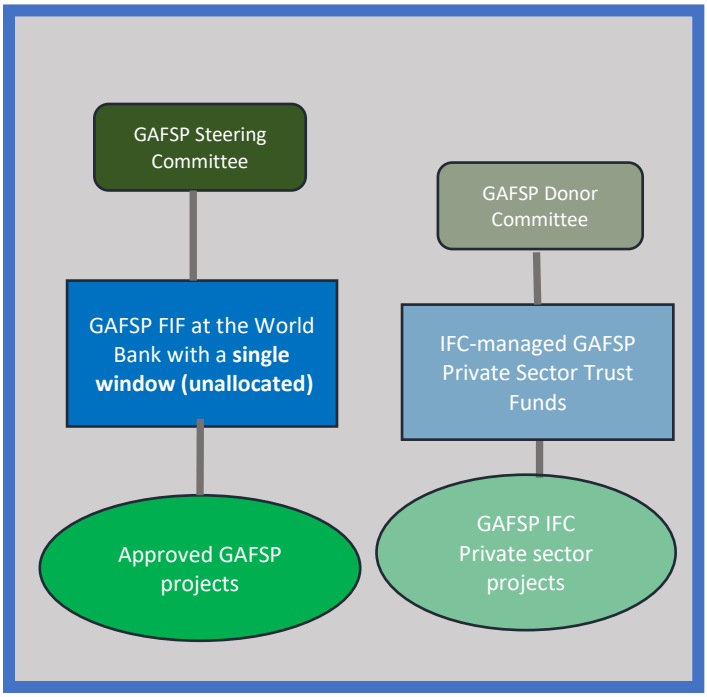

Figure 2: GAFSP 2.0 Operational Model

<table>
<tr><td colspan="3">PROPOSAL-BASED SUBMISSIONS to GAFSP SC</td></tr>
<tr><td colspan="2">GRANT-BASED FINANCING
SC allocation to individual project submissions</td><td>BUSINESS INVESTMENT FINANCING
SC allocation of budget envelope to be managed by SE over agreed time period, to cover a number of resulting investments</td></tr>
<tr><td colspan="2">Open Call for Proposals (CfP)
SC to determine if a given CfP is to be country-led <u>or</u> PO-led, or allows for both options – with appropriate customization</td><td>Internal Call for Proposals
Eligible SEs can apply for budget envelopes to support business investment activities</td></tr>
<tr><td>Country-led[21]
(e.g., government)</td><td>Producer Organisation (PO)-led</td><td>SE-led</td></tr>
<tr><td>Public Sector - with opportunities for private sector engagement</td><td>Farmer-focused private sector (POs, co-ops)</td><td>Business-led private sector (SMEs)</td></tr>
<tr><td>Public financing with private sector development opportunities identified

Option for submissions to request accompanying TA/AS to explore and develop opportunities for responsible private sector partnerships, to further extend the ‘opportunities analysis’[22] under the proposal preparation process or to engage partners in a practical dialogue where advisory input can help grow emerging farmer-led private sector activity.</td><td>Public financing to farmer-led private sector development through SEs</td><td>Private financing to small and medium size enterprises (SMEs)/private companies/financial intermediaries

Option for SC to ‘require’ a portfolio with 20% of resulting investments/ financing targeted to ‘innovative intermediation’ options, offering risk-sharing arrangements to <u>non-FIs</u> (e.g., value chain actors) that on-lend to smallholder-run and emerging/small enterprises <u>and/or</u> small-scale[23] direct investments</td></tr>
<tr><td colspan="2">Option for TA/AS</td><td>A portion of the multi-year envelope portfolio (up to 20%) may be offered as advisory services</td></tr>
<tr><td>Delivered as grant</td><td>Delivered as grant</td><td>Delivered as a range of concessional financing tools, in line with the SE’s own policies and procedures / guidelines and Enhanced Blended Finance Principles</td></tr>
</table>

[21] The GAFSP SC may decide to allow submissions from Regional Organizations.

[22] The “opportunities analysis,” carried out as part of proposal preparation, should demonstrate that grant-financing is targeted to priority public sector needs and that any opportunities for appropriate private sector investment (from co-operatives to commercial partners, as determined by sub-sector or context) have been identified and leveraged or will be developed and built on through the project.

[23] ‘Small-scale’ anticipated to be investments where the GAFSP financing portion is below $2.0m.