



Private Sector Financing Program (PSFP)

Making Private Sector Financing Work for the Rural Poor



IFAD's Private Sector Financing Program (PSFP): Setting the stage

OBJECTIVES

Improve the income, **food security** and **resilience** of rural poor and small producers in LICs, LMICs and Fragile Situations.

HOW

- Offering **financial instruments** that private sector actors need and can't obtain from other players to implement investments
- **Target clear benefits** for IFAD's target groups (rural poor, women, youth) and priorities (climate, food security & nutrition)
- Provide **counter-cyclical funding** during crises times (COVID pandemic, Ukraine crisis, Debt distress)
- Bundle financial support with de-risking through technical expertise, public sector funded activities, TA and other means to maximize impact and have value added.

IFAD's Private Sector Financing Program (PSFP): Setting the stage

- Who are PSFP private sector recipients?
 1. SMEs, agri-aggregators, and Farmer's Organizations which are (i) **too small or risky** for larger DFIs/MDBs, (ii) **not profitable enough** and/or too risky for impact investors and commercial banks, or (iii) **too large** for MFIs.
 2. Financial Institutions or other intermediaries with strong **development objectives** aligned with IFAD's: Smaller MFIs (2nd Tier in size), high impact funds.



Unique Features of the PSFP

	Commercial Finance Institutions	Impact Investors Development	Finance Institutions (DFIs)	IFAD's PSFP
Agriculture Focus/expertise	Low	Low	Medium	High
Tolerance to Risk	Low	Medium	Medium	High
Tolerance for low returns	Low	Medium	Medium	High
Depth of impact and loan size	Low	Medium	Low	High

Strong Targeting

Strong focus on LIC, LMICs and Fragile contexts

Exclusive focus on small producers and rural poor through credible and systematic targeting strategies in each PSFP project

Ticket sizes and terms adapted to address lower segment of relevant actors working with SP and rural poor

Complementarity to Maximize Impact

Requirement for complementarity with government efforts to avoid fragmentation of action and potentialize impact

Innovation and Scale

Reliance on IFAD's strong technical expertise to develop innovative approaches: nature-based solutions, digital technology, monetization of carbon credits, etc.












PSFP: What has been delivered so far?

Projects Approved: 5 (plus ABC Fund)

- Total amount approved: **USD 20.8 M** (plus USD 9 M to ABC Fund)
- **Countries:** Nigeria, Uganda, Madagascar, Mozambique, Bolivia
- **Average ticket size:** USD 4.1 M
- **Instruments:** Senior and Subordinated Debt
- **Value-chains supported:** Rice, Cassava, Maize, Potatoes, Beans, Tomatoes, Groundnut, Other Endemic Vegetables and Legumes
- Expected number of **beneficiaries:** 161,000 (Direct) and 1.4 M (Indirect)
- All countercyclical funding to address COVID-19 effects.



Expected outreach for approved projects

		 Babban Gona <small>better your life</small>		 <small>SOAFIARY</small>	 Futuro <small>mcb</small>	 crecer IFD
Country		Nigeria	Uganda	Madagascar	Mozambique	Bolivia
% of women		59%	50%	35%	75%	77%
% of youth		59%	30%	30%	30%	39%
Climate		✓		✓		
Co-financing		\$ 30 M	\$ 35 M	\$ 5 M	\$ 5 M	\$ 36 M
Digital		✓	✓		✓	✓

SOADIO Project – Landless migrants support

Private Sector Recipient

Soafiary SA

Investment Theme

Market access and benefits for smallholder farmers

IFAD's Funding

Senior Loan of EUR 3,500,000

SOADIO Project

- Partnership with Catholic Church
- Contract farming
- Landless migrants
- Technical Assistance



Thank you!

ANNEX

PSFP's Screening Criteria & Priorities



1. RELEVANCE

- **Alignment** with national pathways and country development priorities
- **Complementarity** with sovereign projects



2. ADDITIONALITY

- Address **market failure**
- **Financial additionality:** rates, maturity, grace, catalytic role
- **Non-financial additionality:** E&S practices, impact measurement, advisory and technical expertise



3. IMPACT

- Projects provide **clear benefits** to IFAD's target groups
- **Ex-ante and ex-post** assessment of development outcomes
- Priority to **fragile B and C** countries



4. E&S STANDARDS

- E&S screening and assessment based on IFAD's **SECAP**



5. RISKS

- Are the risks (once mitigated) acceptable?

