CHAPTER 6. Blended finance in action

This enquiry confirms that both donors and DFIs understand their financing can be far more catalytic and impactful when they partner with other concessional and commercial financiers. In 2023, the OECD DAC members formalized the rules for Private Sector Instruments as an eligible tool of ODA. This includes the institutional approach, such as providing more risk capital for development financing institutions, and the instrumental approach, such as providing concessional loans to private financiers. This development can be expected to drive more blending in the medium term (OECD, 2023b).

Blended funds are responding with increasing innovation and additionality. The stories of blended funds that follow illustrate how they are integrating environmental and social performance into lending criteria, increasing services to first-time borrowers and sharing risks across tighter supply chains.

Land Degradation Neutrality Fund

The Land Degradation Neutrality (LDN) Fund officially launched at the United Nations Convention to Combat Desertification (UNCCD) COP13 in Ordos, China, in 2017. Global Mechanism, the operational arm of the UNCCD initiated and designed the LDN Fund.

The LDN Fund is a first-of-its-kind blended fund, leveraging public financing to raise private financing for land degradation neutrality projects. According to the UNCCD, "land degradation neutrality" is defined as a state whereby the amount and quality of land resources necessary to support ecosystem functions and services to enhance food security remain stable, or increase, within specified temporal and spatial scales and ecosystems.

The LDN Fund provides long-term mezzanine debt and equity financing ranging from US$5 million to US$20 million for 10 to 15 years, along with pre- and post-technical assistance to projects that reduce or reverse land degradation. The LDN Fund reached its final closing at US$208 million in March 2021. It is managed by Mirova, an affiliate of Natixis Investment Managers SA.

The Land Degradation Neutrality Fund structure

First-loss	Inter-American Development Bank Invest, the GEF and the Government of Luxembourg are among the first-loss financiers of the LDN Fund. The LDN Fund has a target of US$300 million, of which roughly 20 to 30 per cent is reserved for first-loss capital (Principles for Responsible Investment, 2019).
Commercial financing	The European Investment Bank offered US$45 million in commercial financing, with additional commercial financing contributions from private investors, including Allianz, BNP Paribas Cardiff, BPCE Vie, Fondaction, Fondation de France and Garance (Cheelsy, 2019).
Technical assistance facility (TAF)	The TAF, managed by IDH and financed separately by the French Development Agency and GEF, provides grants and reimbursable grants for pre- and post-investment technical assistance to improve the project quality, enhance its environmental and social impact to meet the investment criteria, reduce transaction costs and risks, and expand the LDN Fund's projects pipeline. It also assists beneficiaries in monitoring their contributions to land degradation neutrality, enabling them to report progress and adapt their business operations to maximize development impact and reduce risks.

The LDN Fund finances projects committed to preventing, mitigating or reversing land degradation while also benefiting local community and ecosystems and adhering to stringent environmental and social standards. It specifically focuses on projects that banks are unable to support and requires a proven and detailed business model that includes revenues and cost projections, strong connection to value chains and capacity for scalability. Notably, the LDN Fund supports projects that demonstrate the ability to generate financial returns within roughly five to seven years, have an appropriate risk profile and have effective management. While interest rates and expected returns of the LDN Fund are market-based, it is set up to provide long-term debt or equity financing ranging from US$5 million to US$20 million for periods of 10 to 15 years. The financing options it offers come with flexible repayment schedules and long grace periods if needed. The earnings generated from the projects are then redistributed to investors and reinvested in further projects by the LDN Fund.

Projects aimed at achieving land degradation neutrality are characterized by volatile cash flow returns due to the inherent risks associated with halting and reversing land degradation. The LDN Fund mitigates this risk by stabilizing financial returns of projects through the diversification of revenue sources, often facilitated by technical assistance. Additional revenue streams can be generated through, for example, earning additional income from cash crops and carbon financing, improving yields and product quality sustainably, and enhancing value through processing.

Achieving land degradation neutrality often requires long time horizons for generating positive financial returns, typically five to seven years, a period during which commercial banks are unable to finance such projects. Businesses thus depend on patient, long-term financing from investors such as the LDN Fund. However, attracting international investors requires structuring projects of sufficient scale, a common challenge in the sector. Nonetheless, many projects in which the LDN Fund invests adopt innovative models to expand their operations and accelerate cash flow. For instance, Miro Forestry and Cacao Oro have expanded their operations through outgrower schemes that aggregate the existing production of many smallholders, while other investees have integrated fast-growing crops into agroforestry systems. These activities help stabilize cash flow and attract private investors to land degradation neutrality projects.

Sources: Mirova, 2019; UNCCD, n.d.

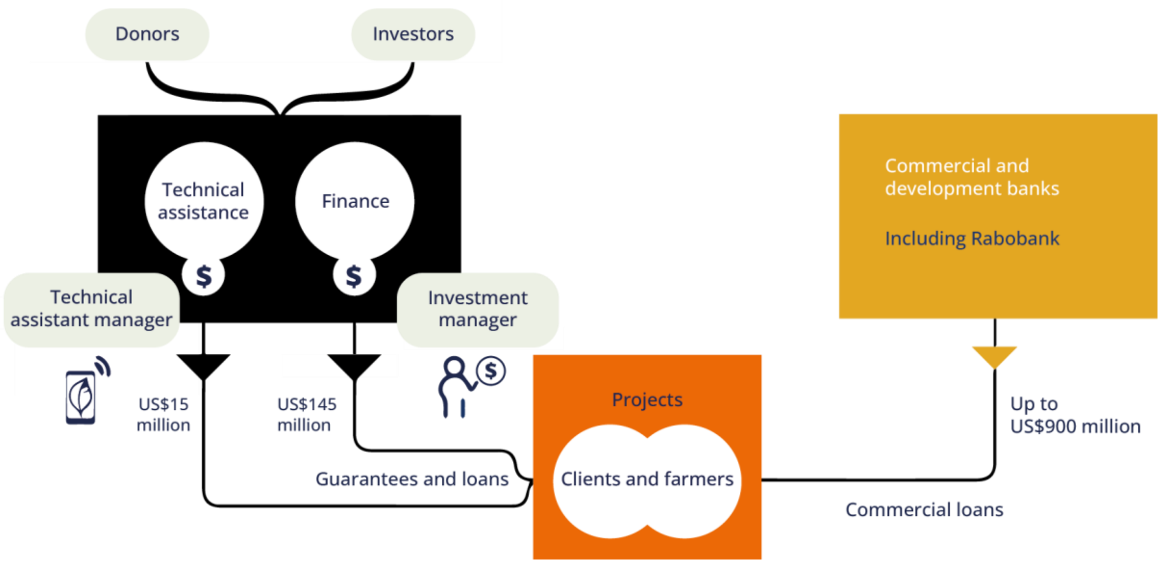
AGRI3

The AGRI3 Fund, launched in 2020 by the United Nations Environment Programme and Rabobank, together with IDH and FMO, aims to unlock at least US$1 billion for DFIs, commercial banks and private investors to finance deforestation-free, sustainable agriculture and land use. AGRI3 will accomplish this mission by offering partial loan guarantees to commercial banks, referred to as partner banks. These guarantees cover 30 to 50 per cent of the exposure on loans ranging from US$5 million to US$10 million for sustainable agriculture projects in developing countries, which the partner banks would typically consider too risky. AGRI3 also provides technical assistance to commercial banks (see Figure 20).

AGRI3 Fund structure

Concessional financing	The Ministry of Foreign Affairs of the Netherlands contributed a US$35 million non-interest-bearing repayable grant as part of AGRI3's first-loss tranche, which will be repaid after 20 years. In addition, the **GEF** provided US$13.5 million mezzanine debt.
Commercial financing	The concessional financing by the Netherlands and GEF enabled Rabobank to extend US$50 million in senior debt and attract other private investors and DFIs to take senior positions in AGRI3.
Technical assistance facility (TAF)	The TAF had a target size of US$15 million, of which the Ministry of Foreign Affairs of the Netherlands granted a US$5 million non-repayable grant. The TAF is managed by IDH.

Figure 20 - AGRI3 Fund structure



Source: GEF, 2020a,

AGRI3's model is based on extending guarantees to Rabobank, a commercial bank with extensive expertise in agriculture credit risk assessment, and other commercial banks. This enables commercial banks to provide senior debt with extended repayment periods to projects that would have been deemed too risky for financing without these credit enhancements. In addition, AGRI3 will offer pre- and post-investment technical assistance to the projects being financed. Consequently, AGRI3 can tap into Rabobank's existing client network and leverage its private capital in Brazil, India, Indonesia and Mexico.

AGRI3 aimed to achieve a target size of US$144 million, which would be used to offer guarantees of up to US$306 million to commercial banks, enabling them to unlock US$1 billion in commercial lending to sustainable agriculture projects in developing countries. This would allow AGRI3 to achieve a leverage of seven times the internal funding (see Figure 11).

The technical assistance facility, overseen by IDH, collaborates closely with the fund manager and investment advisors to accelerate the development pipeline of projects and enhance their impact. This programme includes pre-investment assistance, ensuring that projects become AGRI3 Fund-ready within a 24-month period, thereby strengthening the project pipeline. Post-investment technical assistance focuses on enhancing the project developers' capacity to implement projects during the implementation phase, thus reducing the risk to the AGRI3 Fund and potentially amplifying the social and environmental impacts of these projects. The technical assistance also includes an impact-monitoring component, supporting both projects and the investment advisor in tracking and evaluating progress towards targeted impacts. In addition, the programme promotes learning and sharing of valuable insights from transactions.

As an illustration of additionality, the AGRI3 Fund and Rabobank have launched a 10-year loan product in Brazil, called *Renova Pasto*, to support the restoration of degraded pasturelands and accelerate forest conservation. It provides financing for activities that restore degraded pastureland while improving compliance with the forest code and enhancing the conservation and restoration of forest areas on cattle farms.

The partial guarantees offered by AGRI3 allow Rabobank to increase its risk appetite and extend its loan duration from 7 to 10 years. The technical assistance offered by the AGRI3 Fund to cattle producers in the Cerrado and Amazon regions further reduces the project's risks and enables Rabobank to support non-cash-generating activities such as forest conservation. Farmers are required to adhere to environmental and social action plans, including a commitment to zero deforestation across all their farms. These requirements are integrated into Rabobank's credit approval process.

The initiative has concluded its first pilot transaction and aims to expand rural credit options for Brazilian farmers, promoting sustainable production models in less productive areas.

Sources: Green Finance Institute, n.d.; SEO Amsterdam Economics, 2019

AgDevCo

AgDevCo is a specialized investor that supports agrifood SMEs in sub-Saharan Africa. It provides long-term debt and equity financing ranging from US$2 million to US$10 million, with an average investment horizon spanning 7 to 10 years and technical assistance of up to US$800,000. Currently, AgDevCo manages a portfolio worth US$280 million across 10 countries. It is incorporated as a not-for-profit distribution company in the United Kingdom in 2009 with an endowment from the Government of the United Kingdom.

AgDevCo Fund structure

Concessional financing	AgDevCo was established in 2009 with an endowment provided by the Government of the United Kingdom, which has supported AgDevCo over the past decade. The Government of the United Kingdom has also provided de-risking for other DFIs to contribute commercial financing to the AgDevCo Fund.
Commercial financing	AgDevCo has secured multiple rounds of financing since its inception. The most recent of these, in February 2022, provided AgDevCo with US$90 million from multiple DFIs, including US$50 million of equity from British International Investment, US$20 million of equity from the Norwegian investment fund for developing countries, Norfund, and US$20 million of senior debt from DFC.
Technical assistance facility (TAF)	Alongside its fund, AgDevCo has a TAF that is financed separately, thus recognizing that assistance as well as patient financing is needed to build sustainable commercial agribusinesses. In 2022, British International Investment, Norfund and the FCDO provided supplementary funding of up to US$5.4 million for AgDevCo's integrated TAF.

The AgDevCo investment portfolio consists of 40 per cent of investments in earlier-stage ventures and 60 per cent of investments in later-stage growth. Through this combination, AgDevCo aims to achieve a minimum gross financial return of 5 per cent on its core capital, which includes AgDevCo's equity capital, supported by FCDO, as well as US$20 million in third-party debt and US$70 million in preference share equity capital as of 31 December 2021.

The AgDevCo growth portfolio includes investments that range in size from US$3 million to US$10 million, generate positive financial returns and have gross assets greater than US$10 million. This segment includes companies that typically have significant corporate expertise with a proven business model and are seeking financing to expand their operations or venture into a new geography or value chain segment. These companies are expected to carry a lower level of risk and have the potential to yield consistent cash flows or provide promising financial returns.

The AgDevCo ventures portfolio comprises investments of smaller ticket sizes ranging from US$2 million to US$5 million. It is primarily focused on businesses in earlier developmental stages, which inherently carry higher risk. Investments are categorized as ventures when they are not yet profitable and/or when their total assets are less than US$10 million. AgDevCo allocates a portion of its capital to companies with high-risk profiles, provided that they demonstrate a significant degree of additionality, strong developmental impact, short- to medium-term financial viability with a fully funded business plan, and the potential for self-sustained growth over time without the need for additional investment from AgDevCo.

AgDevCo continues to reach smaller borrowers though investments in financial intermediaries such as Lending for African Farming and Equity for Africa. The former is a non-profit organization that specializes in providing equipment loans of up to US$60,000 without requiring collateral except for the equipment itself.

AgDevCo is currently exploring opportunities to secure resources for a new concessional fund, Venture Plus, which will support smaller investments in the range of US$1 million to US$3 million.

The technical assistance facility, funded by donors, allows AgDevCo to offer tailored, in-house technical assistance support to its investees throughout the entire investment cycle, from the initial investment to exit or reinvestment. It also allows investees to test new concepts or innovative processes and supports the investees on a wide range of issues including risk, ESG and regulatory compliance, climate resilience, gender equality and smallholder development. The objective is to make businesses more resilient, impactful and investment ready. AgDevCo also provides investees with technical and project management expertise to strengthen the relationships between agribusinesses and smallholder farmers to reduce risks and improve operational efficiency in working with smallholders, whether as producers, intermediaries or customers. The support is provided through in-kind contributions such as training and workshops, and cash contributions in the form of grant-based cofinancing. The TAF projects are financed by AgDevCo and the investee on a matching basis where AgDevCo's contribution can range from US$50,000 up to US$800,000. The TAF has been instrumental to AgDevCo's success.

AgDevCo has also developed in-depth industry knowledge in tree crops (fruits and nuts), poultry and maize-milling businesses, and it is steadily building expertise in other sectors such as aquaculture, forestry and floriculture.

Sources: AgDevCo, 2022; World Bank, 2021

IDH Farmfit Fund

Farmfit is a rapidly growing marketplace designed to connect service providers, i.e. businesses and banks, with smallholder farmers, who form their client base. The platform's primary goal is to improve the economic conditions of smallholder farmers. It offers data, insights and financial support to businesses and banks, thus enabling them to design and implement successful and scalable business models that cater to the unique needs of smallholder farmers. This results in inclusive and sustainable value chains that are profitable for both businesses and smallholder farmers. The adoption of a holistic approach is made possible through a combination of public and private sector support, thus making it a powerful initiative in the agricultural and economic development space. Farmfit accomplishes its mission through three key components.

- **Farmfit Intelligence** provides data and insights to businesses, banks and other entities that work with smallholder farmers, helping them understand the financial performance of smallholder business models that cater to smallholder farmers and benchmark them against peers.

- **Farmfit Business Support** assists businesses and banks in using these insights to design scalable models tailored to smallholder farmers' needs. Consequently, this enhances the efficiency and effectiveness of smallholder value chains. This EUR 30 million facility is funded by the United Kingdom Department for International Development and the Bill & Melinda Gates Foundation.

- **Farmfit Fund** offers concessional financing to scale and replicate successful business models that have been designed and informed by Farmfit Intelligence and Business Support. The Farmfit Fund seeks to increase access to affordable finance for smallholder farmers, thus enabling them to enhance their productivity while adhering to climate-smart agricultural best practices and ultimately breaking the cycle of poverty. The Farmfit Fund is the world's largest public–private impact fund dedicated to smallholder farmers.

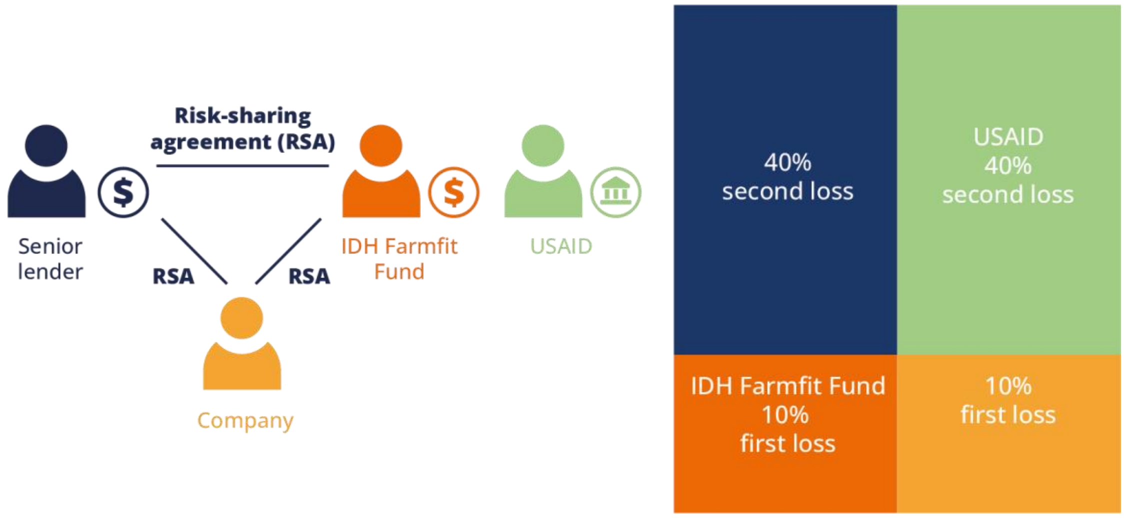
Farmfit Fund structure

Concessional financing	The Farmfit Fund, valued at EUR 100 million, received 50 per cent of its financing from the Ministry of Foreign Affairs of the Netherlands. The fund also benefits from additional de-risking guarantees from **USAID**, with coverage of up to US$250 million.
Commercial financing	The remaining 50 per cent of the Farmfit Fund's value is financed by five additional lenders. Of these five, four are from the private sector (Unilever, Cadbury, JDE Peets and Rabobank) and one is a public entity (FMO through the state funds MASSIF and Building Prospects).
Technical assistance facility (TAF)	The Farmfit Fund is accompanied by Farmfit Business Support, which is a TAF that supports businesses and banks in designing scalable models tailored to smallholder farmers' needs. The facility, valued at EUR 30 million, is funded by the United Kingdom Department for International Development and the Bill & Melinda Gates Foundation.

The Farmfit Fund provides first-loss financing to banks covering 10 per cent of loans and second-loss guarantee facility from USAID covering 40 per cent of the loan (see Figure 21). Leveraging these guarantees, the Farmfit Fund is expecting to build a portfolio in excess of EUR 1 billion.

This concessional financing model, coupled with innovative business models guided by smallholder farmer data, makes investments in smallholder farmers more appealing and also minimizes the risks and costs for both the farmers and investors.

Figure 21 - IDH Farmfit Fund structure



Source: IDH, 2023

As an illustration of both the additionality of the Farmfit Fund and the challenges farmers face in securing financing, IDH Farmfit provided a first-loss guarantee up to year 5, alongside US$9 million in financing from ABN AMRO, to the NKG in 2017. This concessional financing allowed the NKG to introduce its NKG Bloom initiative in Uganda with the aim of boosting the productivity and livelihoods of smallholder farmers and ensuring the long-term sustainability of green coffee supplies.

NKG Bloom offers fertilizer and mobile money advances so that farmers have immediate and regular access to cash for various purposes within predefined limits. This system enables them to avoid exploitative lending practices. The advance is then repaid during the harvest period, with coffee being the preferred means of repayment. NKG Bloom Uganda also offers soil analysis, education, and training on good agricultural practices and financial literacy for smallholders, thereby reducing the risk of default of smallholder farmers.

NKG Bloom discovered that farmer segmentation is challenging and costly, particularly for small, informal smallholders, and that it is challenging to obtain reliable data. Instead, it bases its loan approvals on transactional data, such as coffee sales, which are a more reliable method for assessing farmers' indebtedness capacity. NKG Bloom is actively working on digitalizing payments in the supply chain's last mile and enhancing transparency and traceability.

NKG Bloom have also introduced a mobile field solution to record transactions digitally. Loan approvals are based on transactional data, typically correlated with a farmer's previous years' sales value with some adjustments. They initially start offering conservative loans to farmers and give them the opportunity to repay and establish a track record. NKG Bloom aims to include nearly all farmers who can sell coffee into the database, starting the process with their first recorded transaction. However, very small farmers with less than a quarter-hectare of coffee present operational challenges for microloans below a certain size. The goal is to expand into riskier segments and provide longer-term loans, such as seven-year renovation loans, as farmers demonstrate their repayment capability over time.

In 2019, IDH expanded its successful pilot project with NKG Bloom in Uganda into 10 new countries with ABN AMRO, BNP Paribas, Rabobank and USAID. NKG launched the Coffee Smallholder Livelihoods Facility, a US$25 million initiative designed to provide smallholder coffee farmers with fertilizers, seedlings and equipment cash advances, training and market access. This support aims to enhance the resilience and livelihoods of smallholder farmers within NKG's supply chains.

The US$25 million revolving credit facility is backed by a first-loss guarantee from IDH and a second-loss guarantee from USAID. IDH and NKG will collectively absorb the initial losses, with each contributing up to US$2.5 million in case of potential farmer defaults. This first- and second-loss guarantee mobilizes additional resources from commercial banks including ABN AMRO, Rabobank and BNP Paribas, allowing them to take senior positions within the facility.

Sources: International Comunicaffe, 2019. ; Messie et al., 2020

Food Securities Fund

Launched in March 2021, the Food Securities Fund is designed as an open-ended (evergreen) impact investment fund centred on sustainable agriculture within emerging markets. The Food Securities Fund was established in collaboration with the investment advisory firm Clarmondial and received support from various organizations including Convergence, the Global Environmental Facility (GEF), Good Energies Foundation, USAID, DFC, World Wildlife Fund USA and others.

Food Securities Fund structure

Concessional financing	The **Food Securities** Fund expects to raise approximately US$53.25 million in concessional financing, including US$37.5 million in credit guarantees from **USAID** and US$15 million in equity from the **GEF**.
Commercial financing	Commercial financing, valued approximately at US$734.25 million, is expected to be raised from institutional investors, impact funds, family offices, private banks and DFIs.
Technical assistance facility (TAF)	The Impact Advisory Board and directors of the Food Securities Fund are committed to exploring possibilities for additional resource mobilization. This may involve providing support for local technical assistance to enhance existing investments. Various groups, including the International Trade Centre, the World Wildlife Fund, the United Nations Environment Programme and the Government of Nigeria, have signalled their interest in such collaborations.

The Food Securities Fund addresses the financing gap for agrifood SMEs by providing them with short-term and renewable loans without requiring collateral. It achieves this by using guarantees from international agriculture companies that have business relationships with agrifood SMEs, in addition to guarantees from USAID Development Credit Authority (DCA). This innovative de-risking strategy balances the risk/return profile of agriculture projects for private investors. By providing loans that span the entire agricultural cycle (see Figure 22), the Food Securities Fund empowers agrifood SMEs to extend increased pre-harvest support to farmers. Furthermore, by making loans conditional on the improvement of ESG performance, the Food Securities Fund actively encourages the adoption of sustainable and climate-smart agricultural practices, thereby contributing to the achievement of the SDGs.

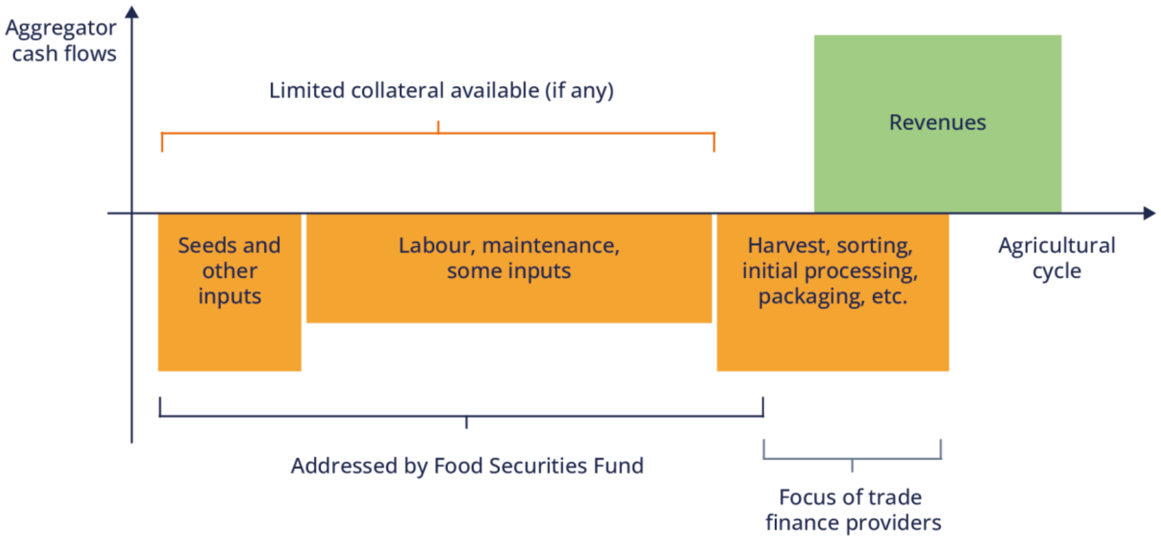
The accessibility of collateral is one of the primary obstacles preventing agrifood SMEs from obtaining financing. The fixed assets of agrifood SMEs (e.g. land and equipment) are often already used as collateral with local banks and other lenders to secure leases and mortgages. Other valuable assets, such as agricultural produce (e.g. grains) and sales agreements (e.g. export contracts), can only be used as collateral after the harvest. The journey from sowing to harvesting, particularly in the support of smallholder farmers and implementation of sustainable agricultural practices, demands a substantial amount of financing (see Figure 23). During this period, most agrifood SMEs lack the necessary collateral to secure financing.

The Food Securities Fund collaborates with international agriculture companies to identify agrifood SMEs (borrowers) with a proven track record in two critical areas: (i) strong commitment to sound social and environmental practices; and (ii) active engagement in transactions with farmers who implement good agricultural practices, including climate-smart agriculture. In addition, an extensive due diligence procedure, which includes both financial and non-financial evaluations, is implemented for prospective investment opportunities.

The Food Securities Fund then provides renewable, short-term loans, typically on a 12-month basis, for agrifood SMEs in developing and emerging countries. These loans, denominated in United States dollars and incurring a 9 to 15 per cent interest rate, allow the agrifood SMEs to finance their operations throughout the entire agricultural cycle. Thanks to its partnership with international agricultural companies (e.g. traders, input providers, exporters, agents, consumer facing brands) that have an existing business relationship with agrifood SMEs, the Food Securities Fund is able to provide these loans without requiring collateral. Instead of collateral, international agricultural companies provide first-loss guarantees to the Food Securities Fund, which cover 10 to 40 per cent of the loan principal. If an agrifood SME defaults on its loan, the international agriculture company will compensate the Food Securities Fund for part of its losses. The model therefore allows the Food Securities Fund to provide short-term, renewable financing to agrifood SMEs that have a longer-term and mutual commitment with an international agriculture company. Moreover, through DFC, USAID provides an additional guarantee that covers a loan period of up to six years (including renewals) for specific borrowers (see Figure 23).

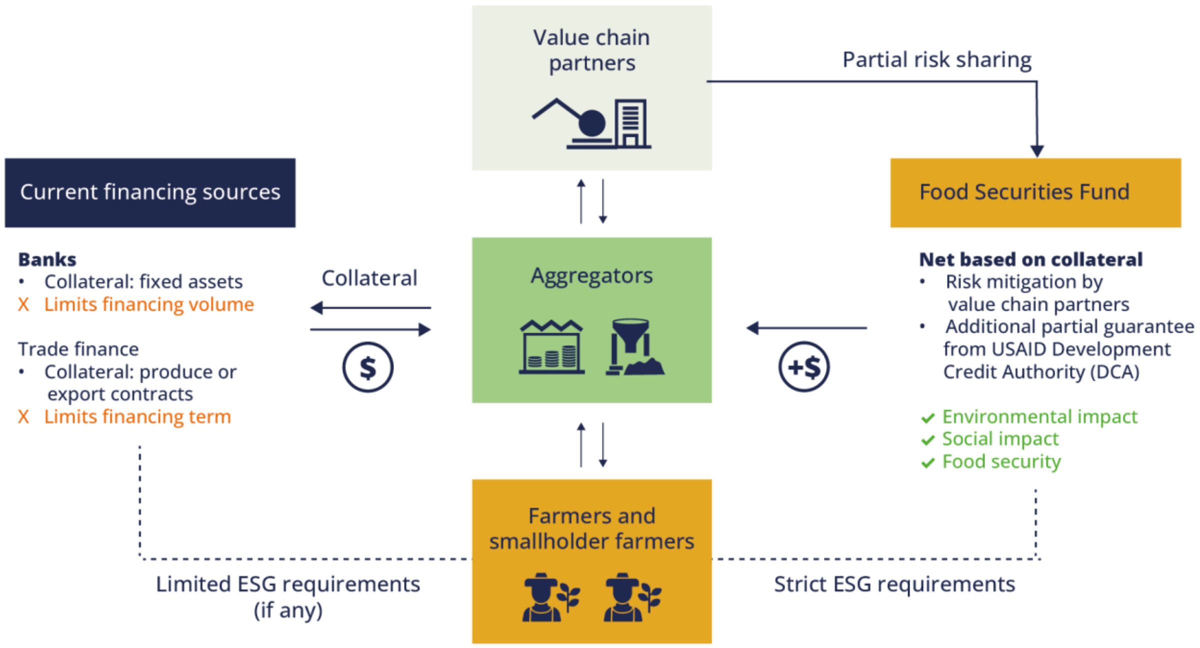
At the outset of any new lending agreement, the Food Securities Fund and the agrifood SME establish a set of key performance indicators that complements mandatory ones regarding compliance with sustainable agriculture, social and environmental practices, and rural livelihood development. These key performance indicators are included in the loan agreement, are subject to quarterly assessments and are considered in the annual decision regarding the loan renewal. This model provides a compelling financial incentive for agrifood SMEs to enhance their ESG and production sustainability performance to qualify for loan renewal.

Figure 22- The additionality of Food Securities Fund in financing aggregators' agriculture cycle



Source: GEF, 2019

Figure 23 - Food Securities Fund provides financing to aggregators using guarantees from value chain partners



Source: GEF, 2019

One Acre Fund and One Acre Re

One Acre Fund: At a glance

One Acre Fund is a non-profit organization that provides smallholder farmers with a comprehensive package of goods and services that enable them to increase their crop yields and income. This all-inclusive "market bundle" includes high-quality agricultural inputs on credit, financing with flexible repayment terms, proximity to convenient distribution points, training in modern agricultural techniques and market support services such as crop storage solutions. In 2022, One Acre Fund reached 1.6 million farm families across Burundi, Kenya, Malawi, Nigeria, Rwanda and Tanzania, enabling these farmers to realize a nearly 150 per cent return on their investment and allowing them to end hunger in their households, in addition to saving and investing in their children's education, medical expenses, improved housing and other productive assets.

One Acre Fund functions as a business and is consistently improving financial sustainability. For every US$1 provided by donors, farmers contribute US$3 towards the (subsidized) services offered by One Acre Fund. In 2022, 96 per cent of the credit extended by One Acre Fund was repaid by farmers, covering 72 per cent of the organization's field operating costs.

One Acre Fund: Smallholder insurance offering

Today, One Acre Fund stands as a major provider of smallholder insurance in East Africa, having paid out and forgiven US$5.1 million in agricultural loans since 2012. One Acre Fund has provided insurance coverage to farmers in its network by purchasing index insurance from private companies and reinsurers. Through this insurance, One Acre Fund has been able to forgive portions of the input loans for its farmers when they faced lower yields due to extreme weather, pests or other destructive events. The insurance thus not only acts as a safety net preventing farmers from skipping meals, selling assets and withdrawing children from school in response to adverse shocks; it also promotes investments in high-quality inputs for additional land.

However, the impact of One Acre Fund's insurance products has been constrained by market gaps and structural challenges in the sub-Saharan insurance market. Climate change is forcing insurers to leave certain markets, including those serving smallholder farmers, as a result of higher risk and lower profitability. When insurance products are available for smallholder farmers, premiums are often inflated by fees and brokers' profits. Farmers are therefore unable to afford insurance products that offer comprehensive resilience cover. Instead, they are constrained to low-protection options, typically covering only inputs or specific assets such as funeral insurance. As a result, the investments made by farmers and One Acre Fund's loan repayment model are jeopardized.

One Acre Re: A new reinsurance fund for climate resilience

To address these challenges, in 2023 One Acre Fund launched a pioneering "reinsurance fund", One Acre Re, to increase the resilience of smallholder farmers in Africa. One Acre Re was developed with the support and partnership of the IFC, DFC and the African Risk Capacity Group, and aims to expand insurance coverage, increase the value of insurance offerings and improve the timeliness of payouts for farm families. In this endeavour, One Acre Fund intends to establish its own reinsurance capital pool, which will operate with reduced risk and profit expectations compared with conventional insurers.

One Acre Re's model eliminates brokers and intermediaries, thereby increasing the potential for profitability. Profits from the insurance programme could be given back to farmers in the form of higher payouts or reduced premiums. One Acre Fund's physical presence in Africa also promises to diversify risk across the various markets and climate zones in which the organization operates. Moreover, its network of 1.6 million smallholder farmers will provide valuable insights for the development of tailored agricultural and microinsurance solutions for African smallholders. The long-term stability of One Acre Re will rely on solid capitalization of the One Acre Fund in the initial and expansion stages, rather than continuous donor funding. Future expansion plans include the introduction of new insurance products and support of microfinance institutions beyond One Acre Fund to extend services to smallholder farmers.

Sources: One Acre Fund, direct communications, 2023