Acknowledgements

The Smallholder and Agri-SME Finance and Investment Network (SAFIN) is a network of 48 actors from different parts of the landscape of agricultural finance, who share a commitment to accelerate access to finance for small and medium enterprises (SMEs) in agricultural value chains. The network provides a pre-competitive space for these actors to share learning, address strategic issues and knowledge gaps in a coordinated manner, and foster innovative solutions to common challenges.

This guidance note builds on experience in designing and implementing the Investment Prospectus Framework (IPF) of the Smallholder and Agri-SME Finance and Investment Network (SAFIN) in six countries (Jamaica, Dominican Republic, Uganda, Nigeria, India, and Colombia) in 2018-2020. The Framework was designed by Tanja Havemann of Clarmondial under the guidance of Bettina Prato, Senior Coordinator (SAFIN), and in dialogue with SAFIN partners, drawing upon a number of frame works for investment and policy alignment in agriculture and other sectors. The SAFIN Secretariat later refined its implementation process and content based on experience in 2019. This note was prepared by Michael von During, Technical Specialist (SAFIN), under the guidance of Bettina Prato and with input from Emily Kitongo, Knowledge Management and Communications Analyst (SAFIN), and Hernan Manson, Head of Inclusive Agribusiness and Trade (International Trade Centre). The present document and the IPF will be revised and adapted on an ongoing basis in an effort to reflect continual improvements.

About SAFIN

Our work is possible thanks to the generous support of our donors.
The objective of this note is to guide the use of the SAFIN Investment Prospectus Framework (IPF) to mobilize new investments in agri-SME dense value chains by facilitating shared understanding of key investment opportunities and financing solutions.

The IPF was developed as a tool to align the investment portfolios of SAFIN partners and key in-country stakeholders. It includes a scoping analysis (Step 1 in the IPF implementation process) covering a number of agri-SME dense value chains in a country or region, highlighting areas where collaborative solutions to finance investment have transformative potential to contribute to the achievement of national sustainable development objectives. The analysis informs the focus of an Investment Prospectus (Step 2 in the IPF implementation process), which provides a deep dive into specific investment opportunities and financing solutions that stakeholders can implement collaboratively.

The intended audience includes public and private actors in finance, agriculture, and development who seek to address limited access to capital by agri-SMEs and transformative investments to advance sustainable agricultural and food systems, in line with the 2030 Agenda.

Achieving the Sustainable Development Goals (SDGs) requires scaling up transformative public and private investments in agricultural value chains. Agriculture and the broader food economy play key roles in the economies of countries at different levels of development. They are major sources of employment, are essential for food security and nutrition, and play strategic roles in managing natural resources and the climate change agenda.

Many agri-SMEs fall into the “missing middle” between informal enterprises served by microfinance institutions and larger corporations served by commercial banks. For enterprises in the “missing middle” coordination action to improve access to finance is key to address risk perceptions and high transaction costs confronting financial service providers (FSPs). A number of shared characteristics and limited market transparency contribute to a perception of high risk associated with agri-SME investment among FSPs. High transaction costs for relatively small investment sizes compound this perception. Overcoming these challenges requires coordinated approaches that tackle constraints both on the demand and on the supply side of agri-SME finance.

Effective coordinated action requires actors to converge around a clear appreciation of where strategic investment opportunities lie and how to finance such investments. The IPF is a tool to guide the alignment of investments and activities of different stakeholders around a specific geography and value chain, with a food system mindset.
WHEN AND HOW TO USE THE IPF

The IPF was originally designed by SAFIN to support the development of Investment Prospectuses (IPs) with two main purposes:

1. **AS A TOOL FOR SAFIN PARTNERS**
   - To map partners active in a country/region and value chain/food system, as well as to list their main focus and activities;
   - To align partners’ portfolios by highlighting strategic, but untapped, opportunities for collaboration that may lead to sustainable development impact at scale in the sector.

2. **AS A TOOL TO ALIGN AGRICULTURAL AND FINANCIAL INVESTORS**
   - Mapping key public and private actors in finance, agriculture and development, detailing their relevance to specific value chains or food systems and highlighting challenges;
   - Identifying key opportunities for transformative change via investment;
   - Aligning different actors and institutions in a demand-driven manner around a clear and shared understanding of investment opportunities, financing requirements, and obstacles.

The IPF can thus be a useful tool when:

- **Opportunities for transformative change exist:** Critical gaps in access to finance affecting agri-SMEs in a particular value chain or food system hold back transformative investments that could benefit the entire food system.
- **Collaborative action is required:** A collaborative effort is required to design and implement new solutions for access to capital for agri-SMEs, as individual actors already engaged in the sector either lack the incentives or the means to develop such solutions alone.
- **The IPF can significantly contribute to a larger initiative:** A larger, country-focused collaborative initiative aiming to improve the flow of investment into areas that encompass agriculture and food systems is lacking a tool to identify and design specific financing solutions targeting agri-SMEs.
KEY FEATURES OF A SAFIN INVESTMENT PROSPECTUS

Unique focus on enhancing agri-SME finance and investment through coordinated action

Participatory development process grounded in analysis

Going beyond identifying challenges to propose specific investment and financing solutions

Providing analytical grounding both for collaborative investment solutions and to inform broader policy and planning decisions
The SAFIN scoping analysis (scoping) is performed ahead of each IP as a preliminary high-level analysis of a range of value chains or food systems in a given country or region.

The selection of geographical focus usually results from one of the following situations:

- **An opportunity for programmatic alignment**: Among institutions with a shared interest in value chain investment with a focus on agri-SMEs in a given geography;
- **Expressed interest to develop a scoping exercise**: Originating from an actor or institution with a portfolio of activities in a given geography; and,
- **A partnership opportunity**: Where a larger collaborative initiative requires a tool to identify and design specific financing solutions targeting agri-SMEs.

Figure 1 illustrates the steps that typically follow after the geographic focus of the scoping exercise has been identified.
Target value chain(s) and/or food system(s) need to be identified for an IP.

Partnership opportunity with country-focused initiative aligned in scope and methodology.

Confirm country/region and composition of core group of partners to advise and support the scoping analysis.

Perform Scoping Analysis

Select target value chains and/or food systems

Present key findings to core group of partners

Select IP focus and confirm partners’ commitment to support and advise IP development process

YES

Proceed with IP development process

Identify partner interest and program alignment in specific country/region for IP development

Identify target value chain(s) and/or food system(s) already identified for an IP.
In Colombia, SAFIN led a scoping analysis covering three value chains, including coffee, cocoa and dairy. The scoping was supported by local partner representatives, including the Agence Francaise de Développement (AFD), the Food and Agriculture Organization (FAO), Fundación Capital, the International Fund for Agricultural Development (IFAD), Oikocredit, and Palladium. The analysis identified several opportunities in each value chain, including improving yields and sustainability at the production level (dairy and cocoa), product differentiation through a focus on high quality or specialty products (coffee and cocoa), and deepening local markets (coffee and dairy).

Box 1: Scoping Analysis report for Colombia

**DEVELOP THE SAFIN SCOPING ANALYSIS REPORT**

**EXPERTISE REQUIRED**

A scoping analysis requires a specific combination of expertise and skillsets that includes:

- **Agricultural and rural finance**, including in-depth understanding of the state of the sector and the challenges confronting agri-SMEs in access to finance in the chosen geography.
- **Value chains and food systems**, including related challenges and opportunities around identifying or generating investment.
- **Country-specific expertise**, including knowledge and experience in the geography of focus and ability to leverage a local network of informed stakeholders.

**CONTENT**

The scoping report should include the following information (see Annex 1. A for a full outline of the document structure):

- A review of selected value chains and food systems in terms of current economic relevance particularly but not limited to agri-SMEs and contribution to Gross Domestic Product (GDP), as well as their significance from a broader sustainable development perspective.
- A description of the relevant policy framework, including relevant government strategies and plans and objectives for future development related to each value chain or system.
- A mapping of key actors and their activities, including value chain or food system actors, financial institutions, government agencies, and development partners.
- A broad overview of areas with significant opportunities for transformative investment that should be considered for further exploration with an IP.
After the validation of the scoping report, next steps include:

1. A collaborative selection process regarding the focus of each IP based on the opportunities identified in the scoping report.
2. Gathering a group of stakeholders with interest and capacity to nurture the IP process and to make use of its results for their respective action portfolios.
3. Launching the IP development process.

Each prospectus has a dual purpose. The first is to provide detailed grounding to future collaborative efforts among actors with the capacity to either invest directly in agri-SMEs or provide financial and/or technical support. The second is to inform investment planning, policy dialogue, and partnership development with a focus on financial solutions for agri-SME dense value chains.
Figure 2: SAFIN Investment Prospectus Development: Process Map

1. Develop Governance Structure
   - m:]-; core group with expressed interest from 10b|j|b|u;|bom
   - 7:|b|v; 7bm\[.]0-vbvo|w|ro|u;|b|b|v
   - b7;m0;7bm\[.10|b|m]-|b|b|v
   - m|.|77b\v five key local stakeholders with vr;1bC1|b|u;|bm0|b]|u;-
   - Establish Steering Committee
     - m|.|7mb1_ou mv|b|\[.b|b|b|v =uo[.];|b|v|bm |ol|b|c
     - Establish Anchor Institution

2. Develop IP
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   - b7;m0;7bm\[.10|b|m]-|b|b|v
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   - Develop the IP
     - 1b|\[.7mb7-|j; Cm7bm\v For\v mv 8l|b|v 8l|b|c 0l|b|v|bm
     - m|.|7Four-u;|b|v
     - Select the option best aligned to support the larger initiative
     - Establish Anchor Institution

3. Design Plan for Coordinated Action
   - t\v; 1b|\[.b|b|b|v =uo|j|b|u
     - 8l|b|v 8l|b|c 10|b|m and key local stakeholders
     - Structure and implement the option
   - v|b|v הב\v 1ou; group of actors to implement 1\v|b|v
         +
         v|b|v הב\v 1ou; group of actors to implement 1\v|b|v
         Structure and implement the option

- 3:1\v|b|v 1ou; shared interest and program alignment with focus of strategic partnership
ESTABLISH A STEERING COMMITTEE

SELECTION

The creation of a Steering Committee of relevant and committed stakeholders is key to initiate, support, and validate the results of each IP. The committee should include:

• Relevant government agencies from the country or region;
• Representatives from local and international development partners;
• Representatives from the private sector (value chain actors and financial institutions); and
• Relevant service providers to smallholder farmers and agri-SMEs.

RESPONSIBILITIES

The Steering Committee’s primary responsibility is to provide guidance and quality control for IP development, and to contribute resources (financial or in-kind) to the process. Specific responsibilities can include:

• Advise on and validate the scope and structure of the prospectus document;
• Advise on and validate the resource(s) assigned to develop the prospectus;
• Advise on and validate the selection of an Anchor institution (see section 2 below);
• Oversee the prospectus development process to ensure alignment with the IPF’s objectives;
• Review and provide feedback on the final draft of the IP; and,
• Disseminate finding.

Box 2: Composition of the Steering Committee for an investment prospectus pilot in Nigeria

A Steering Committee typically includes public and private actors, both international and local to the country of focus. For instance, in Nigeria, where SAFIN led the development of an investment prospectus focused on the maize, soybeans and cassava value chains, the Steering Committee included representation from AFEX Commodities Exchange, the Central Bank of Nigeria (CBN), the European Commission, the International Trade Center (ITC), IFAD, the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL), the Partnership Initiative in the Niger Delta (PIND), and Technoserve. Steering Committee members in Nigeria supported the development of the IP by contributing their inputs and contacts, as well as by validating the final document and selecting a specific financing option to pursue.
The development of each IP requires an institutional anchor or lead to drive and sustain the process.

**SELECTION**

- Be a member of the Steering Committee;
- Have existing or planned programmatic activities in the area of agri-SME finance and investment, with clear expectations regarding the intended use of the IP findings; and,
- Have the resources and legitimacy to convene other partners and stakeholders, and to perform required activities (see "responsibilities" below).

**RESPONSIBILITIES**

- Lead the identification of stakeholders to be added to the Steering Committee;
- Lead and coordinate the Steering Committee agenda;
- Lead the mobilization of resources (financial and/or in-kind) to implement the IP and any potential post-prospectus plans for coordinated action (see section 4 below);
- Validate and support the resource(s) assigned to develop the prospectus;
- Oversee the IP development process locally with support from the Steering Committee; and
- Develop a work plan for the IP development process.

ACCESS Development Services, a member of the Steering Committee for SAFIN's IP in India, was selected by members to act as the Anchor institution on account of its demonstrated convening power in the agriculture and smallholder finance sectors. ACCESS subsequently led the identification of a resource to develop the IP document, as well as the selection of additional Steering Committee members representing local institutions with expertise related to the specific value chain (i.e. millets) and regions (i.e. Rajasthan and Madhya Pradesh) of focus for the IP.
EXPERTISE REQUIRED

- **Financial structuring:** Strong financial modelling and structuring expertise, particularly related to developing innovative solutions in agriculture and food systems, and deep knowledge of relevant innovative business models and financing structures at a global level.

- **Agricultural and rural finance:** Strong experience and analytical skills related to the financial sector and the study of gaps and challenges related to access to finance in a specific country or region, particularly for SMEs in agriculture and the rural sector.

- **Value chains and food systems:** Strong analytical capabilities and comprehensive knowledge related to the chosen agri-value chains and food systems.

- **Country-specific expertise:** Strong geography-specific expertise and ability to leverage a local network of relevant stakeholders.

CONTENT

- A brief review of key information from the scoping report relating to the investment opportunity area explored in the prospectus.

- A description of the investment opportunity and associated challenges, and of the benefits expected from undertaking more investment in this area (Theory of Change).

- A map of relevant actors in the public, private, financial, and development sectors, as well as relevant policies, programmes, and portfolios.

- An analysis of existing financial institutions, programmes, and products that could be mobilized to drive investment around the identified opportunity.

- A description of the recommended approach to address the opportunity, including the business case and a cost-benefit analysis.

- A recommendation for the design structure and implementation process related to one or more specific investments or financial solutions that can be undertaken by relevant stakeholders collaboratively.

Box 4 Explore our recent Investment Prospectuses.

The options for financing solutions for investment proposed by the IPs developed by SAFIN varied significantly according to the country focus and value chain context. For example, in Jamaica, the IP identified three potential investment opportunities targeting the coconut sector, specifically for the development of:

1. a coconut seedling business;
2. a coconut water processing business for local consumption;
3. a coconut water processing and export business.

In the Dominican Republic, where the IP also targeted the coconut sector, the proposed options focused on financing structures that may apply to different investment opportunities. These structures included:

1. The design of sector specific credit product;
2. The development of a productive alliance for market linkages;
3. A patient investment fund to finance coconut production activities.
Once the prospectus has been validated, participating stakeholders select the opportunity they wish to pursue individually or in collaboration.

1. **Formalizing the commitment of key partners**: Applying a coordinated approach will require explicit commitment from a core group of partners, with clear allocation of roles.

2. **Re-evaluation of the solution design**: The solution design that is proposed in the prospectus should be re-considered ahead of implementation in order to account for any fine-tuning or redesigns required as a result of new developments (e.g. unforeseen events, shocks, major changes in the ecosystem or in a specific value chain, or changing priorities or processes in one or more participating institution).

3. **Broadening the partnership base**: Participants in the process should reach out to or consider proposals from new potential partners around a specific investment financing solution.
LESSONS LEARNED AT SAFIN

To maximize impact, the prospectus should align with strategic country priorities.

The implementation of the IPF is a time-consuming process that can lead to difficult trade-offs.

Fostering partner alignment requires constant attention and flexibility.

Operating at the intersection of different sectors requires a continuous exercise in language bridging.

Notes
## 1.A SAFIN SCOPING ANALYSIS REPORT STRUCTURE

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<td>Financial sector mapping: Key actors, products, and services targeting value chains and/or food systems</td>
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<td>Key partners &amp; government mapping: Priorities, plans, and strategies related to value chains and/or food systems</td>
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<td>Overview of the country and its financial value chains and/or food systems, as well as a mapping of actors across public, private, financial, and development sectors.</td>
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<td>Sector mapping: Key actors and activities</td>
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<td>Access to finance: Key gaps and challenges, as well as emerging innovative financing solutions</td>
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<td>Opportunities for investment: Key areas identified as having potential for transformative change, where investment/financing solutions are not explored or supported</td>
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<td>- Theory of change diagram and vision</td>
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**Overview of Scoping Report**

- Brief summary of the scoping report as related to the value chain and/or food system, including:
  - Country overview
  - Sector overview
  - Description of key gaps and challenges, and area(s) of opportunity in the prospectus

**Mapping of Key Actors**

- Mapping of actors specific to the opportunities:
  - Public, private, development sector actors
  - Describing their current activities, as well as relevant relationship and/or dependencies

**Financial Ecosystem**

- Financial ecosystem specific to the opportunities:
  - Relevant financial actors from the public, private, finance, and development sectors
  - Relevant products, instruments, and initiatives
  - Specific challenges
  - Quantify addressable gaps

**Opportunities for Investment and/or Coordinated Action**

- Opportunities for investment and/or coordinated action:
  - Detailed description of the opportunities and desired outcomes, including business case and cost-benefit analysis
  - Design and structure of the proposed financial solution
  - Proposal of specific actors, their roles and contributions, to involve directly or partner with (including lead coordinator)
  - Proposed next steps for design and implementation, including timeline and milestones