



SMALLHOLDER  
AND AGRI-SME FINANCE  
AND INVESTMENT NETWORK

A background network diagram with various colored nodes (purple, white, black) connected by thin lines. Large, semi-transparent purple circles are overlaid on the network, creating a sense of depth and focus on the central theme.

# INVESTMENT PROSPECTUS FRAMEWORK HOW-TO GUIDE

[safinetwork.org](http://safinetwork.org)

# Acknowledgements

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 frameworks 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 Doring, 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

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.

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 intended audience includes public and private actors in finance, agriculture, and development who seek to address limited access to capital by agri-SMEs<sup>1</sup> and transformative investments towards sustainable agricultural and food systems, in line with the 2030 Agenda.



A

## WHAT IS THE SAFIN INVESTMENT PROSPECTUS FRAMEWORK?

**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.



B

## RATIONALE FOR USING THE FRAMEWORK

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.

Agri-SMEs play a central role in agricultural value chains across regions, but many operate in unfavourable conditions that limit their access to finance and constrain their investment capacity. In sub-Saharan Africa alone, a Dalberg and KfW report estimates the annual lending gap to agri-SMEs at USD 100 billion, even though they generate around 25% of rural employment and account for 32% of the gross value of agriculture value chains. Many agri-SMEs fall into the “missing middle” between informal enterprises served by microfinance institutions and larger corporations served by commercial banks.

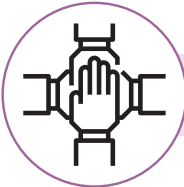
For enterprises in the “missing middle” coordinated action to improve access to finance is key to address risk perceptions and high transaction costs confronting financial service providers (FSPs). A number of shared characteristics and limited market transparency contribute to a perception of high risk 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.

## 2

# 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; and
- 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; and
- 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.

# 3

## KEY FEATURES OF A SAFIN INVESTMENT PROSPECTUS



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

The prospectus is uniquely focused on agri-SME finance and identifying key gaps, as well as opportunities to significantly enhance access through coordinated action and investments.



### Participatory development process grounded in analysis

A wide range of local actors – including close partners and key local stakeholders – are involved in developing a prospectus. They actively contribute to and inform the analytical process by identifying key actors, gaps, and challenges within a country-specific value chain or food system.



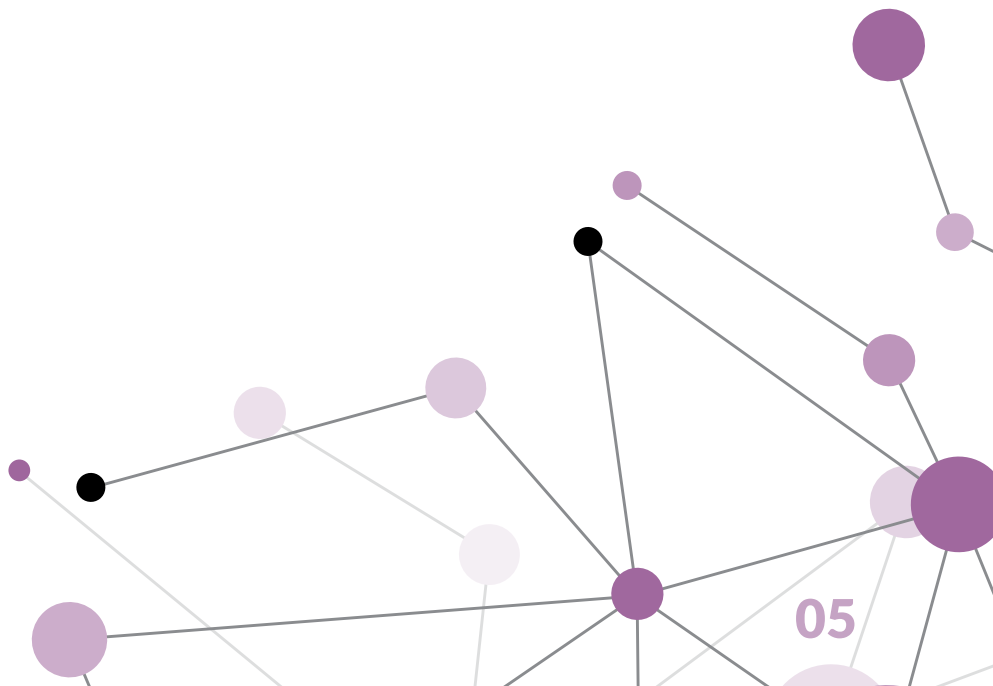
### Going beyond identifying challenges to propose specific investment and financing solutions

Structured as a concise diagnostic tool, the prospectus seeks to align its analysis of key gaps and challenges with the ongoing focus and activities of partners. Its objective is to propose specific recommendations for collaborative solution design and implementation.



### Providing analytical grounding both for collaborative investment solutions and to inform broader policy and planning decisions

IPs primarily serve to foster a common understanding of where and how to focus collaborative actions around specific investment opportunities, but they are also a resource to inform broader investment planning, policy, and partnerships.



# 4

## IMPLEMENTATION PROCESS

### A | STEP 1: SAFIN SCOPING ANALYSIS

**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.**

It highlights areas where coordinated action around investment can have transformative impact both on value chain upgrading and towards building more sustainable food systems. The scoping exercise serves as the basis for the choice of focus of each prospectus.



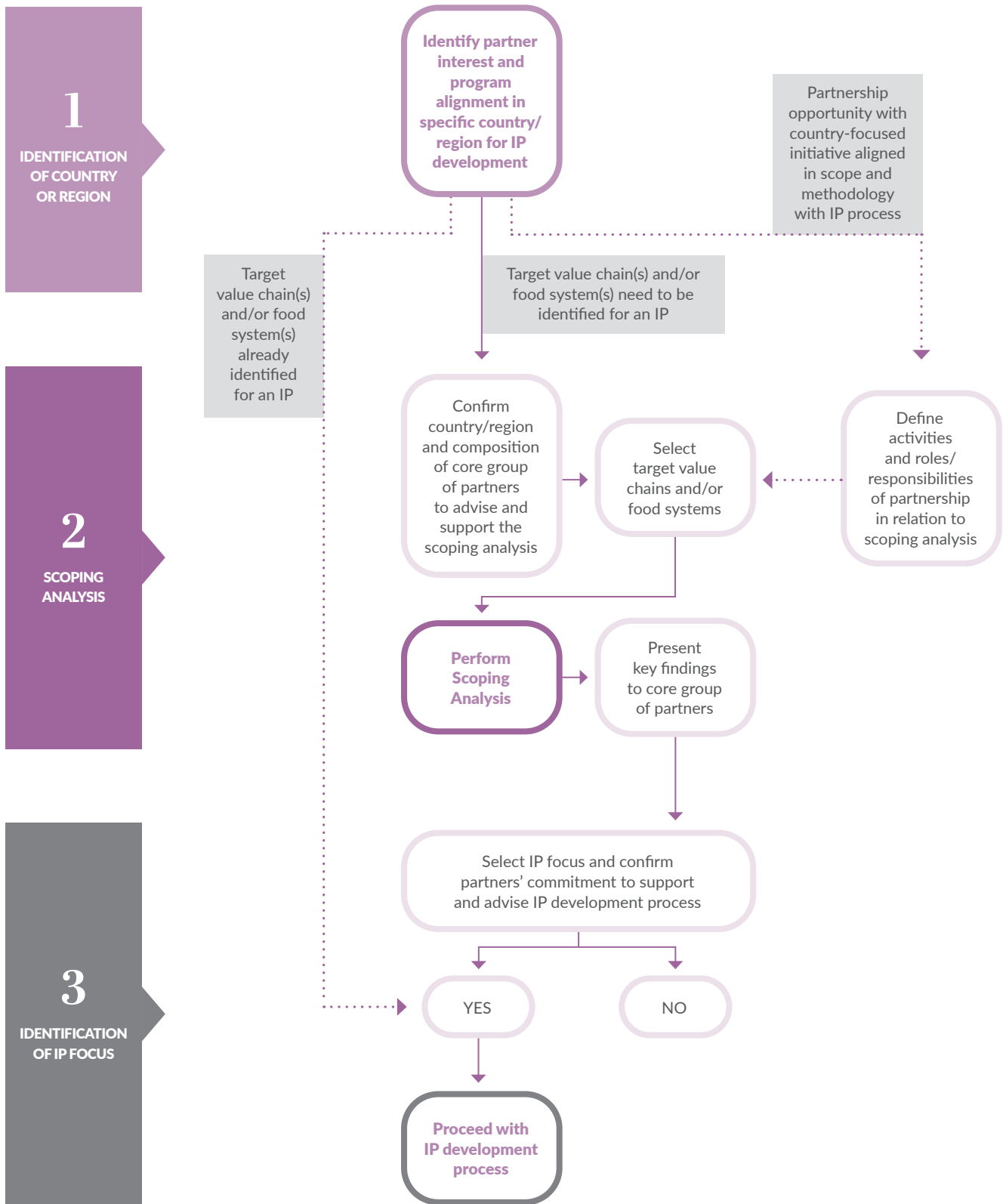
### 1 DEFINE COUNTRY OR REGION FOCUS

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** and/or prospectus originating from an actor or institution with a portfolio of activities in a given geography; and.
- **A partnership opportunity**, whereby 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.

Figure 1: SAFIN Scoping Analysis Development: Process Map





2

## DEVELOP THE SAFIN SCOPING ANALYSIS REPORT



### EXPERTISE REQUIRED

Developing 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.

#### Box 1: Scoping Analysis report for Colombia



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 Française 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).





### 3 SELECT THE FOCUS OF THE SAFIN INVESTMENT PROSPECTUS

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.

## 4

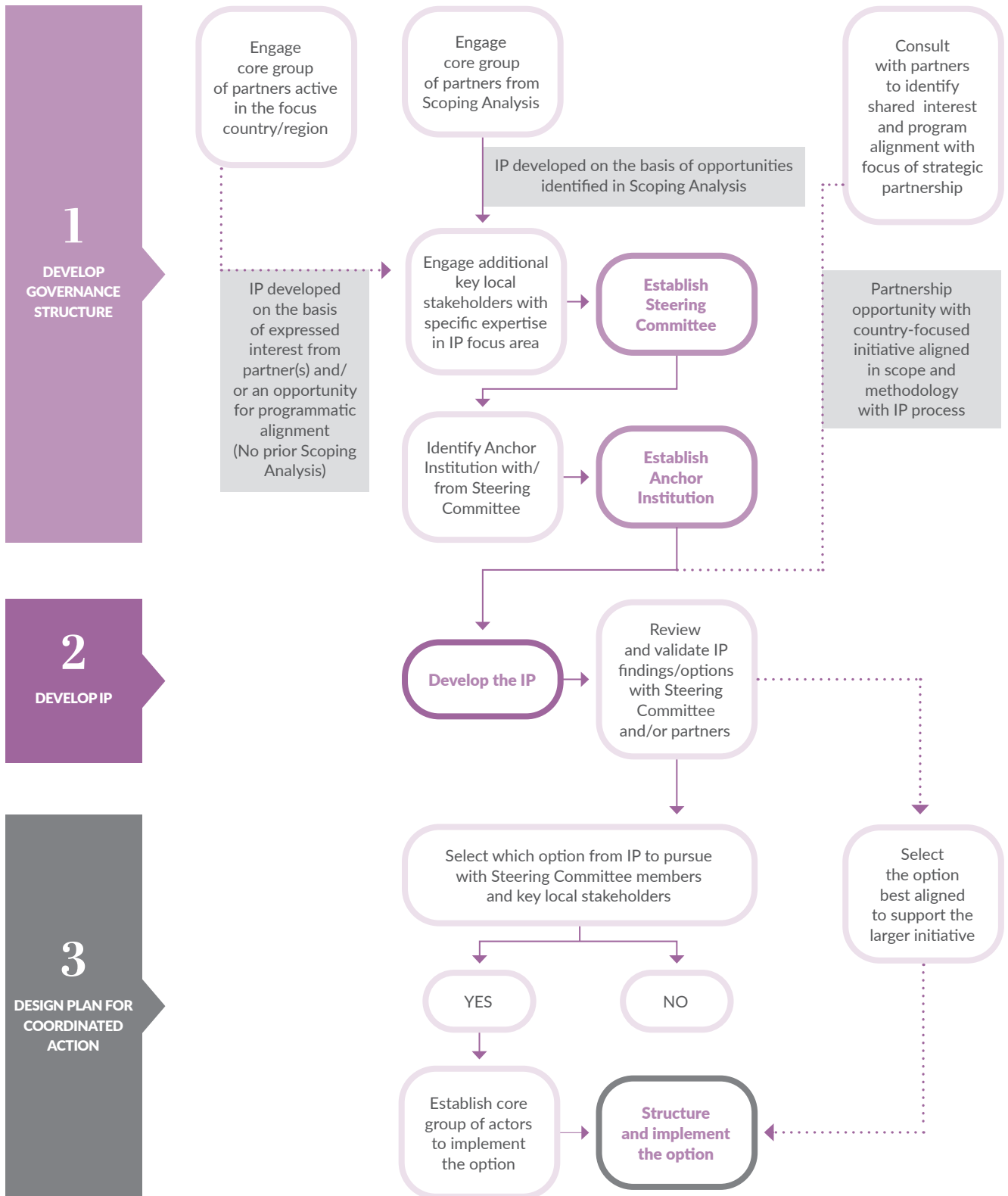
## IMPLEMENTATION PROCESS B | STEP 2: SAFIN INVESTMENT PROSPECTUS

**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.**

Typically, a prospectus will build on the scoping report's findings with a deeper dive into one or more of the opportunities presented. However, opportunities may arise to develop a prospectus within the scope of another relevant program or initiative, where a scoping report may not be required. In such cases, the priorities set by the program or initiative will determine the country/region and value chain/food system focus, as well as the group of actors involved.

Figure 2 outlines an example of the next steps once a focus has been identified.

Figure 2: SAFIN Investment Prospectus Development: Process Map





# 1 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.



## 2 SELECT A COUNTRY ANCHOR

**The development of each IP requires an institutional anchor or lead to drive and sustain the process.**



### SELECTION

To ensure collegial engagement, the Steering Committee should select and validate the Anchor institution. The latter should:

- 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

The Anchor institution has the following 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.

#### Box 3: Anchor selection for an investment prospectus pilot in India

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

Developing an IP requires a specific combination of expertise and skillsets that includes:

- **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

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

- 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.

Box 4: Options for Investment and/or financial solution structuring proposed by SAFIN IPs

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; and 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; and 3. A patient investment fund to finance coconut production activities.

# 4

## IMPLEMENTATION PROCESS

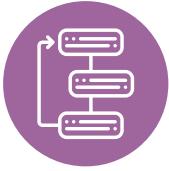
### C | STRUCTURING AND IMPLEMENTATION OF THE SELECTED SOLUTION

**Once the prospectus has been validated, participating stakeholders select the opportunity they wish to pursue individually or in collaboration.**

Specific activities, as well as a timeline for structuring and deployment of a particular financial or complementary solution, are designed accordingly on a case-by-case basis.

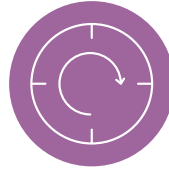
Nevertheless, a number of general considerations apply, including:

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 re-designs 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.



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

Each IP must align its focus on country priorities and support governments to realize their visions and financing plans for sustainable food systems.



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

Constituency building and analytical work can take significant time, which can present trade-offs with the time sensitive nature of investment opportunities.



**Fostering partner alignment requires constant attention and flexibility.**

While actors may engage in an IP process based on the relevance of their programmatic work at a given time, this may change during the process, which requires flexibility on the part of the Anchor and of other partners. Alignment of interests also requires active and adaptable engagement of diverse business models and interests.



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

The IPs need to use a language that speaks to the finance, agriculture, and development communities – a common language that is currently missing. This requires creativity, clarity, open dialogue, and early identification of possible misunderstandings.

**Notes**

1. For the purpose of this document, agri-SMEs targeted by the IPF are understood to include farmer organisations and cooperatives, as well as small commercial farms.
2. Africa Agriculture Status Report 2019: The Hidden middle – A Quiet Revolution in the Private Sector Driving Agricultural Transformation, Alliance for a Green Revolution in Africa (AGRA).
3. The characteristics typically limiting access to finance for agri-SMEs include fragmentation, small size, informality, poor asset base, and limited management capabilities.

# SAFIN SCOPING ANALYSIS REPORT STRUCTURE

Section	Items	Description
<b>Section 1 Introduction</b>	<ul style="list-style-type: none"> <li>• Purpose and focus of the scoping analysis</li> <li>• Overview of the analysis' originator and stakeholders</li> <li>• List of definitions applied (e.g. SMEs)</li> <li>• Executive Summary</li> </ul>	Rationale for the scoping analysis and key actors, definitions & concepts related to its framing and development.
<b>Section 2 Country Overview</b>	<ul style="list-style-type: none"> <li>• <b>Country description:</b> Key economic drivers, trends, and indicators (overall and specific to agriculture)</li> <li>• <b>Financial sector overview:</b> Financial ecosystem, including regulatory framework, challenges, and gaps related to agri-food investment</li> <li>• <b>Financial sector mapping:</b> Key actors, products, and services targeting value chains and/or food systems</li> <li>• <b>Key partners &amp; government mapping:</b> Priorities, plans, and strategies related to value chains and/or food systems</li> </ul>	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.
<b>Section 3 Sector Overview</b>	<p>For each value chain or food system</p> <ul style="list-style-type: none"> <li>• <b>Sector overview:</b> Key economic drivers, trends, and indicators; Sector potential for transformative change</li> <li>• <b>Sector mapping:</b> Key actors and activities</li> <li>• <b>Access to finance:</b> Key gaps and challenges, as well as emerging innovative financing solutions</li> <li>• <b>Opportunities for investment:</b> Key areas identified as having potential for transformative change, where investment / financing solutions are not explored or supported</li> </ul>	Overview of: sector dynamics and the actors driving them; assessment of the gaps and challenges related to access to finance; areas with potential for transformative change.



# SAFIN INVESTMENT PROSPECTUS DOCUMENT STRUCTURE

Section	Items	Description
<b>Section 1 Introduction</b>	<ul style="list-style-type: none"> <li>• Purpose and focus of the prospectus</li> <li>• Overview of the prospectus' originator and other relevant stakeholders (e.g. Anchor)</li> <li>• List of definitions applied (e.g. SMEs)</li> <li>• Theory of change diagram and vision</li> <li>• Executive summary</li> </ul>	Rationale for the prospectus, and key actors, definitions & concepts related to framing and development.
<b>Section 2 Overview of Scoping Report</b>	<ul style="list-style-type: none"> <li>• Brief summary of the scoping report as related to the value chain and/or food system, including:               <ul style="list-style-type: none"> <li>• Country overview</li> <li>• Sector overview</li> <li>• Description of key gaps and challenges, and area(s) of opportunity in the prospectus</li> </ul> </li> </ul>	Grounding for the prospectus development within the analysis & findings of the scoping report.
<b>Section 3 Mapping of Key Actors</b>	<ul style="list-style-type: none"> <li>• Mapping of actors specific to the opportunities:               <ul style="list-style-type: none"> <li>• Public, private, development sector actors</li> <li>• Describing their current activities, as well as relevant relationship and/or dependencies</li> </ul> </li> </ul>	Review of the key actors and activities to identify synergies and/or involvement with the collaborative action.
<b>Section 4 Financial Ecosystem</b>	<ul style="list-style-type: none"> <li>• Financial ecosystem specific to the opportunities:               <ul style="list-style-type: none"> <li>• Relevant financial actors from the public, private, finance, and development sectors</li> <li>• Relevant products, instruments, and initiatives</li> <li>• Specific challenges</li> <li>• Quantify addressable gaps</li> </ul> </li> </ul>	Review of the financial ecosystem to determine key gaps and challenges the proposed collaborative action will address.
<b>Section 5 Opportunities for Investment and/or Coordinated Action</b>	<ul style="list-style-type: none"> <li>• Opportunities for investment and/or coordinated action:               <ul style="list-style-type: none"> <li>• Detailed description of the opportunities and desired outcomes, including business case and cost-benefit analysis</li> <li>• Design and structure of the proposed investment / financial solution</li> <li>• Proposal of specific actors, their roles and contributions, to involve directly or partner with (including lead coordinator)</li> <li>• Proposed next steps for design and implementation, including timeline and milestones</li> </ul> </li> </ul>	Detailed description of the opportunities and the investment and/or financial solution proposed to address it. Also includes the next steps for solution design and implementation.

