

AMEA Annual Learning Event



AGRA

Sustainably Growing
Africa's Food Systems

RK- FINFA BDS Proposals

How RK-FINFA is innovating around
segmentation and tailored BDS

There is discrepancy between the capital and capacity on offer for the agricultural sector and that needed to catalyze agricultural transformation. Under RK-FINFA we intend to adopt

- Specialized, flexible, demand-driven, cost-shared, on-the-ground Business Development Services for agri-businesses, financial institutions and farmer organizations.
- Need for more pre-investment BDS to build a pipeline of investment-ready Agri -SMEs;
- Need for Mechanisms to share costs between BDS recipients and facilities—but also making available grant funding for necessary TA linked to finance, as cost-sharing will be incremental.
- Improved co-ordination and standard setting for BDS linked to finance for agriculture preferably housed sustainably in a recognized organization, rather than a transient project.

BDS need to have clear objectives and monitor achievement of these objectives.

- pre-investment or post-investment? work with agri-businesses? focus on the size and stage of development of the companies? Will it provide core business support or inclusive business TA? Will it be available for investees only or more widely?
- What of financial institutions, cooperatives and/ or other actors?

Cost sharing is important. Fully Grant-funded TA brings a risk of neutral or even negative financial additionality. If fully grant-funded BDS is used to reduce the operating costs of the investment fund (through developing pipeline, carrying out due diligence or increasing the return on investment) beyond what is necessary to crowd in non-concessional funds, then financial additionality is reduced.

Models that RK-FINFA will explore include:

SCOPE insight assessments.

The scores give a quick overview of the general strengths and weaknesses the business or organization with insights in risks and opportunities in the due diligence process.

The tools offer :

- **Measurement tools:** Measure professionalism and get insight into SME needs and opportunities.
- **Capacity building:** Empower organizations to become more professional and ready for market linkages.
- **Program and partnership management:** Integrate successful work standardization in your programs and partnerships.
- **Feedback and lessons:** Learn what works and what doesn't, communicate your results and successfully scale. Benchmarking data can help segment farmer organizations to make better informed decisions.

FIs Use the data for the pre-due diligence information request to agri-SMEs, reducing the costs and time it takes to identify and assess potential investments.

- SMEs provide data during preparation for finance, understanding what information lenders commonly request and saving time.

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