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Overview

Launched in 2010 by the G20 in response to the 2007-08 food price crisis, the Global Agriculture and Food Security Program (GAFSP) is recognized as a key global financing vehicle for catalytic investments across the entire agriculture value chain. To date, GAFSP’s US$1.7 billion portfolio is comprised of US$1.3 billion in grant financing to public sector investments (62 projects in 39 countries), US$17 million for the Missing Middle Initiative (MMI) pilot to support Producer Organizations (POs) (five projects), and approximately US$416.50 million in private sector investments (66 investment projects in 27 countries). GAFSP is active in more than 45 countries, with 64 percent of funds allocated to projects in Africa with other projects located across Asia, Latin America, and the Middle East. Since 2010, GAFSP-financed projects have benefitted more than 16 million smallholder farmers (including 6.3 million women) and their families. GAFSP serves as a complementary, additional source of financing that leading development agencies, as Supervising Entities (SEs), can use to complement or extend their financing to respond to country and client needs on the ground.

In April 2019, the GAFSP Steering Committee approved a revised operational model (GAFSP 2.0). This restructuring of GAFSP aimed at further enhancing synergies across GAFSP’s public and private sector activities. The two main tracks under GAFSP 2.0 are:

- **Business Investment Financing Track (BIFT)** through which GAFSP will offer concessional/blended financing targeted to small and medium enterprises (SMEs) in target countries, through a partnership broadened to those SEs that have private sector investment arms or departments.
- **Grant-Based Financing Track (GBFT)** through which GAFSP will offer grants to:
  - **Countries**: Support countries’ strategic national agricultural and food security investment plans considering the countries’ current situation and needs.
  - **POs**: Building on the MMI pilot experience that focused on enhancing access to finance for POs, GAFSP 2.0 widens the scope to a wider range of activities and offers small grants targeted to PO-led projects proposals. This financing track provides financial support to smallholder farmers and strengthens the capacity of POs by providing them with funding and capacity building to better serve their communities.

MMI Background

To respond to smallholder farmers’ unmet demand for agricultural finance, estimated at US$450 billion, in 2016, GAFSP launched the MMI pilot under its Public Sector Window. On top of responding to financial needs, the MMI also aimed to respond to the recognition that when smallholders are viewed as just beneficiaries and not partners, the focus of these interventions is limited to basic farmer welfare and subsistence rather than supporting them thrive. Building on this assumption, the MMI goes beyond the limited “welfare beneficiary” approach and empowers smallholders to serve their communities directly, and it does so by enabling, developing, and strengthening their own autonomous farmers’ and producer organizations (FOs and POs). Following a farmer-first approach, the pilot projects were conceptualized by the POs themselves. Together with their selected SEs partner, they continue to lead the projects through implementation.

The MMI pilot includes five projects, totaling approximately US$17 million in small-scale grants. The projects started implementation in 2018 across Bangladesh, Mali (x2), Senegal, and East Africa (Rwanda and Uganda) and are expected to close by the end of 2022.
Project descriptions

Bangladesh: Increasing Access to Finance for Farmer Organizations

Project implementation began in March 2018. The original grant amounted to US$2.48 million. In September 2020, GAFSP approved an additional US$1.2 million and a one-year extension. The project is led by the Sara Bangla Krishak Society (SBKF), an umbrella organization including 55 FOs mainly in Rangpur and Barisal Divisions, and implementation is supported by the Food and Agriculture Organization (FAO) as the SE. The project’s objective is to enhance access to finance and markets by strengthening their capacities in management, governance, and engagement with agriculture value chains. To date, the project has benefited more than 9,000 people, including 5,000 women. Some accomplishments include improving the FO’s organizational management capacities, generating more than US$12,000 through service fees and profits from a common facility center to produce inputs, mechanization services, and post-harvest operations. And close to 4,000 members have access to funds.

East Africa: Using the e-granary innovative mobile platform to deliver economic services to farmers

Project implementation began in May 2018. The original grant amount is US$2.61 million. In September 2020, GAFSP approved an additional US$478,240 and a one-year extension. The project is led by the Eastern African Farmers’ Federation (EAFF) and supported by the International Fund for Agricultural Development (IFAD) as the SE. The project’s objective is to use the e-Granary mobile platform to deliver economic services to farmers, including brokering commercial partnerships and contracts between farmers, off-takers, and input dealers and providing financial services with low transaction costs. More than 38,000 people, including more than 16,000 women, have registered on the platform. In Uganda, more than 2,600 smallholder farmers have accessed improved and certified agro-inputs through pre-financing arrangements worth more than US$281,000.

Mali: Inclusion of Rural Youth in Poultry and Aquaculture Value Chains

Project implementation began in November 2017. The original grant amounted is US$2.61 million. In September 2020, GAFSP approved an additional US$1.2 million and a one-year extension. The project is led by the association of Professional FOs (AOPP) and the National Coordination Agency for FOs (CNOP), and implementation is supported by IFAD as the SE. The project’s objective is to include rural youth in poultry and aquaculture value chains to create sustainable economic activities, including training in technical, organizational, and financial issues. To date, the project has established five poultry and fish feed production units, as well as pilot demonstration units for poultry, fish farming, and fish smoking. The project also has set up a guarantee fund in the banking sector to provide farmers with the necessary credit to start, run, and expand their businesses; so far, 96 entrepreneurs have received financing.
Mali: Improved Rice Paddy Quality and Quality Cowpea Processing for Improved Nutrition and Increased Farmer Development

Project implementation began in April 2018. The original grant amounted is US$3 million. In September 2020, GAFSP approved an additional US$655,200 and a one-year extension. The project is led by the Société de Coopération pour le Développement International (SOCODEVI), an international NGO, and supported by the World Food Programme (WFP) as the SE. The project’s objective is to strengthen four main rice and one cowpea producer organizations for women, providing direct training to members on production, harvesting, and processing. The project improves organizations’ capacity to offer value-added services to their members, including better tools and training, and set up a credit guarantee scheme in the banking sector. To date, more than 14,000 smallholder farmers have benefited from the project. The project has already established nearly 25 school fields and has provided more than 50,000 people with information on improved production techniques through radio broadcasts. As a result of the project, more than 200 grassroots associations and cooperatives, including 124 women organizations, have access to production and marketing credits.

Senegal: Strengthening rural women’s livelihood for sustainable economic development in the region of Tambacounda

Project implementation began in January 2018. The original grant amount was US$2.48 million. In September 2020, GAFSP approved an additional US$248,000 and a one-year extension. The project is led by two POs, the Association des Producteurs de la Vallée du Fleuve Gambie (APROVAG) and the Fédération Yakaar Niani Wuli (YNW), which together have around 3,000 members. ActionAid Senegal (AAS) is a partner in the project implementation, and it has been working with these two organizations for many years. FAO supports implementation as the SE. The project aims to strengthen rural women’s livelihoods for sustainable economic development by improving agricultural productivity and market access for smallholder farmers. Since its launch, the project has reached more than 1,600 smallholder farmers, of which more than half are women. The grant has provided more than 7,000 Vitro plants to renew planting material in the production areas and has organized training sessions on advocacy to provide women members with tools for land governance and economic empowerment.

Report Objectives

Regularly taking stock of lessons learned is an essential aspect of the MMI pilot. The main objective of this report is to compile the recorded lessons drawn during the implementation of the five MMI projects to date as a follow-up to the 2021 MMI virtual workshop. This will be done by compiling the lessons learned recorded in the second MMI workshop report, semi-annual reports, and portfolio reviews over the four years of project implementation. Moreover, this report is meant to inform the implementation process of the upcoming PO-led track projects under GAFSP 2.0 and provide recommendations to the GAFSP Coordination Unit (CU) to improve the MMI pilot’s implementation during the remaining timeframe. The report is expected to be used among other MMI-related documents by the external consultant in preparing a detailed follow-up report on the MMI pilot experience.
This report is prepared solely based on a desk review by the CU of the MMI project documents, progress reports, portfolio review reports, and the second MMI Workshop report. The second workshop took place in a virtual format on June 23 and July 21, 2021, bringing together the key stakeholders around the five MMI pilot projects to share their experience and provide recommendations on the ways and approaches to be followed to increase the program effectiveness and efficiency.

**Key Lessons Learned**

| Project Design | • The review concludes that the MMI five pilot projects broadly met the objectives identified during the design phase. At the same time, progress on the ground across target countries demonstrates a range of achievements and challenges. These projects complement the traditional GAFSP public sector projects. The experience gained indicates that the MMI approach can practically contribute to addressing the technical and financing needs of over 450 million underserved smallholder farmers worldwide in a more effective way. |
| • Improving farmers’ access to finance has been considered an important investment area for the MMI pilot, among others. This aspect, however, has not been mainstreamed in all five projects’ designs nor substantially materialized in the implementation phase, except in the *Increasing Access to Finance for Farmer Organizations Project* in Bangladesh. |
| • In addition, the GAFSP revised Monitoring and Evaluation (M&E) Plan developed in 2017 lacked clarity on several outcomes the MMI project seeks to achieve, including a lack of clear definition of indicators, verification methodology, etc. This is a key shortcoming of the Results Framework, making it difficult to compare and aggregate project results within the MMI pilot and across other public sector projects for portfolio results. |
| • With the support of different organizations, a sizable number of POs have already been formed in target MMI countries. However, all the POs do not have the same technical, administrative, and governance capacity levels for several reasons – this means that not all the POs are ready to implement projects effectively under the MMI approach. The MMI experience reveals that partnering with capable POs (for example, in the case of Bangladesh) leads to a smooth implementation of planned activities and achieving the desired results, while working with low-capacity POs results in delays and implementation challenges/issues, and thereby poor outcomes. |
| • Setting the right targets and objectives is very important. Unfortunately, the pilot demonstrates that some of the targets were... |
overambitious. In Mali, for example, the IFAD project seeks to set up 900 young poultry or fish farming entrepreneurs, which has proven to be a challenge given the overall market and technical environment. Moreover, while the concept of aquaculture is at the initial stages of development, it still needs significant work to prove its profitability and affordability in the context where the project is operating. Therefore, expecting a PO to independently implement a technically complex project without sufficient technical support seems unrealistic.

**The duration of the five MMI pilot projects was set to three years, while each project works on different topics and agendas in a different context, and some in fragile situations. Given the complexity of the project design, the weak capacity of POs, and significant work required to achieve the desired goals (e.g., increasing farmers’ income, productivity, access to financing), this timeframe is too short and over-optimistic. It could be time-consuming for financial institutions to develop loan products for agricultural purposes, disburse to the smallholder farmers after a background check, and complete the application process – particularly considering financial institutions are hesitant to loan to smallholders and such loan follows the agricultural season with a longer repayment term.**

**There has been little clarity and guidance concerning the implementation arrangements and managing funds between SEs and POs. Each project follows a different model to manage the funds: (i) The direct implementation by FAO in Bangladesh and Senegal; (ii), IFAD in East Africa and Mali use a recipient execution model in which the SE provides supervision, (iii) and WFP in Mali follows a direct implementation approach by an international NGO (with SE supervision). This diversity creates paths that could be further explored if more similar projects were to be financed. While it is too early to conclude which approach leads to the most effective, efficient, and sustainable results, it will be important in the future to more clearly delineate the roles of the various actors involved in PO-led projects.**

| Project Implementation | • The projects aim to achieve several higher-level objectives: i) improve access to finance; ii) improve the managerial, governance, and technical capacity of POs and smallholder farmers; and iii) attract additional private funds from within the agricultural value chain. During the implementation phase, however, little efforts were made to realize these objectives.  
• For smooth and effective implementation, it is important to select partner POs against more objective criteria and ensure readiness for |
implementing the MMI approach. In addition, other prerequisites are necessary for a successful PO-led implementation model, including financial institutions that are willing to work with POs. The pilot reveals that a lack of readiness on the SE parts leads to delays in executing the planned activities. For example, in Mali, the project implementation experienced delays because IFAD had to complete procurement and management procedures and had a challenging time setting a guarantee fund in the banking sector to channel credit to the young entrepreneurs.

• In initial implementation years, the focus was diverted to processes, outputs, and disbursement at the cost of overlooking the bigger picture and adjusting the program activities to the emerging needs, better-coordinating efforts among the partners. The pilot could have also benefited from continued revisions and adjustments of the project’s plans, implementation procedures, and manual, and an early restructuring.

• The implementation phase could have benefited from closer follow-up and exchanges between the SE and POs and other stakeholders in a way that the POs’ autonomy is not undermined. In this connection, more hands-on implementation support, system building, helping the POs put the right governance system in place, etc., could be considered. This engagement could be intensive at the outset with a clear phase-out plan. The three SEs use a different approach to reach the project’s objectives: direct implementation by SE, recipient execution with SE supervision, and direct implementation by international NGO (with SE supervision). Which implementation modality best suits the objectives of MMI and results in successful outcomes? This aspect could be explored further.

M&E

• MMI projects, in general, have shown weak capacity in their results reporting outcomes (e.g., poor record of the six-monthly progress reporting) except for the project in Bangladesh. When entering midterm phases, it is common that baseline studies are not conducted. Limited efforts in terms of strengthening the POs’ capacity on monitoring project progress were made while a learn-by-doing approach was adopted. It is also unclear whether and to what extent the M&E data were used for the project’s decision-making-making and midcourse correction.

• In 2017, a revised GAFSP M&E Plan was developed, which was less relevant to the MMI projects’ needs. This plan covers activities for large-scale investment projects, while MMI deals with the capacity development of POs and supporting smaller investments demanded by the PO members. If it is mainstreamed in the future, it needs to
Suggestions and Recommendations

1. The five MMI pilot projects have produced mixed but interesting results. The key takeaway is that working through POs not only reduces transaction costs and the delivery timeframe but it leads to greater ownership, impact, and, more importantly, direct interactions among market actors and beneficiaries along the value chain. In the meantime, it is has proven to be a highly challenging and resource-requiring approach that involves intensive work during the preparation, design, and implementation phases. The pilot has generated a rich set of lessons that should be strongly advocated during the design and implementation of the next phase of GAFSP 2.0’s PO-led track as well as the BIFT.

2. The GAFSP CU, SE, and PO partners need to work together more closely to develop tools and systems that ensure the project’s higher-level objectives are not only achieved but achievements are properly recorded and communicated. In this regard, the CU needs to ensure that the project’s goals and objectives are clear and well understood without any ambiguity by all the actors/partners. A clear structure and system are in place to enable smooth and adequate forward and backward reporting. The project development objective needs to be developed in a participatory manner where POs, as the primary entity responsible for results, have the leading role while the SE subject matter expert provides technical assistance. The PO must understand the high-level objectives of the project and own them.

3. The MMI uses selection criteria for PO partners, yet the process seems to have defects leading to the selection of inexperienced POs in some cases. The process could be more systematic following predefined PO selection criteria, more verifiable means, and exercising an appropriate level of due diligence. For example, many POs meet the selection requirements on paper, but an in-depth background check of PO and key members (experience with relevant projects, record of training, financial statements) will mitigate the potential risks of governance and poor management of resources. This does not mean weak POs should be excluded from the process, but POs should be supported through other programs to meet certain benchmarks before applying for support.

4. Regarding project timeframe, the MMI pilot rightly proves that an implementation period of three years is not sufficient for achieving the ambitious goals set by MMI. More implementation time will be needed for a PO to be at the MMI target capacity level and meet the requirements to access finance, address governance issues, and bring in private capital, depending on the overall country setting and enabling infrastructures. Therefore, the MMI project’s timeframe should be tailored to the technical and administrative needs of planned activities while considering the PO readiness and absorption capacity. That said, all the activities and preconditions necessary for the
actual groundwork should be properly identified and factored in the project’s timeframe and should be factored into the design phase instead of requesting a series of project closing extensions.

5. While the SEs may continue to use their own implementation guidelines and systems, as has been the case under the pilot MMI implementation phase, the implementation process could benefit from harmonized implementation and guidelines on common and cross-cutting implementation aspects, including implementation process, supervision arrangements, M&E, and data collection mechanisms. The guidelines should reflect the agreed operational procedures from the entry point to identification, design, planning, and approval, drawdown of funds, accountability and reporting, record keeping, closure, and monitoring.

6. The MMI project design, Result Framework, and CU M&E requirements need to be aligned. Key indicators must be clearly defined, and data collection tools, methodology, and systems must be introduced and agreed upon among the project partners (SE, POs, beneficiaries). The reporting on key results indicators needs to be made as a part of the SE and PO contractual obligations.

7. As the MMI pilot projects approach their final years of implementation, with many pending issues and actions around implementation, reporting, and M&E, it is important to ensure the project achievements are reviewed against the agreed targets of each result/ outcome indicator, evaluated, and recorded and pending M&E issues are satisfactorily resolved. In this regard, the CU could ramp up its engagements with the SE and ensure that SEs are closely working with the partner POs to: (i) timely assess the status of each project in terms of M&E capacity, progress, and issues to be addressed; (iii) provide clear guidance on the reports expected to be produced and data to be collected; (iii) orient the stakeholders on the higher-level objectives (PDO) and data collection methodology; and (iv) monitor the M&E function more closely to ensure timely feedback and action.