



# SMALLHOLDER RESILIENCE FUND

**CLIMATE FOCUS:** SUSTAINABLE AGRICULTURE AND LAND USE

**GEOGRAPHIC FOCUS:** AFRICA

**INVESTMENT TYPE:** GRANTS, CONCESSIONAL, COMMERCIAL

**PROPONENT:** ONE ACRE FUND (1AF)

Africa's smallholders represent the largest climate-vulnerable population on the planet. Their livelihood is entirely reliant on the environment, extremely vulnerable to even minor changes in temperature or rainfall. As a result, climate change threatens to have devastating humanitarian and ecological consequences.

Building climate resilience for these farmers requires a massive improvement in Africa's agricultural value chains. Adopting climate-smart, high-value crops improves smallholder resilience; however, underfinanced value chains limit their access to the inputs and markets they need to shift away from staple crops that are vulnerable to climate change. Commercial banks see African agricultural SMEs as too risky, driving a USD 65 billion investment gap that prevents best-in-class SMEs from emerging and scaling.

The Smallholder Resilience Fund (SRF) is a blended investment fund and supporting venture studio that deploys synchronized investments and technical assistance across entire agricultural value chains of high-value, climate-smart crops to support smallholder farmers.

## INNOVATION

A value chain is only as strong as its weakest link; thus, the SRF will address multiple market failures simultaneously.

SRF's synchronized approach will increase capacity at each link of a given value chain and create profitable opportunities for smallholders as they transition to climate-resilient crops. The approach will consist of:

1. Aggregating smallholder production via 1AF's client base and rural infrastructure.
2. Deploying capital to established SMEs in the chain, alongside technical assistance to de-risk investments.
3. Where investment-ready SMEs do not exist, designing and launching new SMEs via a venture studio to fill market gaps.

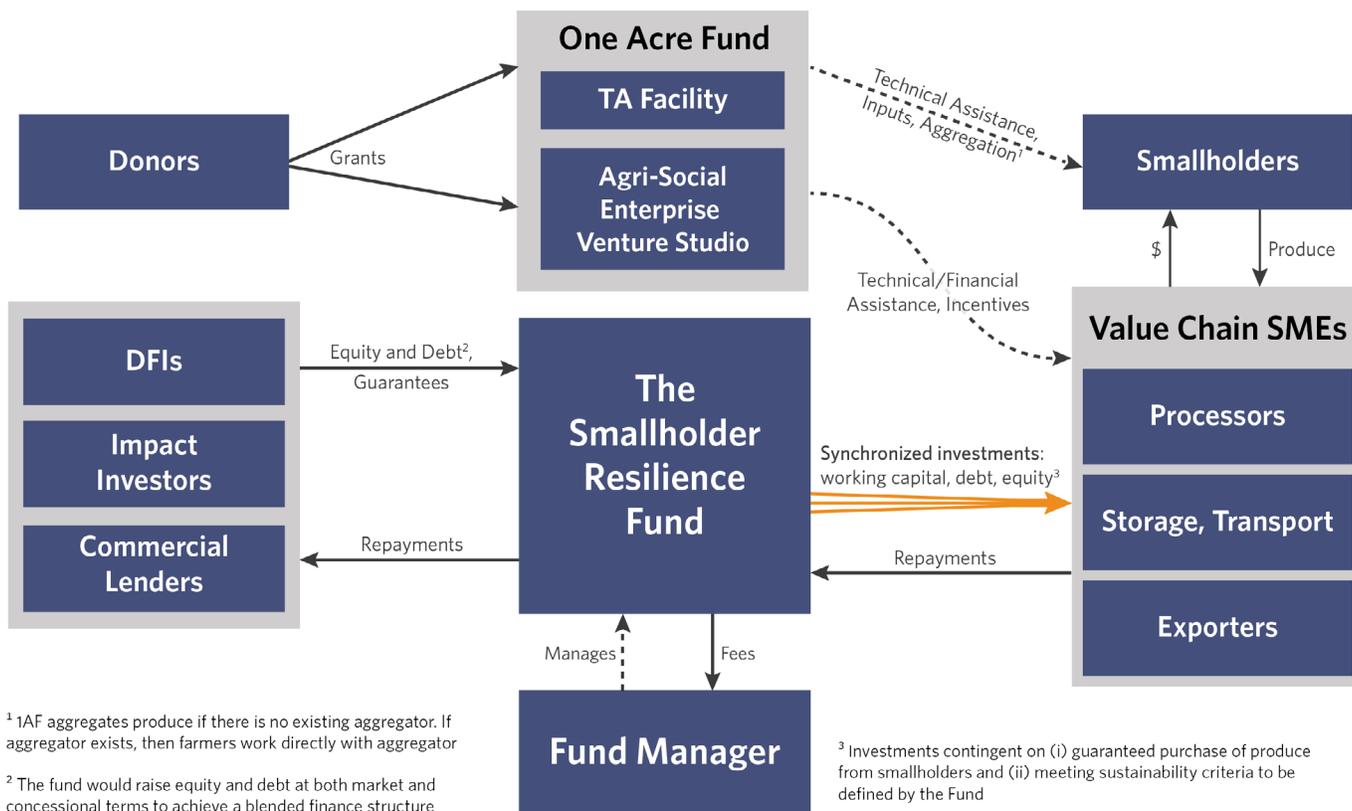
## IMPACT

Improved value chains will expand smallholder access to quality inputs, training, processing, and market opportunities for high-value and climate-resilient crops. These crops restore nutrients into depleted soils and enable farmers to achieve sustainable yields and profits, bolstering their resilience to climate change. Further, the millions of new trees planted via the SRF will sequester CO<sub>2</sub>, helping to mitigate climate change. In the pilot phase, the SRF seeks to prove its ability to de-risk the Rwanda avocado value chain and thereby encourage more private sector investments into SMEs in subsequent years.

## DESIGN

The synchronized investment strategy ensures coordination between SMEs along a value chain, which also reduces investment risk. It also addresses each market gap to ensure that farmers have access to the inputs and markets they need to profitably adopt climate-resilient crops.

Targeted SMEs include input suppliers, processing companies, supermarkets, and exporters. The SRF will target SMEs that require between USD 0.25-2 million, offering a combination of equity, working capital, mezzanine debt, and senior debt.



<sup>1</sup> IAF aggregates produce if there is no existing aggregator. If aggregator exists, then farmers work directly with aggregator

<sup>2</sup> The fund would raise equity and debt at both market and concessional terms to achieve a blended finance structure

<sup>3</sup> Investments contingent on (i) guaranteed purchase of produce from smallholders and (ii) meeting sustainability criteria to be defined by the Fund

New investment-ready businesses will be launched from an agri-SME venture studio to fill value chain gaps, such as marketing smallholder produce to international buyers that demand sustainably and ethically sourced products.

To ensure farmers remain the ultimate beneficiaries, the fund will only invest in SMEs that can obtain premium pricing for crops and pay fair prices to farmers.

### TEAM

**AYANDA MNGADI**  
IAF CFO

**ERIC POHLMAN**  
IAF RWANDA COUNTRY DIRECTOR

**MILINDI SIBOMANA**  
IAF RWANDA INNOVATIONS DIRECTOR

INVESTMENT OPPORTUNITIES			
PHASE	CAPITAL TYPE	AMOUNT	ROLE OF CAPITAL
PILOT TO EXPERIMENT AND DE-RISK	Grants (Foundations and other donors)	USD 2.0 MN (SRF)	SRF and venture studio start-up and operating costs
		USD 2.2 MN (VENTURE STUDIO)	Technical assistance
			Blended debt, equity, and working capital in new and existing SMEs
<b>TOTAL PILOT</b>		<b>USD 4.2 MN</b>	
AT SCALE	Grants (Foundations and other donors)	USD 5-10 MN	Ongoing technical assistance for SMEs and smallholders, venture studio operating costs
		USD 20-40 MN	Synchronized investments in subordinated debt, equity, and working capital
		USD 30-60 MN	Synchronized investments in senior debt, equity, and working capital
<b>TOTAL AT SCALE</b>		<b>USD 55-110 MN</b>	

The Global Innovation Lab for Climate Finance identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development. The Lab is funded by the Australian Department of Foreign Affairs and Trade, Bloomberg Philanthropies, the German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety (BMU), GIZ, the International Fund for Agricultural Development (IFAD), the Netherlands Ministry for Foreign Affairs, The Rockefeller Foundation, Shakti Sustainable Energy Foundation, and the UK Department for Business, Energy & Industrial Strategy. Climate Policy Initiative serves as Secretariat.