



**Mid-Term Review
IDH Farmfit Fund**

Volume I
Final Report

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Disclaimer

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Acronyms

| | |
|-------|---|
| BII | British International Investment |
| CAPEX | Capital expenditure/Capital expense |
| CDC | Commonwealth Development Corporation |
| CDI | Côte d'Ivoire |
| CP | Client Protection |
| CSR | Corporate Social Responsibility |
| DAC | Development Assistance Committee |
| DAP | Development Action Plan |
| DEG | Deutsche Investitions- und Entwicklungsgesellschaft mbH |
| DFCD | Dutch Fund for Climate and Development |
| DFI | Development Finance Institution |
| EM | Evaluation Matrix |
| ESAP | Environmental and Social Action Plan |
| ESG | Effective Environmental, Social, and Governance |
| ESMS | Environmental and Social Risk Frameworks |
| ET | Evaluation Team |
| FEAV | Flow Equity Africa Ventures |
| FFF | Farmfit Fund |
| FGF | Farmfit Guarantee Facility B.V. |

| | |
|-------|--|
| FMO | Dutch Entrepreneurial Development Bank |
| GAFSP | Global Agriculture and Food Security Program |
| GAP | Good Agricultural Practices |
| GHC | Ghana Cedis |
| GIIN | Global Impact Investing Network |
| GIP | General Investment Policy |
| IBA | Inclusive Business Analysis |
| IDD | Impact Due Diligence |
| IFC | International Finance Cooperation |
| IFI | International Financial Institution |
| ILO | International Labor Organization |
| IRR | Internal Rate of Return |
| KPI | Key Performance Indicator |
| KYC | Know Your Customer |
| MFA | Ministry of Foreign Affairs of the Netherlands |
| NPS | Net Promoter Score |
| OECD | The Organisation for Economic Co-operation and Development |
| OPEX | Operating Expenses |
| RG | Reference Group |
| RMF | Results Measurement Framework |
| SDG | Sustainable Development Goals |
| SHF | Smallholder Farmer |
| SME | Small and Medium-sized Enterprises |
| TA | Technical Assistance |
| TOC | Theory of Change |

Executive summary

Introduction

IDH Farmfit Fund (IDH FFF) is a blended fund that deploys capital to de-risk investments in smallholder farming. In 2019, IDH launched the IDH FFF to help close the financing gap faced by 270 million smallholder farmers across Asia, Africa, and Latin America. These farmers, who rely on agriculture for their livelihoods, often lack access to long-term finance, a key driver of rural poverty.

IDH FFF goes beyond providing capital. It supports inclusive business models and responsible sourcing through Technical Assistance (TA) to build sustainable, resilient agricultural value chains. Using a blended finance approach, the fund seeks to mobilise investments that would otherwise be considered too risky, helping to de-risk deals and unlock private capital.

The Dutch Ministry of Foreign Affairs (MFA) provided a cornerstone EUR 50 million redeemable grant. This was matched by contributions from Rabobank (EUR 10m), FMO (EUR 12.5m), JDE Peet (EUR 10m), Mondelēz (EUR 7.5m), and Unilever (EUR 10m).

IDH FFF aims to raise incomes for at least 3 million farmers by 50% and generate \$1 billion in farm-level value. It can take the highest-risk position in financing deals, crowding in local and international financial institutions, DFIs, impact investors, and MFIs. The fund also generates and shares insights on how to achieve both financial returns and development impact, supporting broader replication and system change. Ultimately, the IDH FFF seeks to create a new mainstream asset class by proving that smallholder finance can be commercially viable, driving rural income growth, economic development, and environmental sustainability without long-term public support.

Evaluation purpose and methodology

Commissioned by MFA, this mid-term review provides an early-stage assessment of IDH FFF implementation, using a theory-based, mixed-methods approach to evaluate progress, identify areas for improvement and provide recommendations both for the current investment period and for future funds and related initiatives. Serving a dual purpose of accountability and learning, the review focused mainly on the set-up and governance of the Fund, internal policies, operational effectiveness, cost structure, and internal and external dynamics. It addresses 14 evaluation questions, aligned with OECD-DAC criteria¹, employing desk reviews, portfolio analysis, four case studies and interviews with IDH FFF staff, corporate lenders, investee companies, co-investors and industry experts (32 in total). Data were systematically analysed and triangulated, with findings validated in a stakeholder workshop that contributed to developing actionable recommendations.

Findings

Fund Structure and Objectives

The IDH FFF was created with dual objectives: (1) directly improving smallholder farmers' (SHFs) livelihoods through investment in SHF-inclusive SMEs and financial institutions; and (2) proving such investments can yield attractive returns, to mobilise mainstream capital and help establish SHF-inclusive investing as a new asset class.

The Fund was established with a unique structure, with 50% of its funding (€50 million) provided as a redeemable grant from the Dutch MFA. As described above, the remaining funding comes from five corporate lenders: one Development Finance Institution (DFI), one private financial institution, and three major multinational corporations involved in agricultural commodity exports. IDH FFF was initially designed to source investments

¹ Given the early stage of the IDH FFFs investments, the impact and sustainability criterium have not been covered in this mid-term review.

from the commodity sectors where these corporate lenders operate, including within their supply chains, while also hoping to positively influence their sourcing behaviours to benefit SHFs.

To ensure additional capital mobilisation, the Fund was limited to 30% of the total deal size for the investments it makes, which was later increased to 50% for all transactions smaller than EUR 10 million (These transactions account for most of the IDH FFF portfolio).

Investment Progress and Additionality

After a slow start, at the end of 2024 the Fund has made 15 investments totalling €33.4 million, leveraging €100 million in co-investments, and is expected to be mostly invested in 2025 and fully invested in 2026. All investments align with the Fund's mandate and are considered additional, with the majority being financially additional. As well as investing where others would not, financial additionality is derived from the Fund's ability to offer favourable terms, such as extended loan tenors, grace periods, and subordinated debt positions, which attract co-investment. Equity capital is particularly scarce in the markets the Fund operates in, and its ability to provide equity has been highly additional and, in some cases, catalytic. Where financial additionality is unproven, there were good reasons to make investment due to non-financial additionality², in line with the Fund's General Investment Policy.

The Fund's leverage ratio (3:1) compares well with DFIs and is broadly in line with impact fund peers that also have a concessional capital base. As well as supplying and leveraging investment, IDH FFF has provided valuable non-financial inputs, raising ESG standards, improving impacts with bespoke Development Action Plans (DAPs) and protecting SHFs through the development of agri-specific Client Protection tools, adapted from the financial inclusion sector. While these achievements are significant, they have been constrained by the fact that TA funding committed by the IDH Foundation when the fund was launched has not been delivered at the level envisaged.

Impact and Performance

The Fund is on track to meet its SHF outreach target of 3 million, with 1.185 million SHFs already reached. However, the goal of increasing SHF incomes by 50% is unlikely to be met (See Section 2.2.3). The Fund was originally formulated with the expectation of more investments with the potential to deliver large income increases, particularly in the commodity trader sector. In practice, it did not prove to be possible to source such investments, necessitating a shift in strategy. This was successfully achieved while retaining the original vision of supporting smallholder inclusive businesses. While these are still expected to deliver significant income increases, these are likely to be in the order of 10-20% rather than the original 50% that was envisaged.

In terms of financial performance, the Fund is currently forecasting a gross internal rate of return (IRR) of 5.9%. Once costs are accounted for, net IRR is expected to be negative, though this is a conservative estimate with room for upside. While these returns are respectable in the impact investing context, and in line with historical returns in the agri-SME sector, they are insufficient to attract purely commercial, mainstream investors. Given the sector's inherent "high-risk, low-return" nature, institutional investors seeking 20-25% returns (or DFIs targeting 15-20%) are unlikely to engage without some other reason to do so.

Virtually all stakeholders engaged with as part of this study share the view investors need alternative motivations beyond risk/return to attract them to these kinds of investments. These could be mandates or an impact focus, public regulations that mandate investment as part of their license to operate (as in India), or investments needed to guarantee the sustainability and profitability of downstream activities in companies' supply chains. This indicates that the most plausible sources of capital for the Fund will continue to be DFIs, impact funds, government development agencies (e.g., agriculture banks), and corporates with supply chains linked to SHFs.

² OECD-DAC Definition: Non-financial additionality occurs "in cases where the official sector provides or mobilises, alongside its investment, non-financial value to private sector partners that the capital markets would not offer and which will lead to better development outcomes."

The IDH FFF has played an important role in providing capital in this space and leveraged significant amounts of additional investment. It has also raised the bar in terms of ESG standards and impact focus and introduced innovative new tools on client protection with the potential to become industry standards. The evidence suggests, however, that the characteristics of the sector will remain unattractive to mainstream financial investors, and that concessional and/or risk-absorbing capital will continue to be needed. All the IDH FFF investments have the potential to deliver positive, and often significant impact in terms of increased incomes for smallholder farmers. Achieving transformational change, however, would require a more systematic and strategic approach to investment in our view, based on a systemic analysis of bottlenecks and constraints in individual countries.

Challenges with Investor Alignment, Fund Structure and Pipeline Development

Key challenges for the IDH FFF have been the misalignment of culture with the IDH Foundation, and misalignment of expectations with corporate lenders. Contrary to expectations, the IDH Foundation did not generate a pipeline of "investment-ready" projects, with recommendations not meeting the Fund's investment criteria. This appears to have been the result of a lack of understanding in the IDH Foundation of what is required for a project to be investable. Our understanding is that these cultural barriers to cooperation are reducing and will continue to do so as the IDH Foundation becomes more familiar with the issues involved.

The misalignment with corporate lenders is more fundamental, however. While FMO reports significant value from its participation in the Fund, and Rabobank reports some value-added, this is not the case for the three multinational investors. [redacted]

[redacted] reportedly expected earlier-stage, higher-risk projects aimed at strengthening supply chains by improving SHF capacity and product quality. Such investments would be likely to require significant TA, however, as well as a willingness to accept losses in the short term.

Accordingly, while these corporate lenders did bring investment prospects to the Fund these did not meet IDH FFF's investment criteria. These criteria were explicitly designed by the IDH FFF to screen out overly risky and low-returning investments, which are not feasible within the capital structure of the Fund. One of the primary objectives of the Fund is to demonstrate that commercially attractive investments can be made in this sector, a goal that is incompatible with the types of investments these corporate lenders wish to make. IDH FFF staff also reportedly made considerable efforts to find investments that did meet their criteria, but these were often not of particular interest to its corporate lenders, given their objectives with the Fund.

It is hard to understand how this situation has arisen, as our understanding is that the IDH FFF's investment criteria were discussed during contract negotiations. One explanation may be that agreement was reached at the most senior level within the corporations but did not percolate down to those actually engaging with the Fund. With staff turnover another possible explanatory factor. Whatever the reason, there has clearly been a major problem with communication at some point between the IDH FFF and its corporate investors, which has resulted in them having very different, and incompatible, investment objectives for the Fund.

These problems were made worse by the Fund's structural design, where each corporate investor had its own investment criteria focused on sectors of interest. Each deal had to be individually negotiated and agreed with one of the corporate lenders. This would be difficult in any type of fund, which is why these types of structure are not used in the financial sector. It should be noted that the structure was not proposed or favoured by the IDH FFF or MFA but proved to be necessary to bring the corporate investors on board. When combined with the misalignment of investment expectations discussed above, however, a situation was created where investment decisions were inevitably complex and time-consuming.

Strategic Reflections and Way Forward

While the IDH FFF is unlikely to meet the most ambitious goal it set itself of catalysing a new mainstream asset class for smallholder-inclusive investments, it has managed to construct a quality portfolio, despite facing major

structural limitations and external challenges, such as COVID-19, Russia's invasion of Ukraine and other geopolitical disruptions. While the sorts of returns that commercial investors would look for may not be attainable, the IDH FFF is demonstrating that positive financial returns can be achieved through investments that also generate meaningful impacts for SHFs. The Fund's ability to leverage private capital, raise ESG standards, introduce new Client Protection tools and provide non-financial support has also contributed positively to the agri-finance sector.

Its experience has also generated, and will continue to generate, significant learning for the development of future funds and supporting interventions in the sector.

Recommendations

The recommendations are organised in the following OECD/DAC categories: relevance, coherence, effectiveness and efficiency. Within these headings they are then split into two groups. First, we make recommendations of what IDH FFF, and in some cases the MFA, can do during the remaining investment period. Second, recommendations are made for the development of future funds and related initiatives.

1. Relevance

R1. During the current investment period

A

Directed at: IDH FFF

› **Consider whether there is value in increasing the use of guarantees, and other mechanisms to incentivise the participation of local financial institutions, in markets with limited liquidity (Conclusion 1.8)**

› **Eliminate the 30/50% limit to enable investments in smaller ticket sizes**, and develop closer relationships with funds and other organisations operating at more grassroots SHF level to enhance links with IDH FFF-funded companies and strengthen impacts for this key target group (Conclusion 1.6, 1.9)

R1. For the development of future funds and related initiatives

B

Directed at: IDH FFF

› **Maintain and expand flexibility with respect to instrument use**, including local currency finance if possible (Conclusions 1.1 and 1.7).

Directed at: MFA

› **Prioritise the supply of local currency financing**, either through formal partnerships with local financial institutions or through exploring new FX swap arrangements, such as those recently pioneered by the Inter-American Development Bank in Brazil. One option would be to work with the African Development Bank (AFDB) to adapt the approach (Conclusion 1.7).

› **Be explicit that risks can be taken**. Having time-limited closed funds without an explicit mandate that accepts funds may be lost in a high-risk portfolio of innovative investments results in a fund management with limited risk-taking (Conclusion 1.8).

› **Include a separate investment window in fund structures to enable smaller, riskier lending** that could then select and incubate SMEs for graduation to access the main fund. It needs to be understood and accepted that such incubation will be costly and funds' business models structured

to accommodate this without adversely affecting the financial position of the main fund. *(Conclusion 1.6).*

2. Coherence

R2. During the current investment period

A

Directed at: IDH FFF and IDH Foundation

› **Deepen learning between the IDH Foundation and the Fund**, including secondments of key staff to understand the realities of the investment process better *(Conclusion 2.1).*

› **Ensure the TA funds originally committed to IDH FFF are supplied** (at least partly, considering the global ODA reductions) and decision making about the TA is ringfenced in IDH FFF *(Conclusion 2.2).*

Directed at: IDH FFF and MFA

› **Explore whether there is scope to modify the terms of a portion of MFA funding to fully grant funding, or a partly revolving model, such as used in some FMO-managed government funds.**

This could be used to establish a separate investment window with different investment criteria.

Directed at: IDH FFF, MFA and Corporate Lenders

› **Convene an open, frank, facilitated discussion** on how to make the best use of the existing structure and funds during the remaining investment period *(Conclusions 2.9).*

R2. For the development of future funds and related initiatives

B

Directed at: IDH FFF

› **Ensure all investors are aligned with fund strategy**, and this is understood throughout their organisations rather than agreed at CEO level only *(Conclusion 2.9).*

Directed at: MFA

› **Be more actively involved in the design of funds in which MFA invests** and structure the terms of MFA financing to support the realisation of intended outcomes *(Conclusions 2.8 and 2.9).*

3. Effectiveness

R3. During the current investment period

A

Directed at: IDH FFF

› **Deploy the remaining funds across a diverse set of investees to maximise learning about what works, in which contexts, and under what conditions.** Taking calculated risks, even at the expense of lower financial returns, is justified if it generates valuable evidence to inform the design of future funds. The Fund's long-term value lies in building this foundational knowledge for the sector

(Conclusion 3.3).

› **To improve the understanding of income changes among SHFs, IDH FFF could collect primary quantitative income data through short, targeted End-Beneficiary Focus Studies.** These would validate information on yields and income effects while clarifying who can truly be considered a beneficiary. At the same time, the linked methodology developed by IDH and AKVO, now more modular and adaptable, should continue to be piloted, including in endline measurements. Comparing baseline and endline data, together with clear documentation of change processes and IDH FFF's contributory role, will help build a credible, evidence-based contribution story. (Conclusions 3.10-3.11).

› **Focus on the expansion and sector-wide adoption of key tools developed by the Fund,** especially the Client Protection tool, as well as the broader use of ESAPs and DAPs (Conclusion 3.7).

R3. For the development of future funds and related initiatives

B

Directed at: IDH FFF and MFA

› **Conduct deeper research into structural constraints within specific sectors or regions to better understand the types of financial support needed to mobilise local capital for SMEs.** This insight can help build a stronger, more targeted pipeline of potential investees within those geographies or value chains (Conclusion 3.10).

› **Piloting a one-time survey two years after investment, combining quantitative and qualitative data to assess impact.** The survey would use "AKVO"-style questions, asking farmers to reflect on changes in yields, income, and livelihoods, and the company's role in these changes. Responses can be triangulated with secondary data (yields, prices, modelling, etc.) to estimate income gains. A heterogeneous sample across clear and "grey zone" beneficiaries helps capture varied exposure and impact.

› **Given the critical role of local currency financing, greater attention should be paid to the use of hedging instruments, which would need to be subsidised a by grant financing, and enabling mechanisms to encourage local banks to lend, such as blended finance, risk mitigation tools (e.g. guarantees), and equity investments in SMEs.** These approaches could help attract local banks, which currently have limited incentives to lend to agriculture due to higher returns in other sectors (Conclusion 1.7).

Directed at: MFA

› **Building on the research into structural constraints, consider complementary activities that could support future funds.** These may include supporting public sector policies such as mandatory lending requirements (e.g. as seen in India) or promoting innovations to mitigate risks, including FX risk, that currently limit local financing for agri-SMEs.

› **Include end-beneficiary focus studies in the end-line evaluation to strengthen qualitative evidence and provide a deeper understanding of the changes experienced by final beneficiaries.** These focus studies would help validate reported information on yields and income effects, while also assessing the appropriateness of the company's definition of reach.

4. Efficiency

R4. **During the current investment period****A**

Directed at: IDH FFF

› **In deploying the remaining funds, the Fund should adopt more flexible return expectations.**

The focus on sourcing investments that can attract commercial investors is likely to exclude investments in the many high-impact companies that can deliver solid, but lower, returns. A more flexible approach would help the Fund to support a broader range of impactful businesses and generate a richer and more diverse set of lessons on how to invest in an impactful way in the sector, maximising benefits for SHFs (Conclusions 3.3 and 3.6).

› **The Fund should shift the focus from attracting new sources of mainstream finance, to sourcing and structuring investments that align with the interests, return expectations, and risk tolerance of companies and development finance institutions already active in the sector.** These actors may be willing to invest, or increase their investment, in certain SMEs if the Fund absorbs part of the risk (*Conclusion 4.5*).

R4. **For the development of future funds and related initiatives****B**

Directed at: MFA

› **Prevent co-investors having to agree individual investments.** In new funds it would be reasonable to recommend that the Fund does not have to negotiate each investment with each co-investor individually but just follows its internal processes and procedures as one sole fund where money is fungible.

› **Future funds should be designed with characteristics that are important for the plausible long-term investors in SHF finance** – those with a mandate to invest in the sector, and expect rates of return that are realistic for the agricultural sector, and have or an existing clear commercial incentive as is the case with agricultural supply chains, for example (*Conclusion 4.5*).

1. Introduction

1.1. IDH Farmfit Fund in brief and evaluation objectives

In 2019, IDH established the IDH Farmfit Fund to address the financing gap faced by smallholder farmers worldwide, who rely on agriculture as their primary source of income. While limited access to finance is widely recognised as a key driver of poverty among these farmers, the IDH Farmfit Fund aims to do more than just provide capital. It also supports the development of inclusive business models and responsible sourcing practices that promote long-term sustainability and resilience in agricultural value chains.

The Ministry of Foreign Affairs acted as a pillar investor by contributing EUR 50 million as a redeemable grant. This was matched by the investors in the fund: Rabobank (EUR 10 mn.), FMO (EUR 12.5 mn.), JDE Peet (EUR 10 mn.), Mondelēz (EUR 7.5 mn.), and Unilever (EUR 10 mn.). IDH FFF's primary purpose is to raise incomes for smallholder farmers (SHFs) by addressing limited access to long-term financing that 270 million SHFs face across Asia, Africa, and Latin America. IDH FFF does this by employing a blended finance approach to mobilise capital into investments that are otherwise considered too risky or unfeasible. IDH FFF's innovative structure helps to de-risk investments, catalysing increased finance to support sustainable business models and field-level innovations. This collaborative model is designed to demonstrate that smallholder finance can be commercially viable while improving livelihoods, boosting economies, and supporting sustainability. The IDH FFF aims to support the growth of an asset class, that that can drive and amplify these impacts without the need for public support. This (long-term) vision acts as a common goal that helps guide and align the IDH FFF activities, shaping its contribution to a wider ecosystem.

IDH FFF aims to create \$ 1 billion of value at the farm level and increase farmer income by 50% to at least 3 million smallholder farmers. It can take the highest risk position in farmer financing deals and aims to crowd in local and international financial institutions, impact investors, microfinance institutions (MFIs), and Development Finance Institutions (DFIs). Furthermore, it seeks to identify the drivers of both risk-adjusted returns and impacts, generating and disseminating knowledge on these issues to support replication and improved outcomes.

This mid-term review of the IDH FFF offers an initial assessment of the progress made towards delivery of its outputs and intermediate outcomes and whether it is on track to reach its objectives from its inception to date (2019-2024). Serving a dual purpose of accountability and learning, this review provides lessons learned as well as recommendations that provide answers to the Dutch government to refine implementation of IDH FFF to meet its objectives and improve its effectiveness, efficiency, or (potential) impact. To this extent, this review mainly focused on the set-up and governance of the Fund, internal policies, operational effectiveness, cost structure, and internal and external dynamics. The evaluation was commissioned by the Ministry of Foreign Affairs (MFA) and supported by a Reference Group (RG) comprising representatives from the MFA, the IDH FFF, and two external advisors.

The report is organised as follows: Section 1 presents the introduction of the evaluation. Section 2 presents the methodology followed to answer to the Evaluation Questions (EQs). Section 3 presents and overview of the IDH FFF characteristics. Section 4 and 5 present the portfolio review and case studies, respectively. Section 6 presents the findings of the evaluation organised by relevance, effectiveness, efficiency and coherence (4 of the OECD DAC evaluation criteria). Section 7 Presents the conclusions and recommendations, refined and validated after an iterative process with the RG.

1.2. Limitations

The evaluation encountered some methodological challenges, which the Evaluation Team (ET) actively addressed with the support of IDH FFF and MFA. To address the lack of field observations (field visits were out of the scope of the evaluation), the ET conducted 27 interviews with a diverse range of stakeholders, including IDH FFF members, MFA members, co-investors, corporate lenders, and sector experts (see Annex 1). In addition, the team carried out a comprehensive analysis of more than 140 files and documents provided by IDH FFF. This was complemented by a validation workshop held at IDH offices, which helped refine initial findings and address any information gaps.

Given that the IDH FFFs investments are still in the early stages, a proper impact assessment would be premature. While we cannot assess impacts, however, it is appropriate in a mid-term review to give an expert view on the likelihood of achieving income gains, as well as their potential magnitude. To complement this, the ET placed greater emphasis on evaluating relevance and efficiency, while also drawing on evidence from case studies³. Timing has been a persistent challenge since the outset, but the ET prioritised efficiency without compromising standards. The case studies were closely selected together with the IDH FFF based on secondary data which could not be verified for this evaluation.

Overall, the ET successfully mitigated the limitations encountered. The evaluation plan and methodology proved to be robust and valuable, enabling the team to generate the necessary findings and insights to support the evaluation's objectives.

2. Methodology

2.1. Overall approach

The evaluation methodology followed a theory-based approach⁴ that combined both quantitative and qualitative methods, with the aim of answering the EQs (Table 1). The ET sought to assess whether the IDH FFF is fit for purpose in delivering its outputs and intermediate outcomes, as well as to evaluate the extent to which it is on track to achieve its objectives. To ensure robust conclusions and actionable recommendations, all data, evidence, and information collected during the Inception and data collection phases have been triangulated using MaxQDA, in accordance with the validation steps outlined in the Inception report. Additionally, the evaluation supports accountability and learning, adaptive management, and promotes effective use by the intended users.

To ensure a comprehensive assessment, the research and reporting of this evaluation has been structured around four OECD-DAC criteria: relevance, coherence, effectiveness, and efficiency. The ET employed a combination of desk reviews, portfolio analysis, case studies, secondary data analysis and Key Informant Interviews (KIIs) and a sense making workshop with the IDH FFF Team in Utrecht, to gather the relevant insights that provided the answers to the EQs. The research questions are available below and together with the Evaluation Matrix (EM) on Annex 2.

³ Case studies selection was guided by theoretical alignment with the ToC, contribution to results, and geographical and archetypal representation. These criteria support a representative view of the portfolio. Cases were selected in collaboration with IDH FFF, also considering resource and time constraints. In our view, this resulted in a well-balanced selection, with the one potential limitation being the absence of a case study from Latin America. That aside, the selected cases are as representative as case studies can reasonably be, when making a selection that covers a relatively small portfolio.

⁴ A systematic method of evaluation that uses an explicit theory of change to understand how and why an intervention is expected to achieve its intended outcomes.

Table 1: Evaluation Questions

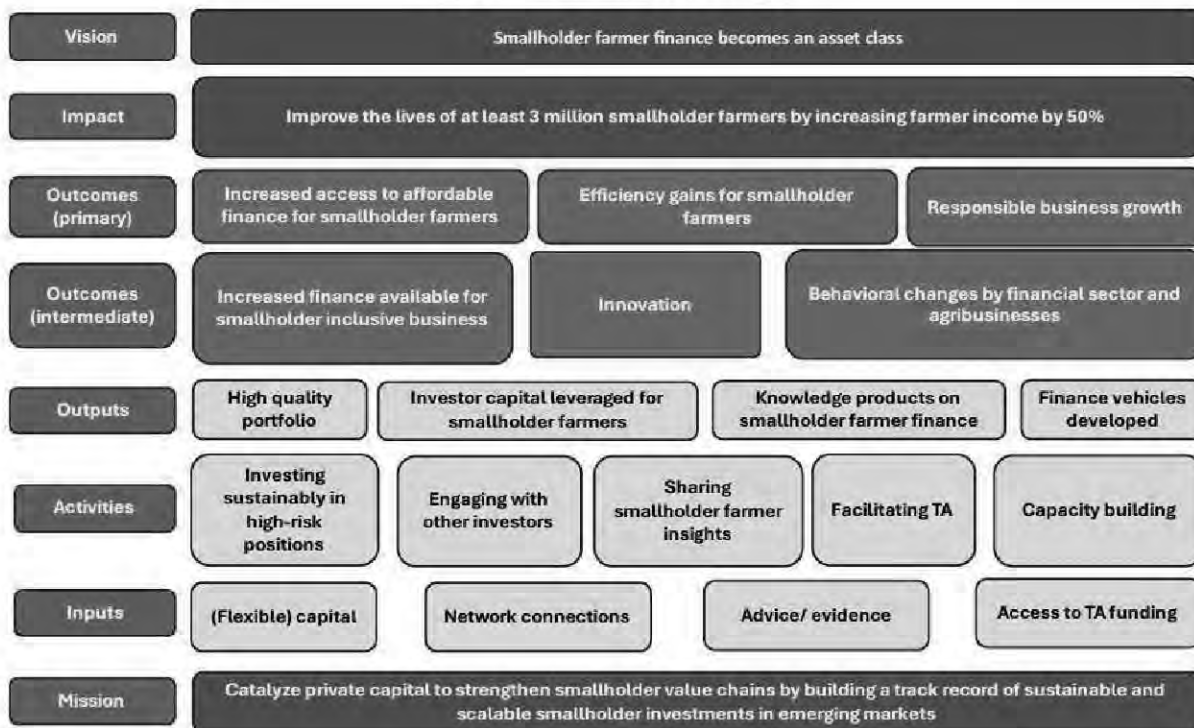
| Evaluation Questions |
|---|
| Relevance |
| 1. Does the IDH FFF adequately address and respond to the needs of Agri-SMEs and smallholder farmers? |
| 2. Is there sufficient demand for funding from the IDH FFF? |
| Coherence & Additionality |
| 3. How well is the IDH FFF aligned with other activities of IDH? Are there duplications of effort and activities? Do the interventions complement each other? Does IDH Farmfit Fund address the financial inclusion needs of IDH projects which focus on developing agribusinesses and smallholder farmers? |
| 4. How well is the IDH FFF aligned with the focus sectors of corporate investors in the Fund? What is the added value (other than financial) of the IDH FFF to these investors? |
| 5. How well is the IDH FFF aligned with and additional to other initiatives and partners supported by the Dutch Ministry of Foreign Affairs (e.g. FMO, Dutch Good Growth Fund, GAFSP)? Are there duplications of efforts and activities? Do the interventions complement each other? What is the added value of the IDH FFF to these and other activities and partners? |
| 6. Is there a role to play for the Ministry of Foreign Affairs to increase coherence? If so, what can the Ministry do? |
| Effectiveness |
| 7. What progress has the IDH FFF made on its outputs and intermediate outcome targets? Is the portfolio of sufficient quality? |
| 8. How effective has the IDH FFF been to date at delivering its output and intermediate outcome objectives? To what extent is the IDH FFF on-track to delivering its primary outcomes? Which strategies have and have not been effective at leveraging investor capital towards smallholder farmers? |
| 9. Are the underlying causal assumptions between outputs, outcomes and impact (targets) correct? |
| 10. Do the annual targets provide the right steering to achieve the overall (impact) targets of the funds? What are the main drivers behind the current under- and over performance of the annual targets? |
| 11. To which extent has the IDH FFF been able to demonstrate that it is possible to combine a double objective of increasing investments in smallholder farming with mobilising private finance for this target group? What are the lessons learned? |
| Efficiency |
| 12. Are the human and financial resources used as planned and appropriately and fully utilised? |
| 13. Is the structure and amount of the remuneration for the IDH FFF appropriate? |
| 14. Are the assumptions behind the financial model realistic? |

Source: ADE own elaboration

2.2. Theory of Change and underlying assumptions

The ToC developed for the IDH FFF (see Figure 1) displays several underlying assumptions and causal relations, but for evaluation purposes, a more fine-grained and causal ToC was developed by the evaluation team and discussed with IDH FFF during the inception phase. This process resulted in three 'causal hotspots' to reflect on the plausibility of the theory of change. Most outcomes of IDH FFF will materialise in the coming years. Therefore, the midterm evaluation had to reflect on the plausibility of the theory of change and expected outcomes, as well as the structure and mandate of the IDH FFF. The causal hotspots provided system boundaries that allow for a deeper understanding of why and how the programme is expected to achieve the outcomes and guided the focus of the interviews with relevant key stakeholders.

Figure 1: IDH FFF Theory of Change



Source: IDH FFF

To get to the causal hotspots, the original IDH FFF ToC was reworked into a ToC (see Annex 3) in which the causal steps are more explicit using arrows that are if-then statements ('this outcome leads to the other outcome'). Where necessary, some additional intermediate outcomes were included. The process of converting the original ToC into the reworked ToC and causal hotspots is depicted throughout this Section. These causal hotspots were used to find the core assumptions in the theory of change that could be discussed and verified during the interviews with stakeholders. Interrogating the interviewees on a specific causal hotspot helped to focus on the plausibility of the envisaged outcomes. The causal hotspots provided a reference point to ask stakeholders about the causal relations in those parts of the ToC for which they are knowledgeable, without diluting the interview with questions that are too far off their field of experience.

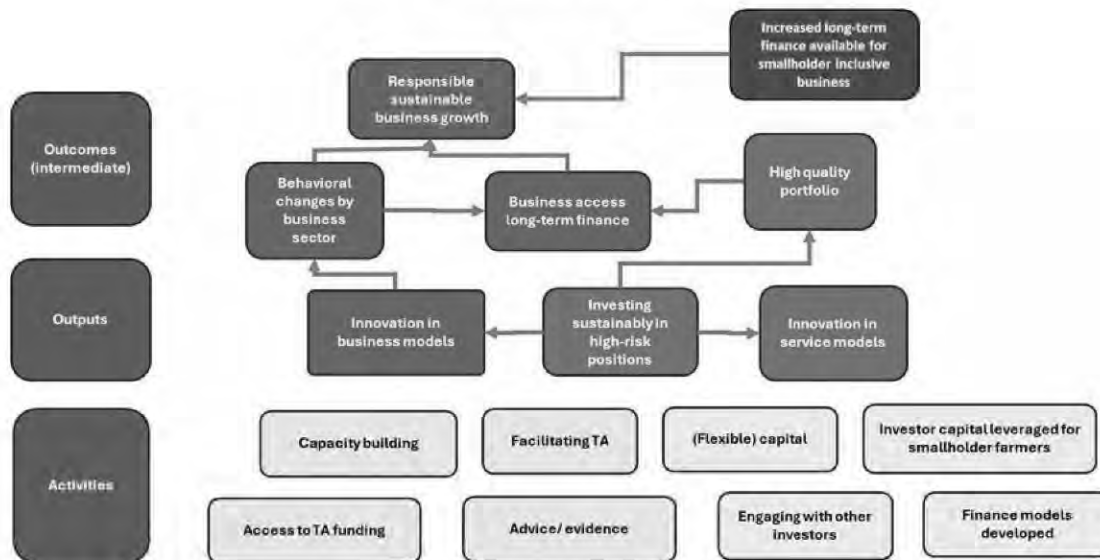
For this midterm evaluation, three causal hotspots were identified. Each hotspot assumes a specific causal configuration that would need to hold for the objectives of the IDH FFF to be achieved. The causal hotspots together capture all causal links in IDH FFF's original ToC:

1. Direct IDH FFF support and portfolio construction
2. Financial sector development
3. Impact on smallholder farmers' income

2.2.1. Causal hotspot 1: Direct IDH FFF support and portfolio construction

Causal hotspot 1 refers to the impact pathway that relates to the IDH FFF investments made and technical advice provided to companies in the portfolio. The companies in the portfolio are quite diverse. Therefore, the results framework has been considered at the portfolio level, not for each investment separately.

Figure 2: Causal hotspot 1



Source: ADE based on IDH FFF original ToC

This hotspot assumes that the IDH FFF's investments and technical advice will help portfolio companies develop and scale inclusive business models or provide innovative services or improved market access to farmers. The assumption is that, after an initial phase of innovation and piloting, companies will establish a track record and risk profile that attracts follow-up investments or loans from other investors. Innovation can also emerge through traditional models, such as Agri-SMEs or MFIs, that have adapted or restructured their business approaches to better serve smallholder farmers, for example by offering new services that were previously unavailable. The IDH Farmfit Fund expects to exit through loan repayments or equity sales.

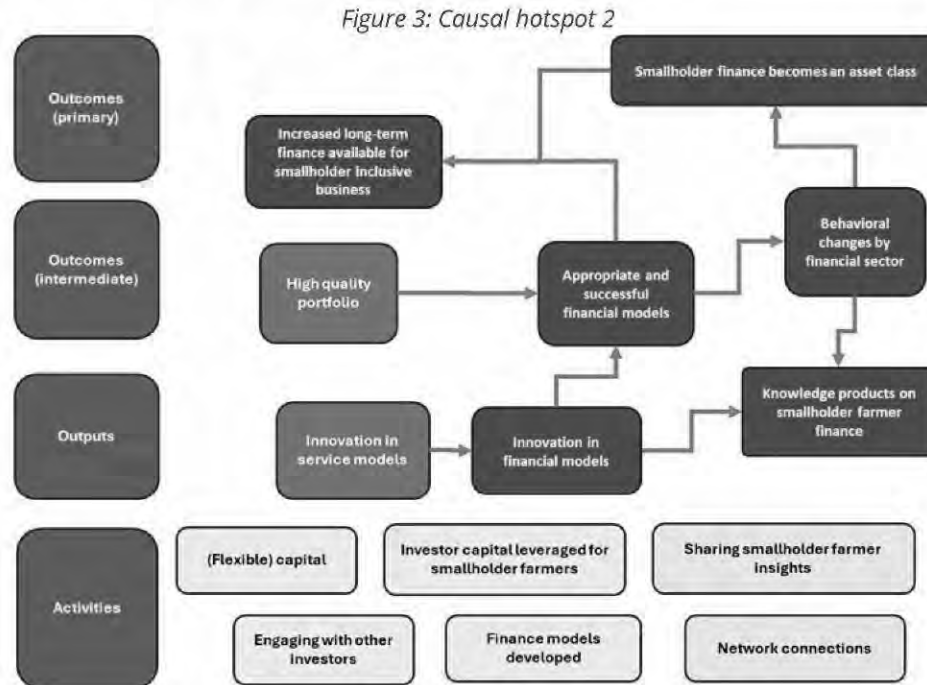
2.2.2. Causal hotspot 2: Financial sector development

The logic of this causal hotspot (Figure 3) is to help develop smallholder finance as an asset class by demonstrating that the sector can generate commercially attractive returns. The Fund writes that the vision of contributing to the creation of a new SHF asset class implies, among others:

- That smallholder finance becomes a mainstream business with a sizable, stable and predictable market,
- That smallholder finance is commercially viable and thus an attractive part of the investment strategies of commercial investors, including local financial institutions.
- [an] increased availability of private/unsubsidised capital and a reduced reliance on subsidised capital or grants.
- That smallholder finance is recognised by the market, and both commercial and institutional investors embrace it to diversify their portfolios

Generating attractive returns, leveraging additional capital, demonstrating that there exist financial instruments that work, and disseminating learning on these issues are the main aims of the IDH FFF to trigger this systemic change. The key underlying assumptions of this hotspot are:

- IDH FFF investments are generating learning about successful financial models
- These models can generate risk-adjusted returns that are attractive to existing and new financial institutions, relative to their other investment opportunities.
- Financial investors can implement these learnings and make successful investments, and the operations of the IDH FFF will identify the conditions needed for this to happen.



Source: ADE based on IDH FFF original ToC

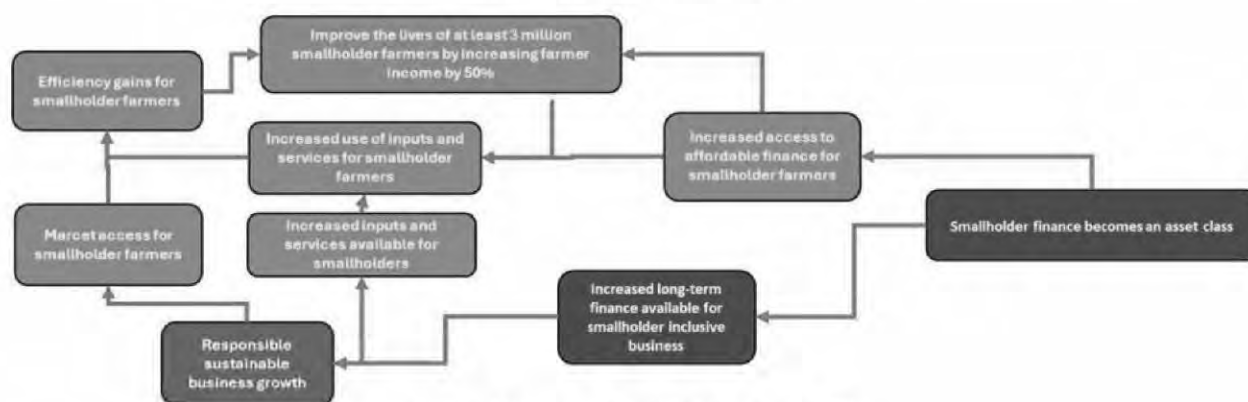
2.2.3. Causal hotspot 3: Impact on smallholder farmer income

Causal hotspot 3 (Figure 4) links the combined results of the activities above with the impact goals of the IDH FFF. The ambitions of IDH FFF are high, indicating that they expect their investments to generate a 50% income increase for 3 million smallholder farmers. The impact on smallholders is not limited to the direct effects of the funding provided by IDH FFF or supported financial institutions. Part of the livelihood impacts will emerge indirectly, when proven models help to make SHF finance a normal part of the portfolio of investors and financial institutions (see causal hotspot C). Also, the improved livelihoods are expected to make SHF less dependent of financial loans to buy inputs and services.

The causal change from responsible business growth to increased provisioning of inputs and/or services to smallholder farmers and market access is quite linear. Similarly, the better access of the same smallholders to funding will help these to use the inputs and/or services that translate in efficiency gains in their agricultural production and livelihoods. The key assumptions in this causal hotspot are:

- The smallholders have the conditions to make use of the access to finance.
- The smallholders have the conditions to make use of the inputs and services offered.
- Increased access to markets, inputs and services improve efficiency, enhances product quality, increases supply consistency, innovation, and market responsiveness in smallholder agriculture.
- These efficiency gains improve income in a sustained way.

Figure 4: Causal Hotspot 3



Source: ADE based on IDH FFF original ToC

3. Overview of IDH FFF

3.1. Mandate and purpose

The IDH FFF aims to reduce investment risk and attract capital into sustainable agricultural value chains. It does this in two ways. First, the MFA's grant financing absorbs risk for the corporate lenders in the IDH FFF, bringing the investment within the risk appetite of these actors. Second, as a result of its structure and mandate, the IDH FFF is able to take on the highest level of risk in transactions involving smallholder farmers, lowering barriers for both borrowers and lenders, and facilitating their engagement with this underserved group. This risk-sharing model is designed to mobilise senior capital, encourage co-investment and enable agri-commodity traders, SMEs, and financial institutions to scale up services and expand market access for smallholder farmers.

The IDH FFF's overarching goal is to prove that high impact, financially sustainable farmer financing is possible. It does so by making strategic investments that promote responsible business growth while improving smallholders' access to affordable finance and operational efficiencies. Ultimately, contributing to better livelihoods and increased incomes for smallholder farmers.

By tackling both perceived and real risks associated with financing smallholder agriculture, the IDH FFF works to enhance access to finance, services, and markets for smallholder farmers and agricultural SMEs.

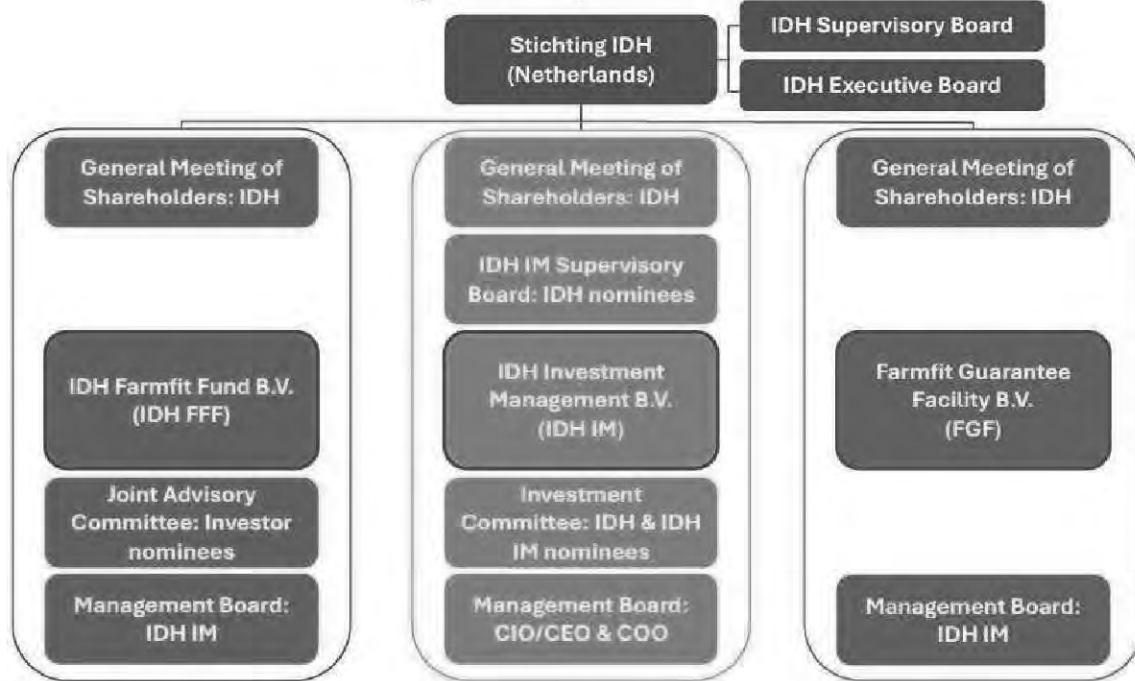
3.2. Structure

3.2.1. Corporate Structure

The governance and structure of the IDH FFF is organised through a corporate framework (Figure 5) composed of three main legal entities: IDH Farmfit Fund B.V. (IDH FFF), IDH Investment Management B.V. (IDH IM), and the Farmfit Guarantee Facility B.V. (FGF), all fully owned by Stichting IDH (a Dutch foundation). Governance is exercised through several layers: each entity holds annual shareholders' meetings (with IDH as the sole shareholder), and their management boards, primarily composed of IDH IM leadership, have full authority over day-to-day operations. IDH FFF is further advised by a Joint Advisory Committee composed of investor representatives, which offers strategic guidance and monitors performance, especially around conflicts of interest and investment guideline changes. IDH IM includes a Supervisory Board with two IDH representatives and one independent representative. An external Investment Committee (IC) provides recommendations to the Management Board of IDH IM on investment decisions. IDH retains significant control by nominating or

appointing key members across all decision-making bodies, ensuring cohesive oversight and alignment with the Fund's purpose.

Figure 5: IDH Corporate Structure



3.2.2. Capital Structure

The capital structure of the IDH FFF blends public and private financing to de-risk investments and mobilise commercial capital for smallholder-inclusive agricultural value chains. The IDH FFF is capitalised with €100 million in total commitments, primarily through 15-year profit-sharing loans from corporate lenders including JDE Peet, Unilever, Rabobank, Mondelez, and FMO, totalling €50 million. An additional €50 million is provided as a redeemable grant by the Dutch Ministry of Foreign Affairs. IDH remains the sole shareholder of both the IDH Farmfit Fund B.V. and IDH Investment Management B.V., the latter of which acts as fund manager and charges a management fee to the IDH FFF. The financial model expects that returns from investments will cover all operational, administrative, and risk management costs, including the management fee, aiming for capital preservation.

3.2.3. Investment Philosophy⁵

The IDH Farmfit Fund's investment philosophy centres on proving the viability of financing for SHFs and agricultural small and medium enterprises (Agri-SMEs). The portfolio includes borrowers, investees, or guarantee recipients that either procure products from SHFs or provide them with essential goods and services. Diversification across financing instruments, geographies, business models, and borrower types tries to ensure both effective risk mitigation and the opportunity to prototype various investment approaches tailored to SHFs. A key objective is to preserve invested capital, maintaining a net internal rate of return (IRR) above 0%. Beyond this, the IDH Farmfit Fund aims to generate returns at a sufficient level to demonstrate that such investments can be attractive to commercial investors.

⁵ General Investment Policy and Investment Guidelines 2023

A. Financial Assessment

The IDH FFF adopts an impact-driven investment approach aimed at transforming SHF finance into a viable asset class. Its risk tolerance is relatively high, acknowledging the elevated risks and operational costs typically associated with smallholder agriculture in emerging markets. As such, the IDH FFF tries to engage in catalytic investments that traditional investors often avoid, deploying subordinated loans, mezzanine debt, guarantees, and minority equity positions, even in early-stage companies that have passed the proof-of-concept phase. Despite this risk appetite, the IDH FFF maintains a strict capital preservation objective, requiring a minimum net internal rate of return (IRR) above 0% across its portfolio. This threshold guides its pricing policy, which is based primarily on the credit risk and cost structure of each transaction, with pricing ranges set between 6–10% for debt instruments, 8–12% for mezzanine finance, and a target IRR of 12–15% for equity investments (see Table 2). Pricing is consistently benchmarked against co-investors to ensure it remains aligned with market rates on a risk-adjusted basis, while still offering slightly more favourable terms.

Table 2: Pricing Range by Instrument

| Instrument | Pricing Range | Max. Duration |
|--------------------------|---------------------------|--------------------------------|
| Guarantees | 5% - 10% (guarantee fees) | 10 years |
| Subordinated/ Term Loans | 6% - 10% | 10 years |
| Mezzanine | 8% - 12% | 10 years |
| Equity | Target IRR 12% - 15% | No max duration (exit horizon) |

Source: ADE own elaboration

To manage and assess risk, the IDH FFF combines due diligence, credit risk assessments, stress testing, covenant monitoring, and portfolio-level credit exposure reporting. Investments must meet strict eligibility criteria, including demonstrable benefits to SHFs – either through direct service delivery or value chain sourcing – and alignment with local laws, sound governance, and international standards such as anti-corruption, anti-money laundering, and environmental and social risk frameworks (ESMS). Debt recipients must show sufficient capitalisation and profitability even under downside scenarios, while equity investments must have a credible exit strategy, co-investment from other parties, and clear growth potential. The IDH FFF seeks to ensure that a viable financial or business model is in place, one that avoids over-indebting the company and supports the sustainable delivery of services to farmers over the long term. While immediate profitability is not required, the company must demonstrate a clear path to near-term financial viability. This is considered a critical prerequisite for achieving the intended impact. Accordingly, the financial instrument provided must be prudent and appropriately aligned with both the company's capacity and the IDH FFF's objectives.

B. Investment Selection Framework

IDH FFF documents describe a rigorous selection framework, designed to ensure each investment aligns with both strategic priorities (impact) and portfolio constraints (risk-return). This is underpinned by a set of investment restrictions, qualitative and quantitative selection criteria, and a dynamic portfolio screening methodology.

C. Investment Restrictions and Concentration Limits

To manage concentration risk, the following exposure thresholds apply:

Table 3: Investment Restrictions and Concentration Limits

| Geographical Limits | Exposure Caps |
|-------------------------|--|
| Africa (35%–60%) | Per portfolio entity: 10% |
| Latin America (max 40%) | Per country: 20% |
| Asia (max 40%) | Per focus crop: 25% |
| | Equity instruments: 30% |
| | Debt/mezzanine/guarantees: 90% |
| | IDH FFF investments in other funds: 3% |

Source: ADE own elaboration

Each transaction must also meet the investment scope of at least one of the five participating corporate lenders. Other transaction-specific requirements, such as co-investment conditions, must be fulfilled in line with the General Investment Policy (GIP).

D. Strategic Selection Criteria

The IDH FFF's investment decisions are guided by the following strategic parameters, which aim to maximise impact while preserving financial health:

Table 4: Strategic Parameters

| | |
|-------------------------------------|---|
| Remaining Investment Period: | Only transactions expected to close by end 2025 (the investment period) are considered. |
| Additionality: | Beyond DCED standards, the IDH FFF prioritises transactions with high financial and non-financial additionality, often involving high-risk instruments, co-investment structures, and targeted technical assistance. Also engaging investees on ESAPs and DAPs to drive impact and E&S risk outcomes that wouldn't occur otherwise (non-financial additionality). |
| Farmer Impact: | Each deal is evaluated for its potential impact on smallholder farmers, aligned with GIIN/IRIS+ definitions. |
| Instrument Fit: | Investments must match company-specific needs (e.g. maturity, cash flow, risk appetite) while ensuring benefits for smallholder farmers. |
| Risk Management: | Diversification is pursued across geography, crop types, financial instruments, and risk levels (e.g., seniority, guarantees). |
| Cash Flow Needs: | Preference is given to investments that can generate early cash flow to support IDH FFF sustainability. However, this parameter doesn't hinder the IDH FFF from pursuing impactful transactions |

Source: ADE own elaboration

E. Portfolio Screening Tool

To operationalise these criteria, the IDH FFF uses a portfolio screening tool across six key dimensions:

Table 5: Six Key Dimensions

| | |
|------------------------|---|
| Transformation: | Qualitative assessment of systemic change potential. |
| Scale: | Number of farmers reached per EUR 1 million invested. |
| Income Impact: | Estimated increase in smallholder incomes. |

| | |
|-----------------------|--|
| Learning: | Potential to generate new knowledge or insights. |
| Additionality: | Aggregated score of financial and non-financial additionality. |
| Risk-Return: | Alignment between risk profile and expected return. |

Source: ADE own elaboration

As described above, the IDH FFF distinguishes between financial and non-financial additionality in its risk-return calculus. In exceptional cases, a compelling case for non-financial additionality can allow approval even if strict financial additionality is not met, as long as the investment shows replicability or scalability.

3.3. ESG Risk Management and Impact

Effective Environmental, Social, and Governance (ESG) risk management is not just a compliance measure; it is an integral part of sustainable investment practices aimed at creating long-term value for all stakeholders. This approach safeguards both the environment and society while ensuring that business operations align with global sustainability standards. Robust ESG mechanisms are crucial for achieving the IDH FFF objectives. Weak E&S practices can directly undermine the IDH FFF's intended outcomes, including responsible business growth. If risks are not effectively managed, they can lead to adverse effects that may delay or even reverse the IDH FFF's desired impacts.

Managing ESG risks is common to DFIs and impact funds, but the IDH FFF goes further by distinguishing between risk management, impact enhancement and client protection. The processes outlined here – Due Diligence, the Environmental and Social Action Plan (ESAP), the Development Action Plan (DAP), and the Client Protection (CP) framework – are effective tools used for managing and mitigating ESG risks, enabling businesses to operate responsibly, and drive positive social and environmental impacts.

3.3.1. E&S Due Diligence Process

The Due Diligence process is used to determine whether an investment should be made, and, if so, what measures need to be put in place to manage ESG risk, enhance development impacts and protect ultimate beneficiaries—smallholder farmers. The IDH FFF's comprehensive due diligence process is aimed at understanding the environmental, social, and governance implications of potential investments.

Before a new investment opportunity can reach the E&S risk categorisation, all potential investments are screened for compliance with legal and ethical standards like the IDH FFF's Finance Exclusion List⁶.

Risk Identification and Categorisation: Once the IDH FFF has confirmed that the investment opportunity complies with the required standards, one of the initial steps in the due diligence process is to assess and categorise ESG risks based on their severity and potential impact. The IDH FFF's risk categorisation is framed under the International Finance Corporation's Sustainability Policy,⁷ tailored to the specific characteristics of the IDH FFF.

The IDH FFF identifies two different categories of investment types, with three risk categories each of them. The IDH FFF is precluded from investing in the highest risk - Category A – projects in both cases.

Direct investments (see Table 6) involve loans, investments or any other type of transaction with a company, including agribusiness and other value chain companies.

⁶ The Fund's Finance Exclusion List comprises the activities classified as unacceptable due to its E&S risks or due to its opposition to the Fund's values.

⁷ [Environmental and Social Categorization | International Finance Corporation \(IFC\)](#)

Table 6: Direct Investment Risk Categories

| | |
|---------------------------|---|
| Category A High Risk | Applies to investments in business activities with highly significant adverse environmental or social risks and/or irreversible impacts. (e.g. substantial land conversion/green field development) |
| Category B Medium Risk | Applies to investments in business activities that have potential limited adverse environmental or social risks and/or impacts that are few, generally site-specific, largely reversible and readily address through mitigation measures. (e.g. provision of inputs, training or extension services etc.) |
| Category C Low Risk | Applies to investments in business activities with minimal or no potential for E&S impacts. (e.g. activities with little or no supply chain exposure) |

Source: ADE own elaboration

Investments in Financial Institutions (FI) and financial technology, this involves loans, investments or other types of transactions (see Table 7).

Table 7: Investment in Financial Institutions Risk Categories

| | |
|------------------------------|---|
| Category FI-A High Risk | Applies to FI's where the existing or proposed portfolio includes, or is expected to include, substantial financial exposure to business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented. |
| Category FI-B Medium Risk | Applies to FIs with business activities or projects with limited potential adverse environmental or social risk or impacts (e.g. Agri-adjacent commerce, handicrafts, etc) |
| Category FI-C Low Risk | Applies to FIs that serve primarily to retail clients |

Source: ADE own elaboration

The IDH FFF's GIP binds the investments in (local) financial institutions to smallholder on-lending or other smallholder farmer financing mechanisms or services, such as insurance, as well as financing for operating expenses or improving the operational capacity of these FIs to expand farmer financing activity. The IDH FFF may make a limited number of investments in other funds with a smallholder focus.

This classification system helps determine the scope of due diligence required. For example, prospects with significant environmental and social risks, such as deforestation or child labour, are considered unacceptable, and avoided altogether if the risk cannot be appropriately mitigated or potential harm is considered significant or irreversible. On the other hand, medium and lower-risk prospects undergo standard due diligence, with a focus on mitigating and managing those risks during the investment lifecycle.

Risk Assessment Framework: The assessment involves a detailed evaluation of various ESG factors, including compliance with local laws, adherence to international standards such as the IFC Performance Standards, International Labour Organization (ILO) conventions⁸, and the governance structures in place. These include verifying that businesses have sound social and environmental practices, uphold workers' rights, and maintain good governance. Through this process, the IDH Farmfit Fund identifies potential social risks such as labour exploitation, human rights violations, and environmental degradation. By comparing the prospect's E&S performance against international standards, the Fund identifies gaps and defines appropriate mitigation actions accordingly, an added value of the IDH FFF, as it supports prospects in reaching these E&S standards, if possible,

⁸ The Core Labor Standards are (www.ilo.org):
 ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
 ILO Convention 98 on the Right to Organize and Collective Bargaining
 ILO Convention 29 on Forced Labor

including through the use of Technical Assistance (TA) funding. It also adds value relative to other impact investors outside the DFI space, with whom the IDH FFF often co-invests, as they benefit from the Fund's work in reducing E&S risks.

Decision-Making and Risk Mitigation: Based on the findings, the IDH FFF determines whether an investment should proceed. If a business is found to have significant ESG risks, the IDH FFF may impose specific requirements or choose to reject the prospect. For investments that are accepted, a robust action plan is developed to mitigate the identified ESG risks. Furthermore, the IDH Farmfit Fund ensures that the investee adheres to international ESG standards, including anti-corruption, environmental protection, and worker safety protocols.

3.3.2. *ESAP Process*

After an investment decision is made, Environmental and Social Action Plans (ESAPs) are developed to outline the steps needed to address any ESG risks identified during due diligence. These steps are legally binding and written into shareholder agreements or loan contracts and must be completed within agreed timelines.

Compliance with the ESAP (or Development Action Plan (DAPs)) is generally not tied directly to disbursements. Most requirements are framed as post-disbursement obligations, typically with a timeframe of one to three years, allowing flexibility unless there are urgent matters requiring earlier action. In those cases, requirements are stated as conditions precedent to the disbursement. This approach reflects the IDH FFF's limited capacity to provide extensive TA, prompting them to offer longer timelines while maintaining close engagement with investees through guidance and feedback. Additionally, pre-investment TA (if available) to implement ESAP before disbursement, would also result in extensive delays in the investment process and limited investment period that the IDH FFF has. Tying disbursements to implementation could hinder the investee's operations, which the IDH FFF seeks to avoid. The IDH FFF occasionally uses incentive mechanisms, such as interest rate reductions, exemplified by the case where rates decrease after three years of ESAP compliance.

Mitigation and Remediation of ESG Risks: The ESAP aims to close any gaps in ESG compliance, ensuring that all operations align with the IDH FFF's sustainability objectives. This usually involves the development of Environmental and Social Management Systems, and might involve improving waste management practices, implementing health and safety measures for workers, or developing programs to minimise adverse impacts on the livelihoods of local communities. For example, if an investee is involved in agriculture and has a high risk of pesticide use harming local ecosystems, the ESAP would require the company to adopt safer farming practices and implement biodiversity conservation strategies.

Continuous Monitoring and Updates: The ESAP is a living document, evolving as the business develops and new risks emerge. The IDH FFF conducts periodic monitoring of investee progress in implementing the action plan. If new risks are identified, or there are significant changes to business operations, the ESAP is updated.

Accountability and Transparency: A core tenet of the ESAP process is accountability. The IDH FFF establishes clear mechanisms for tracking progress, with regular reporting and oversight. By embedding these measures, the Fund aims to ensure that its investees adhere to their commitments and meet the necessary ESG standards. Failure to meet the stipulated targets can lead to corrective actions or, in extreme cases, exit from the investment.

3.3.3. *Impact Due Diligence*

The Impact Due Diligence (IDD) process includes an assessment of potential KPIs, the formulation of a DAP to help deliver these results, and a Client Protection assessment, as well as other assessments in line with the IDH FFF's impact lenses.

IDD assesses key elements such as the financial viability of the business model, the capacity of the management team, and the soundness of the overall strategy to ensure that companies can deliver lasting, large-scale impact

to smallholder farmers. The IDD explicitly integrates the perspective of smallholder farmers, taking into account the nature and quality of services provided (see Agri CP assessment), the characteristics and economic conditions of SHFs, and applies the IDH FFF's dedicated impact lenses – gender, food security, climate resilience, and youth – to uncover additional opportunities for impact.

In contrast, Legal and Client Due Diligence procedures, including Know Your Customer (KYC), are conducted as distinct yet parallel processes. Although they support the IDH FFF's broader impact objectives by reinforcing long-term business sustainability, they are not integral components of the IDD itself.

Legal agreements reinforce these commitments by outlining specific obligations (e.g., implementation of DAPs) and maintaining alignment on impact objectives.

The DAP or IDD processes used by the IDH FFF are tailored adaptations of well-established tools commonly employed across the development finance and impact investing sectors. While IDH FFF has developed proprietary frameworks such as the Screening Tool, Transaction-level Theory of Change, and Impact Archetypes, these are grounded in existing principles⁹. Similar methodologies are employed in Technical Assistance Plans, Capacity Development Frameworks, and Operational Improvement Plans by institutions such as IFC, BII (formerly CDC), and other Development Finance Institutions (DFIs). However, DFIs typically have limited involvement in the smallholder-focused agricultural (SHF Ag) space, which makes comprehensive engagements – such as through Development Action Plans (DAPs) or robust Environmental and Social (E&S) risk management – far less common in agricultural investments. In contrast, the IDH FFF distinguishes itself by adapting these methodologies to the specific objectives and context of its work, thereby creating unique value also relative to its co-investors who benefit from the reduction in E&S risk and enhancement of impact.

IDH FFF's IDD stands out for its strong alignment with both commercial and impact metrics, particularly in supporting smallholder inclusion in agricultural value chains. This approach is part of a broader, well-established practice among DFIs and impact investors, including institutions like IFC, DEG, FMO, and Acumen, who commonly apply frameworks such as the Impact Management Project (IMP), GIIN's IRIS+, OECD DAC criteria, and SDG alignment. While IDH FFF shares these best practices, its distinctiveness lies in its proprietary benchmarking data on smallholder economics and its emphasis on evaluating impact through a business case lens, not solely through traditional social or environmental metrics, its generation and dissemination of learning, and the development of an agri-specific Client Protection Framework (see below).

Tailored Development Actions: The DAP outlines contractual milestones and commitments for the company to enhance its business model, practices or impact measurement, e.g. as a result of the CP or impact lens assessment, aiming to improve SHF outcomes and impacts. For example, in the case of [redacted] the Development Action Plan (DAP) covers several key areas. These include: **Monitoring and Evaluation of Client Income**, where [redacted] is expected to develop a methodology to assess improvements in individual client incomes over time; **Client Satisfaction Monitoring**, which involves designing and conducting annual surveys to gather key satisfaction metrics related to [redacted] services, as well as those offered by its partners; and the preparation of an **Impact Report**, for which [redacted] must make reasonable efforts to produce an internal annual report. This report should analyse the evolution of client and farmer livelihoods and track various impact metrics, such as income and satisfaction levels, over time, in line with evolving development impact objectives.

Monitoring and Reporting: Both DAP and ESAP reporting are embedded in the IDH FFF's monitoring templates, enabling regular reviews to assess whether agreed actions are being implemented and to identify any necessary corrective measures; compliance with these frameworks is also evaluated during monitoring visits.

A distinction between the DAP and ESAP lies in enforcement: non-compliance with the ESAP is considered an event of default and requires a formal waiver if delays occur for justifiable reasons. In contrast, the DAP is more

⁹ Operating Principles for Impact Management : <https://www.impactprinciples.org/9-principles/>

flexible, though persistent unwillingness to implement agreed actions without valid cause can be escalated. From the IDH FFF's perspective, this flexibility allows them to take account of external constraints that may impede timely implementation. To date, investees have reportedly been cooperative, though ensuring high-quality DAP implementation has sometimes required active support from the IDH FFF's Impact & Learning Advisor.

Flexibility and Adaptation: The DAP process is adaptable. As businesses grow or face new challenges, the DAP (like the ESAP) may be updated to address emerging impact opportunities. This flexibility allows the IDH FFF to maintain its focus on the envisaged impact even as market conditions, local regulations, or business strategies change.

3.3.4. Client Protection Framework

The Agri Client Protection (CP) framework is an important innovation initiated by the IDH FFF team. Designed to safeguard smallholder farmers and to a lesser extent other vulnerable populations from potential ESG-related risks. Smallholder farmers often face significant challenges, including financial exclusion, over indebtedness and exploitation by suppliers. The CP framework focuses on ensuring fair, responsible, and appropriate service delivery to farmers, with an emphasis on meeting their needs and that farmers are treated fairly and with respect throughout their engagement with businesses. In addition, it offers guidance on good practices that businesses can implement to enhance their impact on farmers.

The CP Framework was developed in response to harmful practices in financial and agricultural service delivery that have caused severe consequences for smallholder farmers, including land loss because of over-indebtedness and even suicides in some cases. Recognising the need for a clear framework to ensure fair and responsible treatment of farmers, the IDH FFF, in collaboration with Cerise+SPTF, saw the importance of adapting client protection standards from the inclusive finance sector to the specific complexities of smallholder agriculture. While inclusive finance had successfully developed and applied CP principles, these were not tailored to the agricultural context, where services go beyond finance and include varied, often complex business arrangements involving smallholder farmers as both clients and suppliers.

To address this gap, the IDH FFF Cerise+SPTF co-created the Agri CP Tool in 2022, building on the eight CP standards from inclusive finance but modifying and complementing them to suit agricultural realities. This included flexibility to accommodate diverse service delivery models and the different ways services are provided, e.g. through different actors in service coalitions. The tool¹⁰ is designed not only as a reference framework but as a practical management tool, offering agribusinesses a clear path towards more responsible service delivery to smallholder farmers and to ensure that farmer's needs are met.

Standards and Safeguards: The CP framework includes eight core standards (see Table 8) to protect smallholder farmers. These address various aspects of client relationships, such as fair pricing, transparent contracts, respect for data privacy, and the provision of timely inputs and information. For example, businesses are required to ensure that smallholder farmers are not over-indebted and that loan repayment terms are reasonable and aligned with farmers' income cycles. Additionally, businesses are expected to set transparent prices for crops and inputs, avoiding exploitative practices such as excessive pricing, aggressive sales, or bundling services without clear communication of costs.

Table 8: Client Protection Standards

| | |
|---|---|
| 1 | The organisation's products, services, and channels benefit SHFs. |
| 2 | The organisation does not over-indebt SHFs. |
| 3 | The organisation gives SHFs clear and timely information. |

¹⁰ Several organisations have tested the Agri CP tool, including EDFI Agrifil, MicroFinanza Rating, Global Partnerships, Rabo Foundation. IDH FFF has developed one assessment as a case study, jointly with Aldea Global, to be able to present to other investors and showcase the value that the assessment can add.

| | |
|---|---|
| 4 | The organisation sets prices responsibly. |
| 5 | The organisation enforces fair and respectful treatment of SHFs. |
| 6 | The organisation secures SHF data and informs them about their data rights. |
| 7 | The organisation has a complaint mechanism in place. |
| 8 | The governance and management are committed to SHF protection. |

Source: ADE own elaboration

Empowering Vulnerable Populations: The CP framework also promotes the empowerment of vulnerable populations through access to grievance mechanisms, which provide smallholder farmers with a channel to report on unfair practices, fraud, or breaches of contract. By offering these protections, the CP framework aims to foster trust and confidence in the agricultural value chain and thereby foster the long-term success and sustainability of smallholder farmer finance.

Social and Environmental Responsibility: Beyond financial protections, the CP framework emphasises the importance of social equity and environmental sustainability, as well as commercial elements.

Through these processes – Due Diligence, ESAP, DAP, and the CP framework – the IDH FFF shows a commitment to responsible investing that mitigates ESG risks but also promotes lasting change.

3.3.5. *The IDH Farmfit Fund Results Measurement Framework*

The IDH FFF Results Management Framework (RMF) is used to evaluate the progress and impact of the Fund’s operations. The RMF combines both quantitative metrics (such as number and value of investments, percentage breakdowns, and outreach figures) and qualitative assessments (narrative descriptions of capacity, experience, and strategic alignment) to provide a full picture of the IDH FFF’s effectiveness. The data is organised around key thematic areas such as capital mobilisation, investment execution, technical assistance (TA), ESG performance, and developmental impact on farmers.

The Results Measurement Framework includes also a target setting approach concerning the measurement of ‘Farmer Reach’. IDH FFF steers its portfolio on two main metrics: the number of farmers reached (cumulative), and the percentage of expected income increase per investment. Due to limited information on the latter (data on farmer income is often unavailable, the IDH FFF, in consultation with its governing bodies and after approval by the Fund’s SB and JAC, decided to only set annual targets for the number of farmers reached. Smallholder farmers are considered ‘reached’, when they receive access to markets, access to inputs or other services, or if they get access to financing through the IDH FFF’s portfolio entities. The IDH FFF’s farmer reach target is set annually, end of August to early September, for the following calendar year.

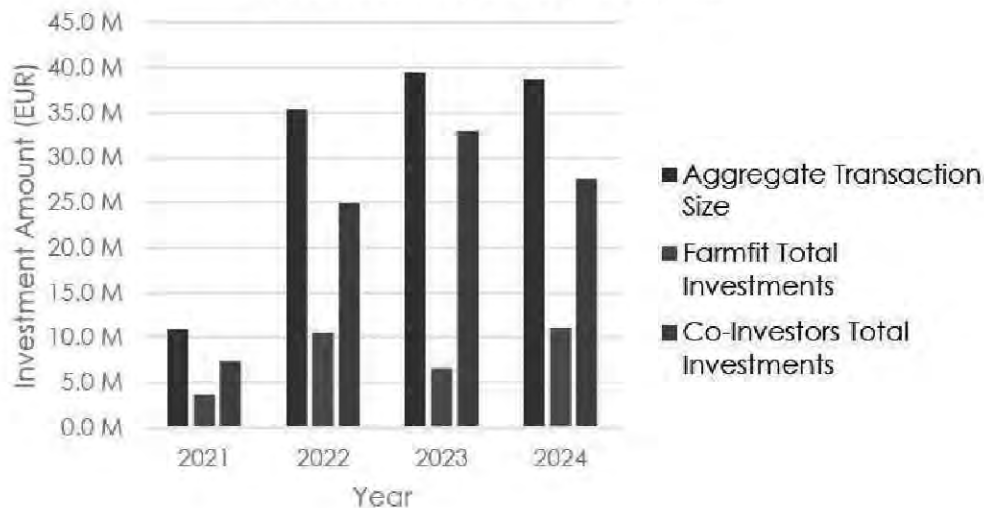
Building on the IDH FFF ToC, indicators are collected at the different result levels, as listed in Annex 4.

4. Portfolio review

4.1. Introduction and overview

This Section provides an overview of the IDH FFF's portfolio as of the end of December 2024.

Figure 6: Evolution of the Portfolio Over Time



Source: ADE own elaboration based on IDH FFF data (2024)

As of the end of December 2024 the IDH FFF had committed an aggregate amount of €31.6M with €103.8M¹¹ in co-finance attracted since 2021. Investments in high priority pipelines and future pipeline projections amount to €9.5M and €31.2M¹².

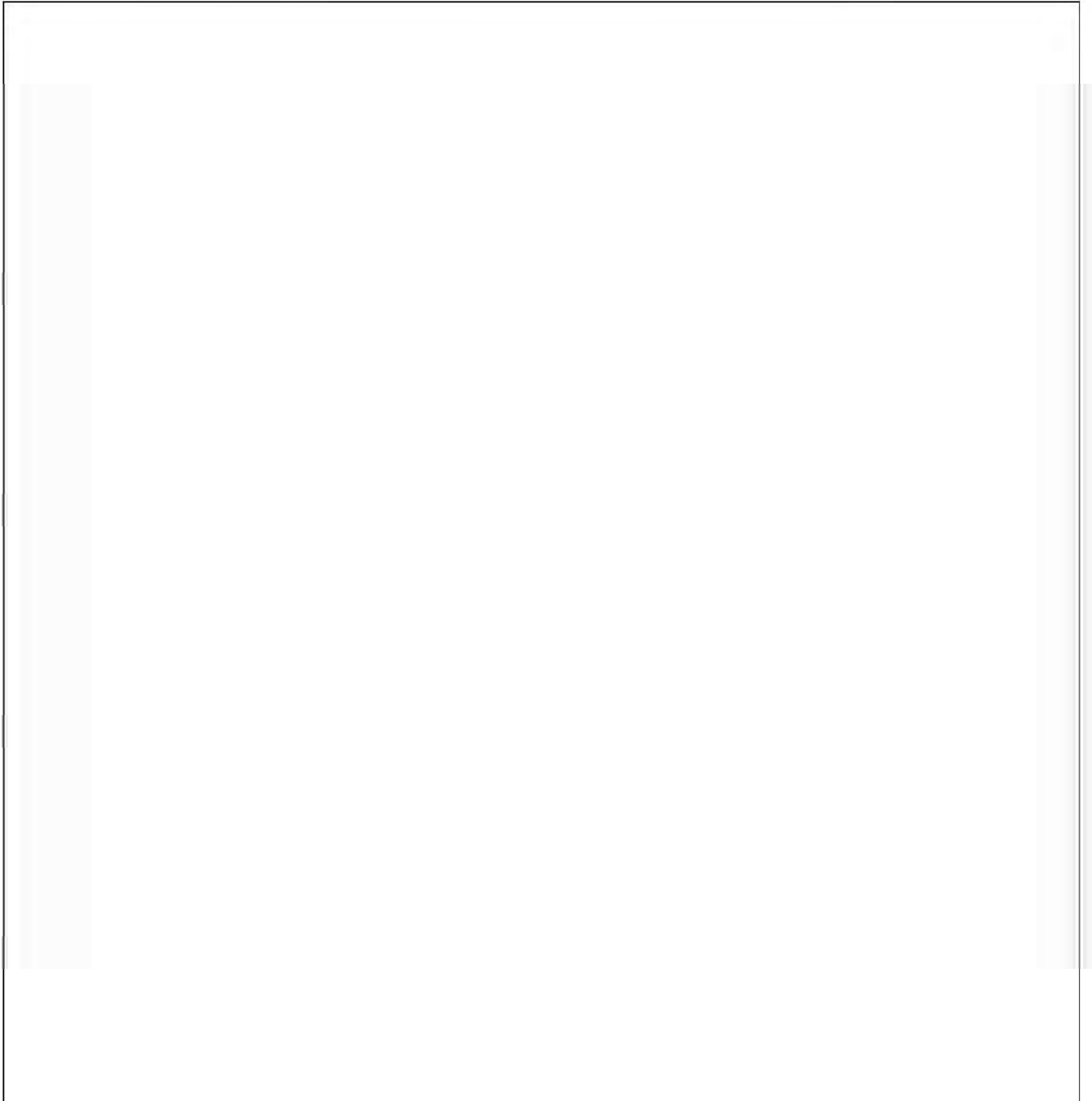
By the end of the IDH FFF's investment period, it is expected to have committed €68 M¹³ (excluding investments not yet present in the Fund's detailed cashflow model).

Table 9 provides summary details of the 14 current investments analysed in this evaluation. The investments aim to enhance smallholder farmers' livelihoods, mainly by facilitating their access to capital, productive assets, sustainable production practices, and to local or export markets.

¹¹ The figures presented in this paragraph are derived from the portfolio analysis conducted using the IDH FFF data provided.

¹² The total EUR amount of transactions under contracting, combined with the current portfolio, represents an approximate deployment of €53m.

¹³ Of the EUR 100m, EUR 20m cannot be invested and EUR 12m need to be reserved to cover cash flows in the first 6 yrs of the Fund. Therefore only EUR 68M are readily available to be deployed.

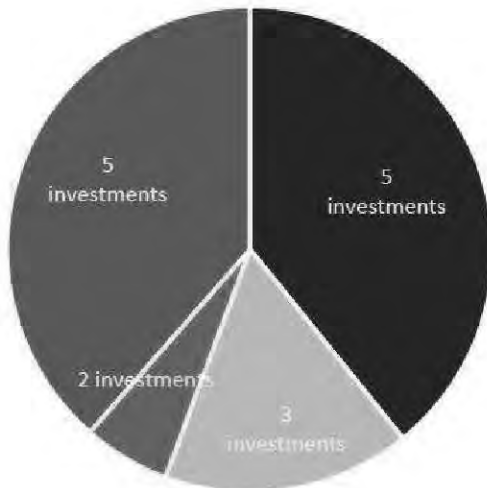


The remainder of this chapter breaks down the portfolio by location, sector, instrument, impact type, size, duration/tenor, before considering expected financial returns and expected development impacts. The chapter concludes with a discussion on the measurement of development impacts at the portfolio level.

4.2. Investment characteristics

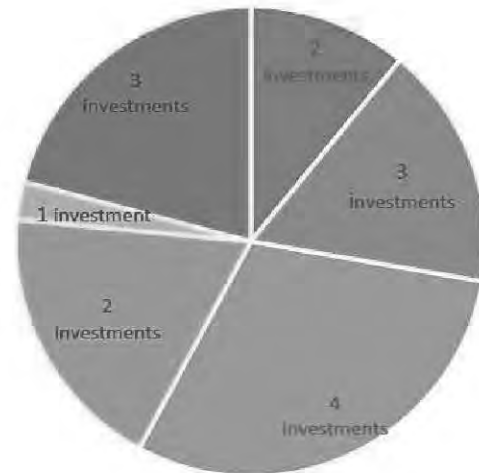
Figure 7 and Figure 8 give a breakdown of the portfolio by location and by sector/commodity¹⁷. Shares on the pie charts reflect the value of investments, with the number of investments in each indicated within each segment.

Figure 7: Investments by Geography



■ Africa ■ Central America ■ Africa & Europe ■ Asia

Figure 8: Investments by Sector/Commodity



■ Cocoa ■ Coffee ■ Animal Product
■ Food Crop ■ Cash Crop ■ Various

Source: ADE own elaboration based on IDH FFF data (2024)

As can be seen, the investments are predominantly located in Africa and Asia, by both value and number of investments, but well distributed across commodities, with a slightly greater focus on animal products and coffee. Two investments are jointly located in Africa and Europe: Koa, a Swiss-Ghanian start-up, and LendXS B.V., a Netherlands-based fintech company operating in Kenya, Uganda, and Rwanda.

Figure 9 below shows the IDH FFF's direct contribution and co-financing for each investment. The IDH FFF's contribution spans from 13% to 42% of total investment, with one outlier at 100% (which is also the project with the lower total investment amount¹⁸). The IDH FFF is restricted to 30%¹⁹ for larger deals and 50%²⁰ for smaller deals. The 30% investment limit, which was previously applicable to all investments, was revised to 50% for deals

greater leveraging of capital would apply to all financial institution clients that are regulated as banks, and where the IDH FFF investment is of the form that qualifies as Tier 1 or Tier 2 capital (e.g. equity or subordinated loans)

¹⁵ [Redacted]
¹⁶ [Redacted]

¹⁷ A cash crop is a crop grown primarily for sale in the market, rather than for personal consumption or subsistence. Examples include cocoa and coffee.

¹⁸ The Fund's GIP permits up to five investments of up to \$1 million each to be made without a co-investor. These investments typically relate to smaller or pilot projects, where co-investment or catalysation is expected to occur after the pilot phase is completed and the project moves into the scaling stage.

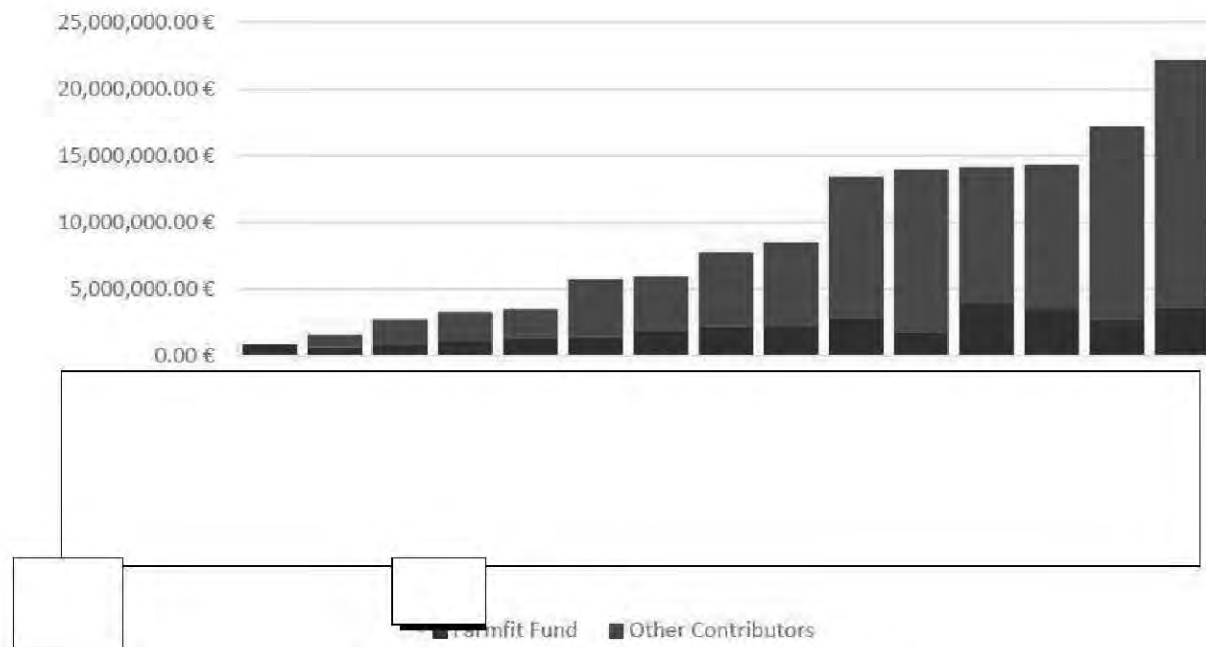
¹⁹ Deals between 10 million and 20 million euros

²⁰ Deals between 1 million and 10 million euros.

below a specified size. This change took place in 2023 and was introduced to address challenges in making investments in smaller, typically more additional opportunities. The original 30% limit had made smaller opportunities uneconomical to pursue and more difficult to allocate sufficient capital to these types of investments, thus hindering potential returns and impact. The increase to 50% co-funding requirement was made to be able to pursue investments with investees that would not be able to absorb such a high total investment.

The IDH FFF's relative contribution is higher for projects with smaller total investment size, as the correlation between both variables is of -63% which implies a moderately strong and inverse relationship. Such finding is plausible given the IDH FFFs' co-investment requirements described above.

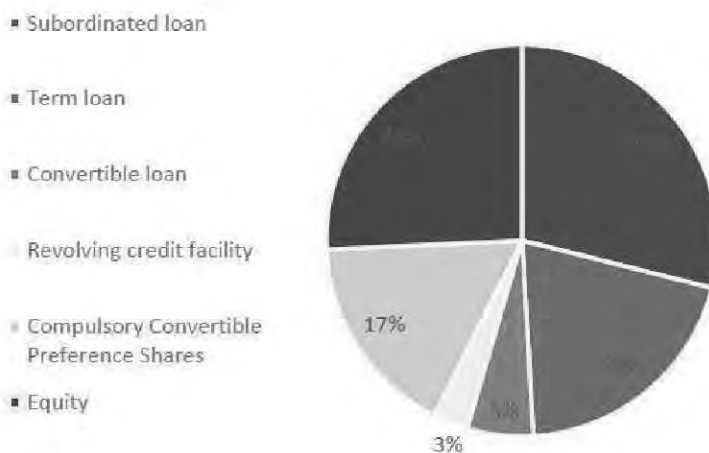
Figure 9: Investments by Size



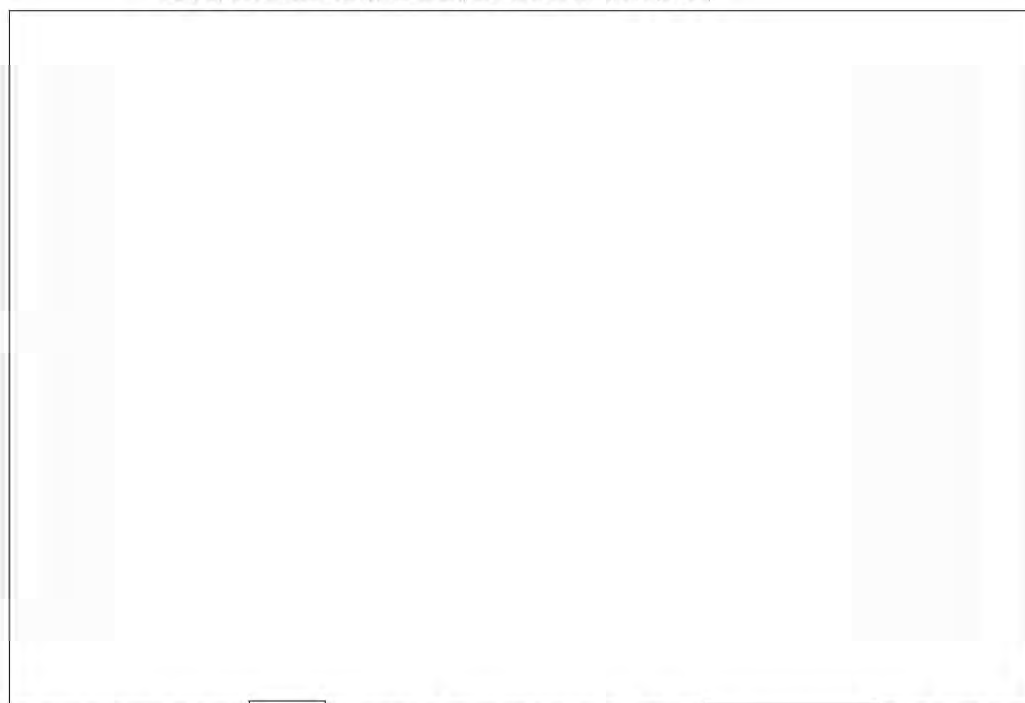
Source: ADE own elaboration based on IDH FFF data (2024)

Figure 10 breaks down the portfolio by instrument type. The most used instrument is subordinated loans, which account for 29% of the portfolio, followed by equity (26%), term loans (20%), and compulsory convertible preference shares (17%). Figure 11 provides details on the tenor of loan instruments and expected holding period for equities.

Figure 10: Portfolio by instrument type



Source: ADE own elaboration based on IDH FFF data (2024)

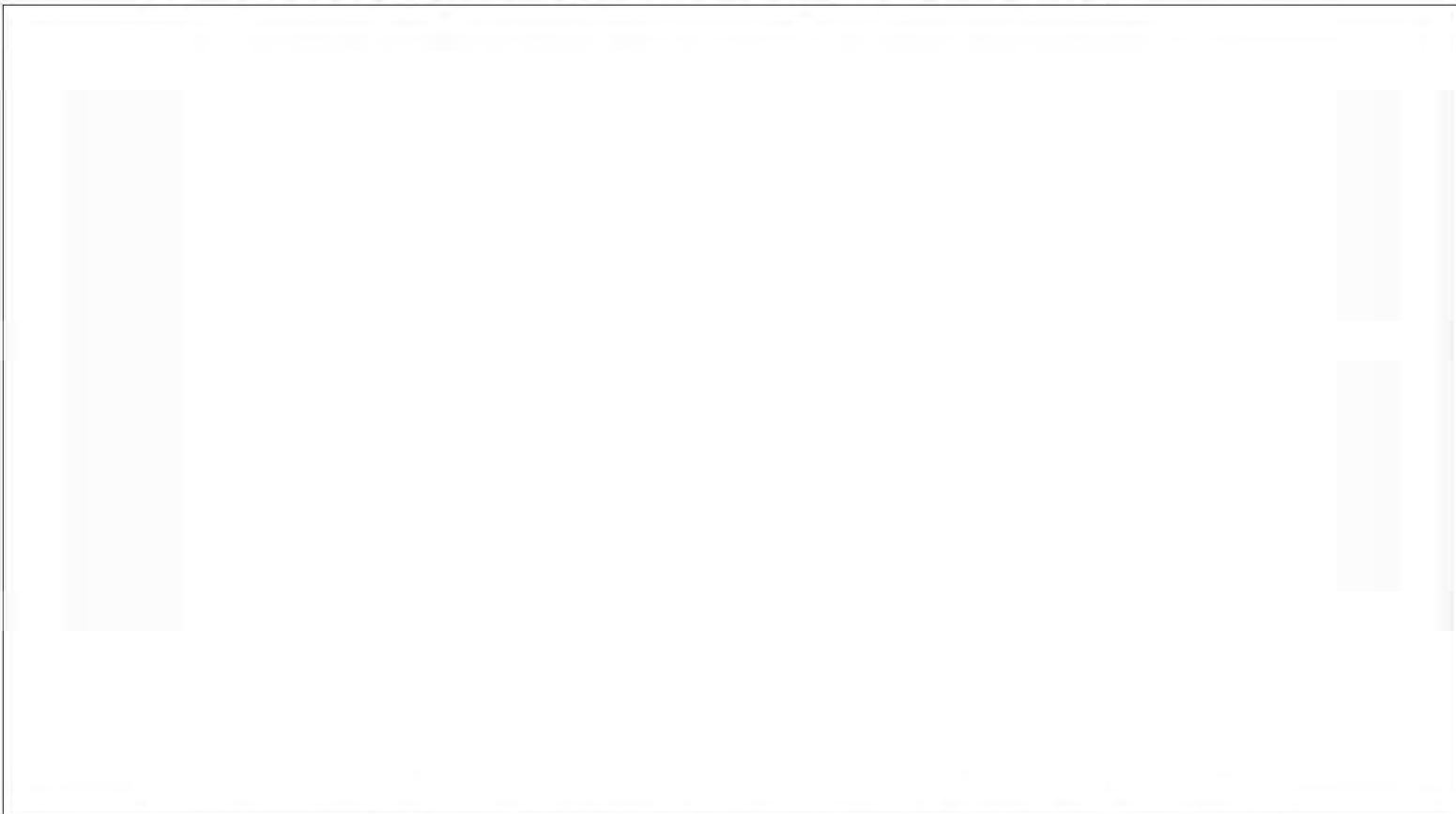


On average, equity investments have a [] expected holding period, which is [] than loan tenors' average of 6 years. These periods are standard for closed-ended, 10-year funds such as the IDH FFF.

Having examined the structure of the portfolio, the remainder of this chapter considers the financial returns and impacts that these investments are expected to generate.

4.3. Expected return on investments

The IDH FFF currently expects to achieve a gross Internal Rate of Return (IRR) of 5.9% and a net IRR of -4.9% (after management fees and operational costs). This could be contrasted with the original expectation that the IDH FFF would achieve a gross IRR between 4.6% and 7.8%²¹. Such revision of expectations may be explained by the shift in the IDH FFF's investment strategy, which placed a greater emphasis on Agri-SMEs, which had the potential to deliver higher returns than the types of investments that were ultimately made. The figures below illustrate how the IDH FFF's loans and equity investments contribute to this expected return (for available data).



Average interest rate for debt products, weighted by the amount invested, is of 7.5% for IDH FFF and 7.8% for co-investors. Only investments for which both amounts invested and expected returns are available are accounted in this weighted average.²²

While the weighted average expected equity return is 12,7%, [redacted] if this investment is removed, the average return falls to 11,7%.

Figure 14 to Figure 16 compare expected returns with other investment characteristics: the size of investment, the commodity involved, and the sector (i.e. whether the investee is an agri-SME, a financial institution, or an innovative type of business). [redacted]

²¹ According to IDH Farmfit Fund Proposal

²² Note that there are no expected returns for equity investments' co-investors since the evaluation team does not have access to this data.

[redacted]

Figure 14: Relationship between Amount Invested and Expected Returns



Figure 15: Relationship between Amount Invested and Expected Returns, per Commodity

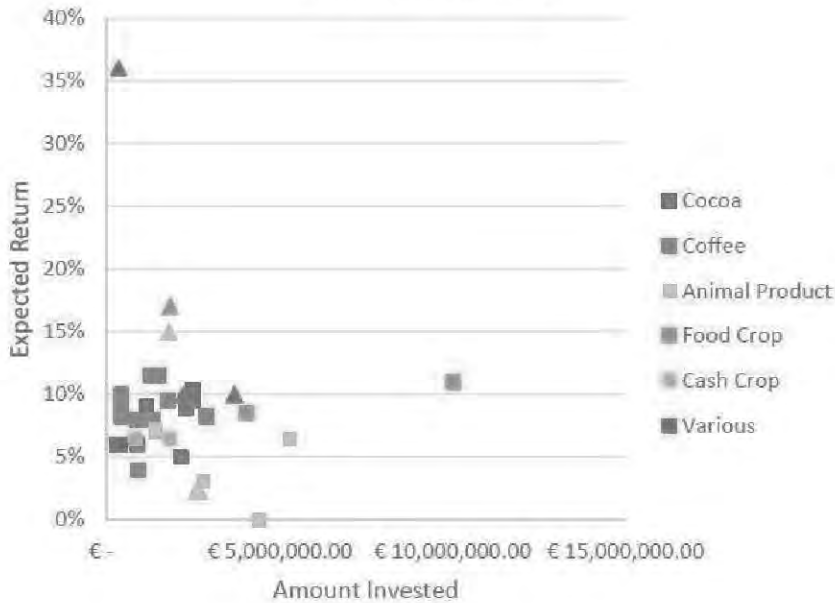
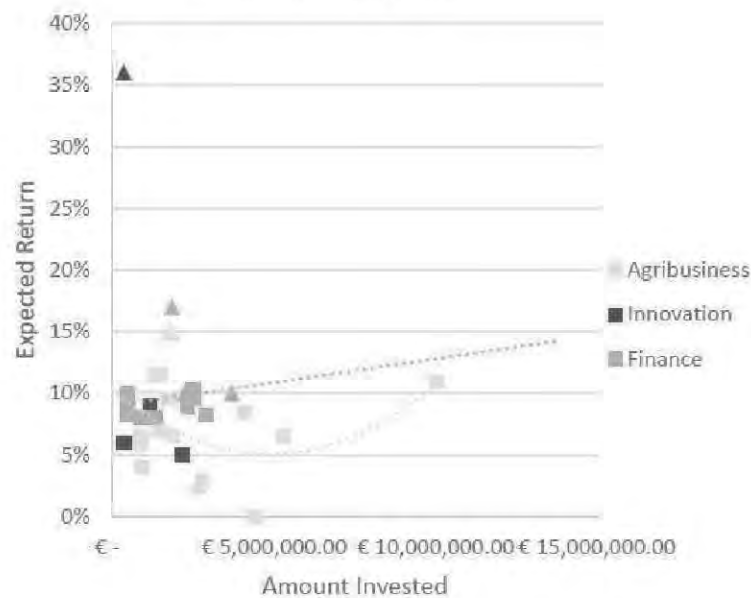


Figure 16: Relationship between Amount Invested and Expected Returns, per Investment Sector



Source: ADE own elaboration based on IDH FFF (2024)

While Figure 14 shows a negative relationship between expected return and the amount invested, this correlation is affected by two outliers [redacted] and by the missing values (especially concerning equity investments' expected returns for co-investors, which we do not have as we do for the IDH FFF itself). The relationship's slope is not statistically significant at a confidence interval of 90%. Such uncertainty is tied to the limited number of observations (34). While the relationship is not robust, it is important to note that we cannot know whether the true relationship is far away or close to the one observed from the 34 data points. Such relationship is purely descriptive, since causality cannot be established due to the presence of omitted factors, such as company characteristics and risk profiles alongside countries' economic contexts.

Disaggregating by commodity (Figure 15) reveals that the average returns are highest for diversified and food-crop investments (14% and 12%, followed by cocoa and coffee (9%), cash crops (7%) and animal products (4%). Again, the differences in averages may be due to underlying contextual factors (given the small number of observations per commodity) rather than causal linkages.

Disaggregating by sector (Figure 16) shows that while agribusiness projects receive most funding, their returns on average are lower (especially at lower investment amounts). Financial sector driven business models are associated with higher average returns and positive marginal returns relative to size of investment (positive slope). Again, the relationships' slopes are not statistically significant at the 90% confidence level. For the same reasons as mentioned above (i.e. limited sample size), the reader should remain cautious about the interpretation of the significance. However, it is consistent with the fact that investments targeting smallholder farmers are generally smaller and generate less returns relative to larger corporations.

Reflecting the higher risks involved, it can also be seen that equity investments are associated with higher returns relative to debt investments. Taking returns' weighted average on all debt and equity investments reveals that the IDH FFF expects higher average returns relative to its co-investors (9.5% vs 7.5%) as a result of its risk-taking strategy to mobilise private finance and equity investments.

4.4. Expected impacts from investments

The IDH FFF distinguishes between its investments by three 'impact archetypes': financial sector driven business models, agribusiness driven business models, and innovation driven business models.

Figure 17: Investments by Sector



Source: ADE own elaboration based on IDH FFF (2024)

As shown in Figure 17, the IDH FFF mainly invests in agribusiness-driven business models (53%), followed by financial sector investments. There are only two investments that are innovation focused using the IDH FFF's framework.²⁴

As discussed in more detail in Sections 6.3 and 6.4, the IDH FFF targets and measures various impact indicators. This chapter focuses on the three impact targets: smallholder farmers reached; changes to incomes for these farmers; and jobs generated.

²⁴ The classification represented on the graph comes strictly from the Archetype definition provided by the IDH FFF. The ET acknowledges that the IDH Farmfit Fund classifies the investment as innovation model when most of the revenue is derived from non-traditional or innovative sources (such as entirely new products, like Koa, or software-as-a-service models, like LendXS). However, several cases fall near the boundary of this definition

Smallholder farmers reached

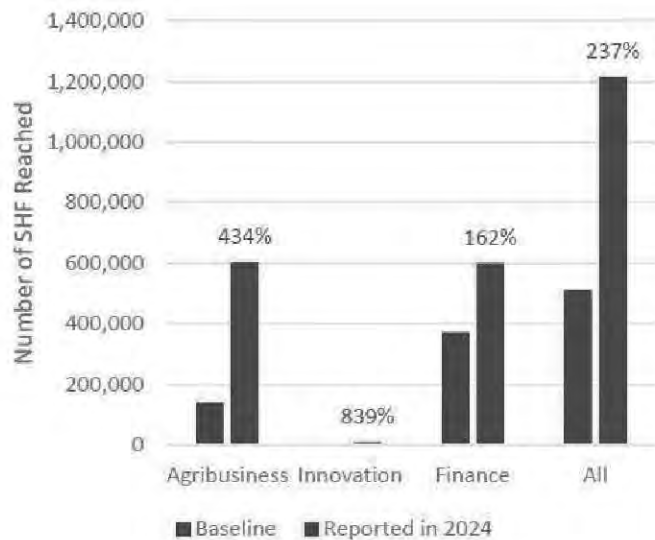
Figure 18 breaks down reach by impact archetype, gender and age, and shows how the portfolio has evolved over time on these measures. As expected, there was a steady expansion of overall reach as capital is deployed, and new investments enter the portfolio.

Smallholder farmer outreach is highest for agribusiness and finance-driven investments despite the latter achieving 83% and the former 116% of their respective 2024 targets. Three investees represent 90% of all smallholder farmers reached by 2024. Among the seven investees that disclose their transaction targets, the financial sector is the only one that has surpassed it (entirely thanks to Aldea Global) and the innovation sector is almost there (thanks to Koa). Most of the outreach left is concentrated in the agribusiness sector, where the number of smallholder farmers reached by 2024 represented 22% of the transaction target, since many investments are newer – such as the Hatch Africa investment which was made in December 2023.

Women represent 70% of all smallholder farmers reached, among the eight investees that report statistics related to women. This is largely driven by the agribusiness sector, since women represent 29% and 33% of reached farmers in the finance and innovations sectors.

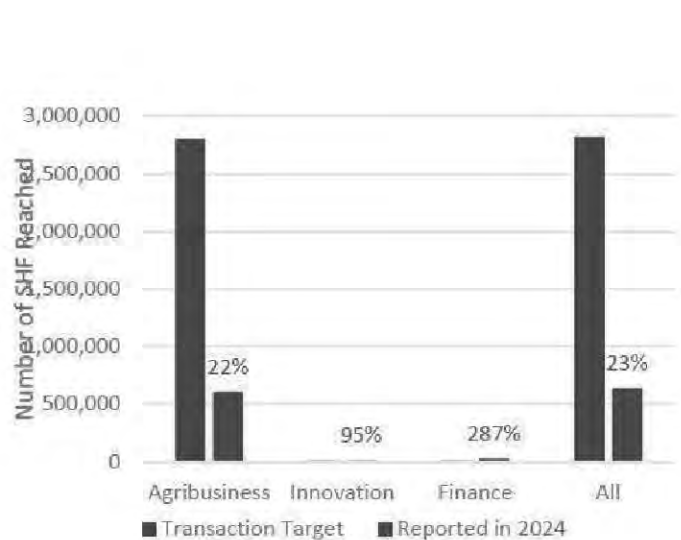
Youth represent 19% of all smallholder farmers reached, among the four investees that report such statistics. Again, the finance sector lags behind at 13%, while the innovation and agribusiness sectors are relatively more inclusive of youth who represent 18% and 25% of all farmers reached. These figures may be contextualised by the fact that the IDH FFF is mandated to invest in certain sectors where the average age of farmers is higher due to upfront investment requirements, such as coffee and cocoa. Additionally, only four investees report on youth reached due to lower prioritisation and the lack of digital system capacity to disaggregate farmer data by age, thereby limiting the representativeness of the statistics described above.

Figure 18: Change in Smallholder Farmers Reached Relative to Baseline, among Investees Reporting Baseline



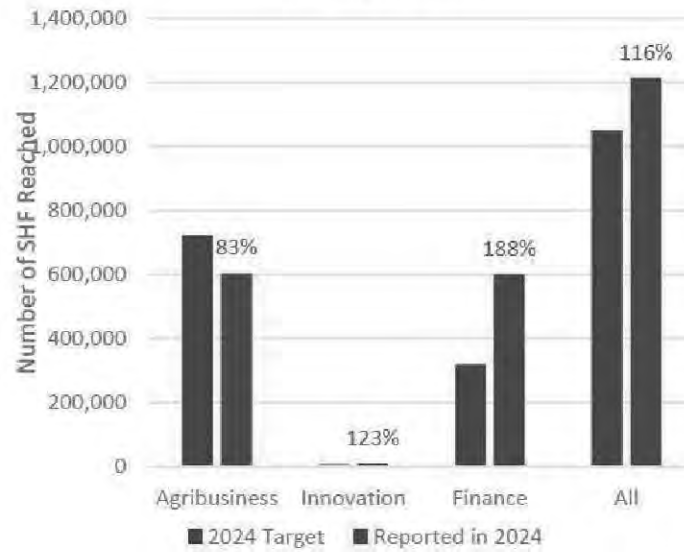
Source: ADE own elaboration based on IDH FFF

Figure 19: 2024 Target and Actual Smallholder Farmers Reached Relative to Baseline, among Investees Reporting Baseline



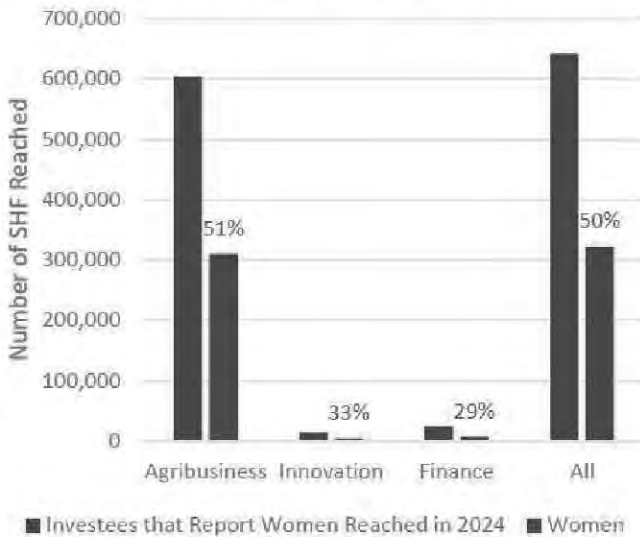
Source: ADE own elaboration based on IDH FFF

Figure 20: Transaction Target and Actual Smallholder Farmers Reached in 2024 Relative to Baseline, among Investees Reporting Baseline



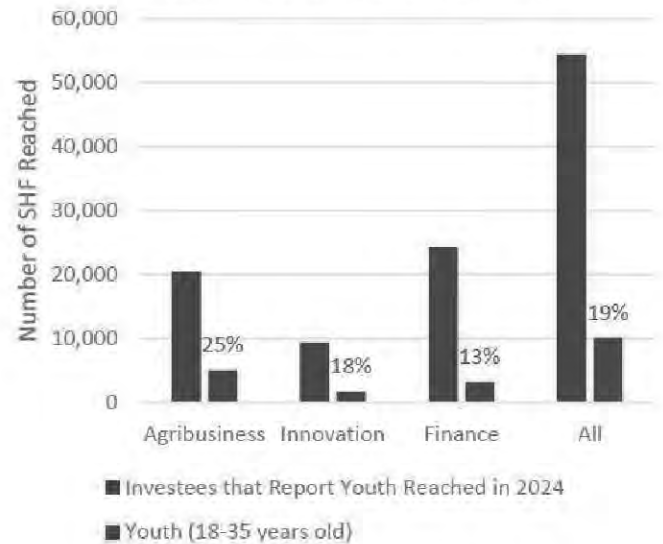
Source: ADE own elaboration based on IDH FFF

Figure 21: Share of Women Smallholder Farmers Reached, among Investees Reporting Women Reached

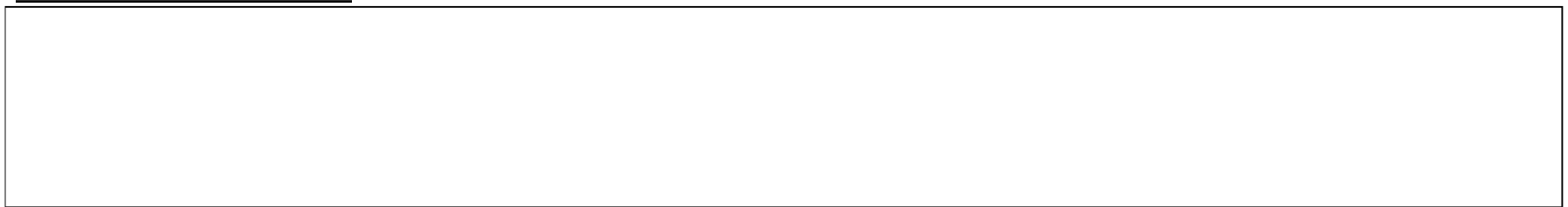


Source: ADE own elaboration based on IDH FFF

Figure 22: Share of Youth (18-35) Stallholder Farmers Reached, among Investees Reporting Youth Reached



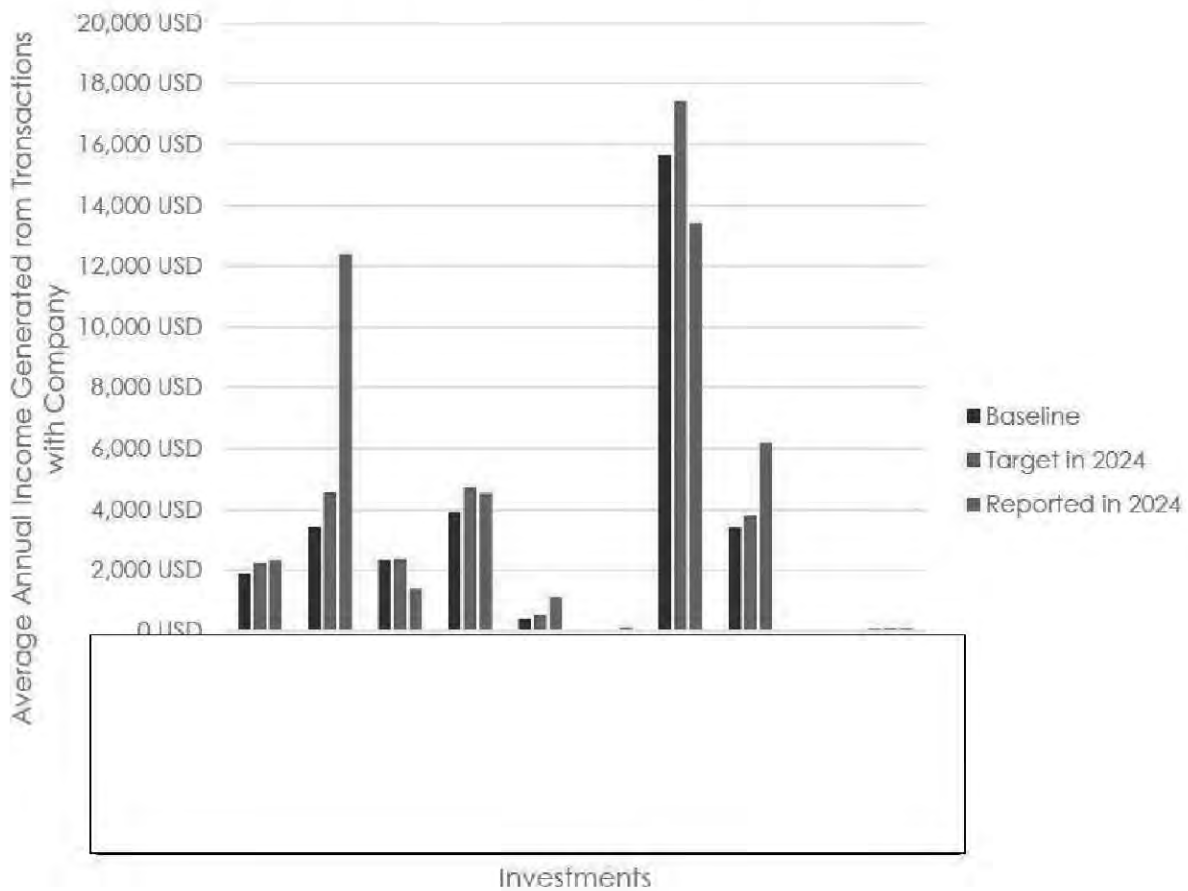
Source: ADE own elaboration based on IDH FFF



Income generated

The Fund's primary impact objective is to increase the incomes of SHFs by 50%. Figure 23 depicts the baseline levels of income, alongside targets and reported income in 2024. The income generated corresponds to the average value of payments made to the smallholder farmers who sold the product of interest to the company during the reporting period, i.e. one year. Overall, most of the investees meet the 2024 targets. Some even exceed the targets: this is the case of [redacted] producers who sell to [redacted] and farmers [redacted] who report incomes that are two times higher than targets. Three investees that fail to meet the set targets are [redacted]. Farmers associated with the two latter investees saw their average annual income decrease relative to baseline. In the case of [redacted] such observation is linked to climate hazards. The strongest income increments are observed for [redacted]. The average increase relative to baseline levels is of 163% which implies that the Fund managed to reach its primary impact objective, despite underlying heterogeneity.

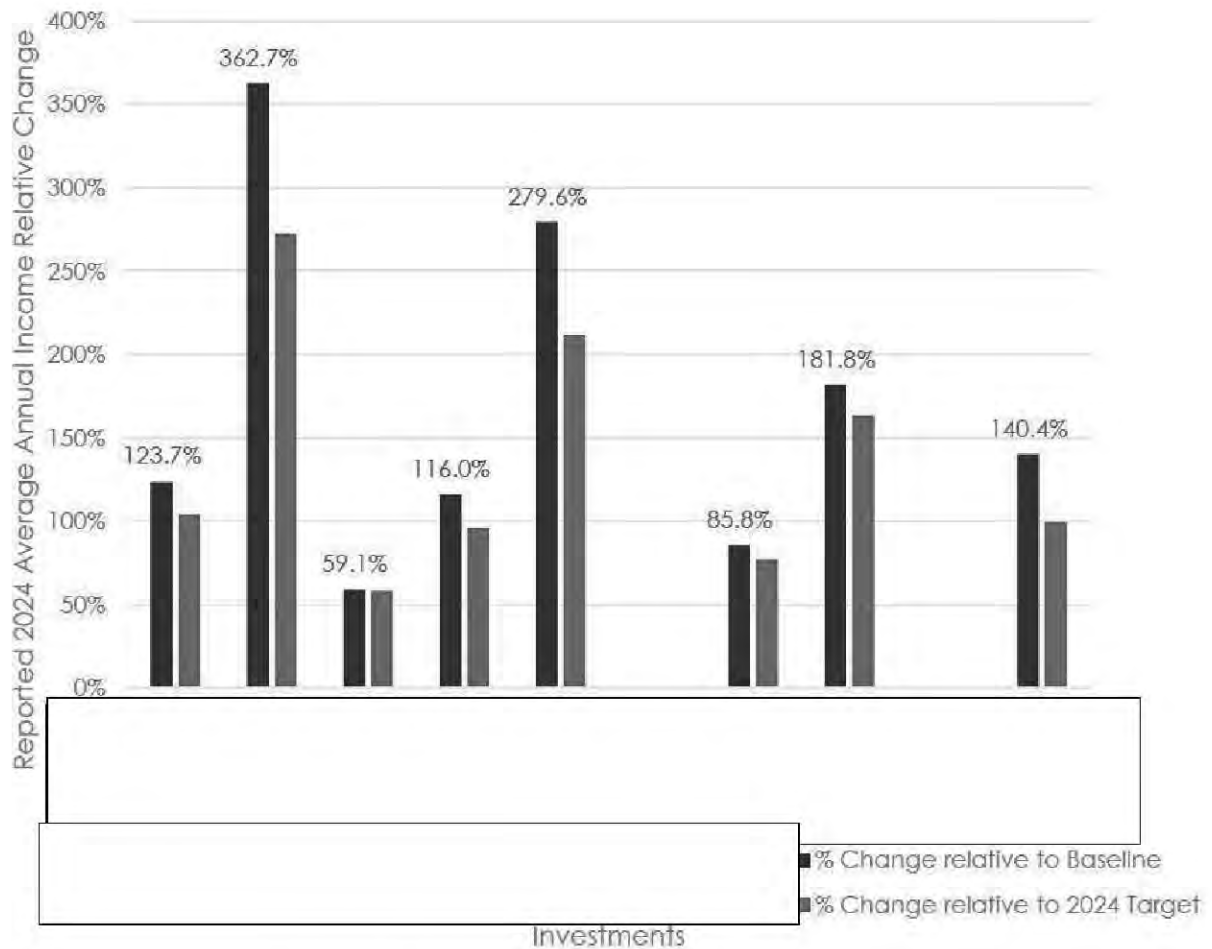
Figure 23: Projected Income Increases per Investment



Source: ADE own elaboration based on IDH FFF data (2024)

Figure 24 compares average annual income measures with progress to date as well as the evidence available in progress to date in meeting this target.

Figure 24: Progress relative to Baseline & in meeting 2024 Income Targets



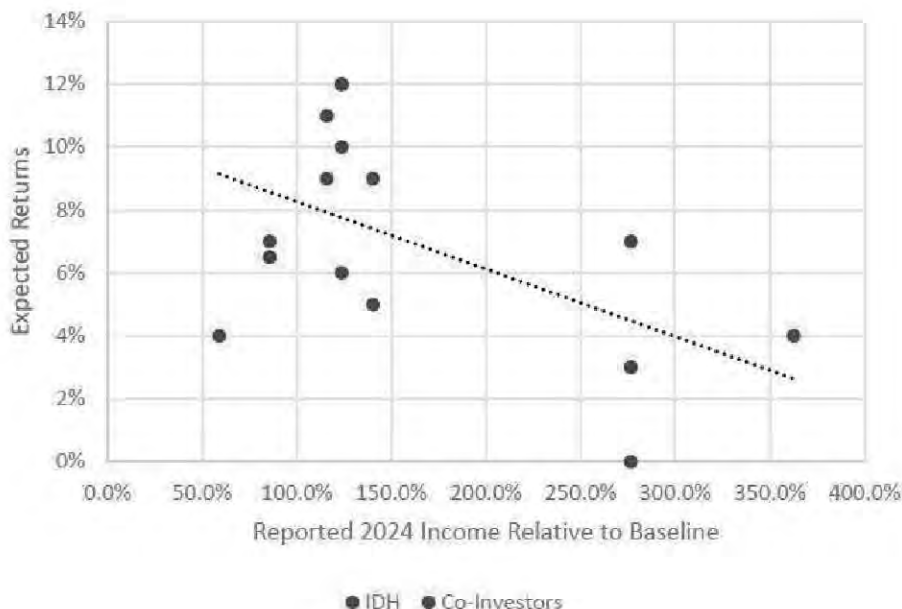
Source: ADE own elaboration based on IDH FFF data (2024)

Most of the investments (for which there is data on targeted impact) outperform expected impacts, except for [redacted]. Potential reasons include extreme weather events, such as droughts, that affected smallholder farmers' production and overall performance. A recent farmer survey³² (2024) conducted by [redacted] suggests that the investee has a positive role in helping smallholder farmers recovering from negative climate shocks. The survey shows that 78% of farmers report an increase in crop earnings and 87% an increase in their quality of life. The survey also reveals that 98% of farmers experienced climate shocks and 56% report a positive influence of [redacted] on their recovery. This may be linked to the fact that [redacted] provides technical advice, climate resilience training, adapted seeds, fertiliser, and assistance in obtaining certifications. While this displays the investee's supportive role towards most smallholder farmers, it also underlines that limited access to water for irrigation remains a challenge faced by farmers.

Figure 25 compares expected income changes with expected returns for the IDH FFF and co-investors.

³² Analysis on survey data rely on secondary data which could not be verified for this evaluation

Figure 25: Investors' Expected Returns & Income Generated for Smallholder Farmers



Source: ADE own elaboration

Overall, there is a negative relationship between investors' expected returns and income generated for smallholder farmers. A 1 percentage point increase in the income levels relative to the baseline is associated with, on average, a 2.14 percentage point decrease in the investment's expected return. While this coefficient is statistically significantly different from 0 at a confidence interval of 95%, the limited sample size and the lack of inclusion of other variables, such as country- and company-specific characteristics (e.g., if there was a drought in 2024) makes it impossible to infer causality between expected returns and income generated. Hence, the statistics are descriptive and only apply to the investees that reported baseline incomes and income levels in 2024 and for which expected returns are available. This concerns [redacted] [redacted] is not included due to missing baseline data, whereas expected returns are not reported for [redacted]

Jobs created

Figure 26 shows the total jobs supported per investee, broken down by gender. This indicator is defined by the IDH FFF as “The number of full-time jobs supported at investees (at a company level) disaggregated by gender and youth. At company-level, the age-disaggregation is defined as a worker below the age of 24”

Figure 26: Jobs Supported by Investments, by Gender

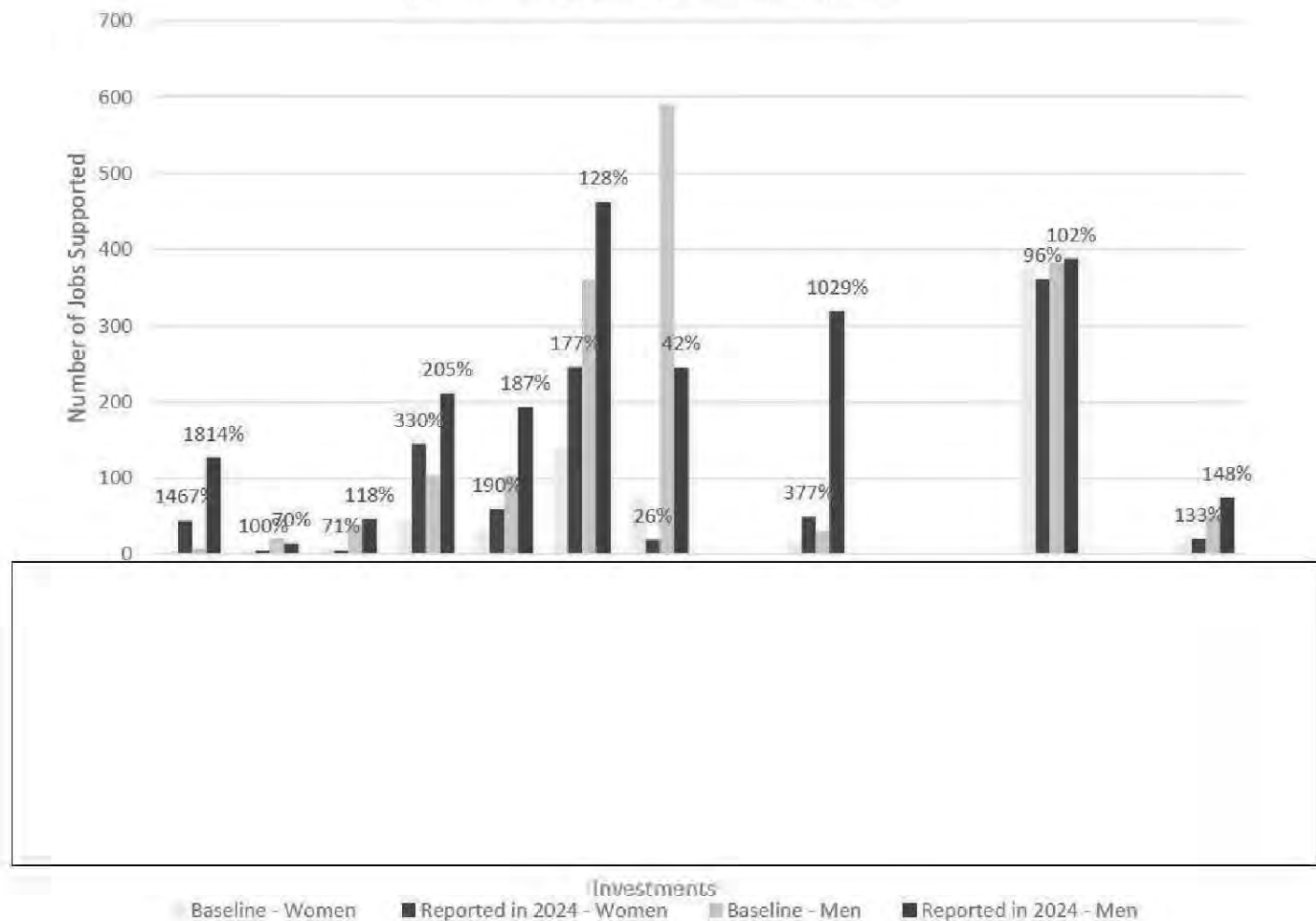
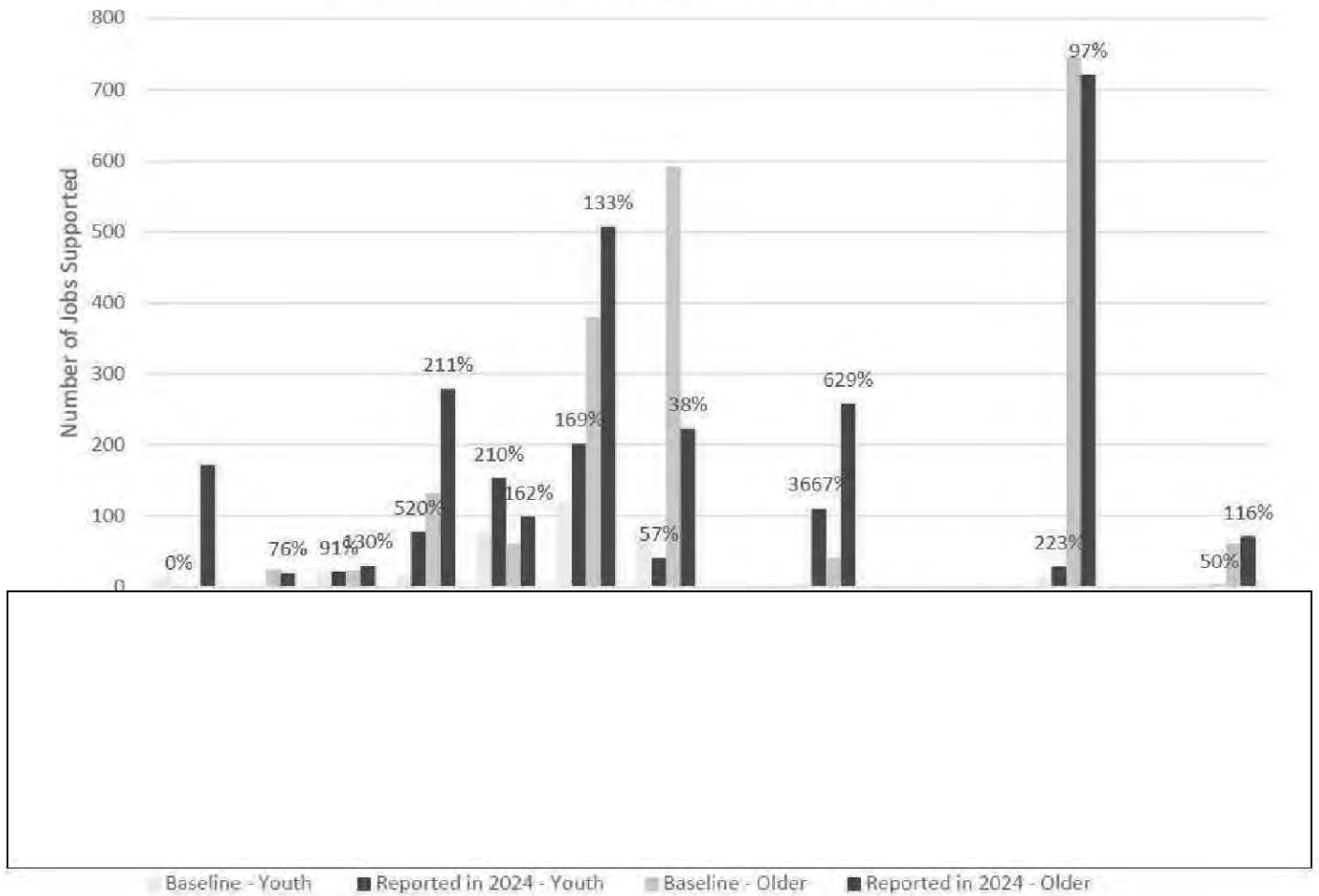


Figure 27: Jobs Supported by Investments for Youth (18-35)



[redacted] support more jobs than the other investees and are also distinguished by their relatively high share of women. The jobs created through the Fund's investments are in alignment with internationally recognised Environmental & Social (E&S) risk management standards, ensuring compliance with high-quality and sustainable labour practices.

Issues around measuring portfolio level impacts³³

There are two main limitations to the portfolio desk-review. First, the analysis does not account for non-random missing data, which may influence the observed relationships. Second, six investments' expected returns vary over time and are taken at the lower bound³⁴. However, the analysis has been replicated taking the upper bound and the relationships observed hold regardless.

Some investments, particularly those in Financial Service Providers (FSPs), do not include income measurement or targets. This is because FSPs typically finance a wide range of crops and farming activities, making it practically unfeasible to define a single, meaningful income metric across their farmer base. As a result, measuring or projecting farmer income in these cases would not yield reliable or comparable insights. The absence of income targets for some investments is not due to oversight or negligence, but rather to practical limitations inherent in these types of investments. Additionally, the income data discussed has not been adjusted for Purchasing Power Parity (PPP). The income comparison might be misleading, especially between countries with significantly different living costs.

It also the case that portfolio level data does not allow close scrutiny of actual income effects, particularly as a percentage of existing incomes. The IDH FFF aims to increase incomes by 50%. According to the available data, average incomes in 2024 increased by 68% relative to the baseline levels. Such average hides underlying heterogeneity, since three investees reported income declines relative to baseline, while two doubled smallholder farmers' incomes relative to baseline. To examine this more closely, 4 case studies were conducted of investments to understand the details of income effects, including how these translate in proportional changes for smallholder farmers.

³³ Impacts related to loans, as well as are the total number of licensed farmers, farmers trained, etc. are not graphed because there was data for too few investments to make an insightful figure or table.

³⁴ Some investments have two different expected return values over their lifetime. The lower bound represents the smaller of the two values, while the upper bound refers to the larger one.

6. Findings per Evaluation Question

This Section contains the findings for each of the Evaluation Questions (EQs). In each case, findings are based on a synthesis of evidence from the evaluative activities undertaken, document reviews, interviews with IDH FFF and relevant stakeholders, including investees, co-investors and corporate stakeholders. Building on the causal hotspots discussed above, evidence gathered on the assumptions underpinning these causal chains are also included in this synthesis of evidence.

6.1. Relevance

EQ1: Does the Fund adequately address and respond to the needs of Agri-SMEs and smallholder farmers?

IDH FFF's approach is aligned with some of the important needs of agri-SMEs and SHFs, and the Fund plays an important role in addressing these needs. Gaps remain due to the inability to provide particular products and serve certain groups as well as limited long-term engagement with SHFs and a lack of TA funding. The IDH FFF demonstrates flexibility in product design and risk-sharing mechanisms and its willingness to engage in early-stage, higher-risk ventures adds significant value. However, the Fund's finite lifespan limits deeper or longer-term engagement with SHFs, while its investment criteria constrain investments in smaller, riskier SMEs. The lack of TA funding restricts its ability to help investees become investment-ready and support ecosystem development. While there is currently insufficient data and measurement on income impacts and outcomes for SHFs, there is survey data providing some evidence on the extent to which IDH FFF is meeting SHF needs, as well as impact studies conducted by clients in some cases.³⁸ While there are limitations to this evidence, the results do suggest that engagement with IDH FFF-funded entities is adding value and addressing needs. For more details see Section 6.3.

Agri-SMEs lack affordable and accessible finance (short-term, local currency, patient capital). They often lack the systems, track record, credit history or collateral to attract commercial funding and need reliable market access, including the opportunity to enhance resilience through diversification, and fair buyer contracts. SHFs face time-sensitive³⁹ cash flow challenges, needing flexible repayment schedules and are constrained not only by finance but also by land size, mechanisation limitations, and systemic issues like unreliable infrastructure as well as price volatility for their products. These require input credit, access to markets, fair – and relatively stable – prices, extension services, and productive loans.

IDH FFF addresses these needs through several mechanisms, including its ability to take subordinated positions and provide concessional capital, which is often important in supporting high-risk Agri-SMEs and SHF-focused enterprises. This allows co-investors to come in at lower risk to investments they may not otherwise be able to make. There is also a recognised need for more equity investments, especially in early-stage and local ventures. The IDH FFF also aims to address the time-sensitive nature of financing needs, seeking to ensure the capital is available at points in the year when it is most needed. However, while IDH FFF has provided significant equity, this has been challenging due to the fund structure and exit constraints. Unlike debt, equity provides no income stream, constraining the IDH FFF's ability to meet its running costs, which are funded from income. Like all equity investors in challenging markets, IDH FFF faces the challenge of exiting – i.e. finding buyers for its equity positions in a closed-ended fund structure. This has influenced its investment decisions, particularly by making the fund more prepared to make equity investments in the more developed and liquid markets. As a result, most equity investments are concentrated in markets with functioning secondary exits like India, but from an additionality and impact perspective it is less developed markets where equity financing is most scarce and most needed.

³⁸ For example, Hatch Africa's 2024 Impact Report highlights the organisation's meaningful contributions to farmer livelihoods, food security, and women's empowerment across five African countries.

³⁹ For example, working capital is needed ahead of the harvest season.

Investments such as Avanti show how the IDH FFF supports tailored, long-tenor finance solutions for rural MFIs, helping them reach SHFs. These are not just loans, but financial tools aligned with seasonal cash flows. Investments in companies like Hatch Africa and CHC target smallholder market linkages and input access, even if not through direct finance. CHC also seeks to address the lack of information on credit-history by building profiles on the reliability and quality of individual SHF outputs, where it can link the allocation of inputs to the SHFs most likely to use them productively. The Koa investment is an interesting example of resilience building through product diversification. Avanti and Hatch Africa collectively drive much of the SHF outreach.

A major weakness in addressing needs is the lack of TA accompanying investment, despite original plans to allocate €13 million. As well as accompanying investment, there is a lack of TA to provide pre-investment capacity building to bring SMEs to the level needed to attract investment. As noted in IDH FFF's distillation of 5 key lessons from its operations to date, this is a critical problem, which needs to be resolved if the Agri-SME funding gap is to be filled.⁴⁰ Both before and during investments, the lack of TA limits IDH FFF's ability to build the investees' capacity, especially for more fragile Agri-SMEs. Moreover, the Fund's closed-end structure, short donor timelines, and pressure to deliver rapid results has hindered long-term SHF transformation strategies (e.g., land aggregation, mechanisation). Offering local currency finance is also a current gap. IDH FFF does not have the ability to provide local currency finance, and it has proved difficult to attract funding from potential service providers such as local banks. Providing finance in international currency creates currency risk, which must either be borne by the borrower or lender, or else hedged at high costs, which eats into the already low margins available.

The IDH FFF's ability to reach the riskiest borrowers is limited, as the small ticket sizes this entails are not feasible given the requirement of up to 70% co-investment, and the transaction costs of completing deals, which are not subsidised for the IDH FFF to enable these types of investments. Local funds are seen as positioned to finance smaller or riskier agri-SMEs and producer organisations.

Finally, while the IDH FFF reaches SHFs through intermediaries, such as MFIs, it does not always directly serve the most vulnerable SHFs. It should be noted that this was part of the strategy of the Fund from the outset and is not compatible with its investment criteria and risk tolerance levels.

EQ2: Is there sufficient demand for funding from the Fund?

There is significant demand for funding from Agri-SMEs, especially in Africa. However, initial deployment was slow due to COVID-19, the war in Ukraine, investee readiness, due diligence requirements, limited active local presence and complex deal structures. There is a clear demand for funding in target markets and IDH FFF's ability to structure deals for riskier segments is highly relevant in these markets. However, initial deployment in certain markets proved challenging and led to delays due to external and internal factors. Externally, the onset of COVID-19 caused severe delays, restricting the ability of team members to travel, for example. Secondly, Russia's invasion of Ukraine disrupted agricultural commodity markets, causing extreme movements in prices and the international pattern of imports and exports. Internally, high transaction complexity and investee readiness issues, ecosystem-level constraints (e.g., lack of TA, weak pipelines) limited the extent to which demand was actionable. In part, limitations to the pipeline are the result of inherent problem findings deals that meet the fund's objectives of commercially attractive returns coupled with high impact. For some interviewees, however, the Fund was not as integrated with local networks as it could have been, partly due to a lack of on-the-ground presence, which may have restricted its ability to identify attractive deals. While the IDH Foundation does have good on-the-ground presence, this is not linked into the investment ecosystem as discussed elsewhere. The long-time frames needed to conclude transactions are the result of essential ESG risk assessment and impact enhancement activities, but also the time needed to negotiate with co-investors, as well

⁴⁰ <https://idh.org/news/five-years-of-the-idh-farmfit-fund-five-key-trends-from-our-journey-so-far>

as internal issues such as the complexities created by the need to align with one of the five corporate investor 'scopes'.

The IDH FFF's structure, where potential investments have to align with the priorities (or 'scopes') of one of its corporate lenders, added a layer of complexity that made it more difficult to create deals than a more open remit would have allowed.

So far, 15 investments have been made, with a total of €33.4M committed and €100M in co-finance attracted, indicating a level of market engagement and demand absorption. Investment pipeline and outreach accelerated in 2024-25 after the initial slow start, reflecting increased alignment with market needs over time, and perhaps better integration with local networks.

Stakeholder interviews confirm that Agri-SME and SHF finance is a real need, especially in high-risk markets where traditional DFIs and banks hesitate to operate. There is strong demand for equity, and a consistent need for affordable and flexible finance for agri-SMEs and inclusive business models. However, this demand has been more complex to service than anticipated. Demand is particularly higher in Africa, with a strong need for funding structures that accommodate local market conditions and business maturity levels.

Stakeholders further noted that IDH FFF's flexibility and risk appetite (especially in providing subordinated positions) allow it to reach areas where traditional financiers will not go and fill a critical needs gap. This reinforces its additionality. However, they also acknowledge that translating these needs into bankable projects remains a persistent challenge. Concerns were raised by one very well-placed interviewee about whether IDH FFF is sufficiently connected to local networks to consistently source viable deals from underserved areas. IDH FFF dispute this claim, however, arguing that the Fund is well connected through networks such as CSAF, its investment staff's local relationships, and co-investors like Oikocredit.

Barriers that prevented or slowed down the IDH FFF's deployment included:

- Limited capacity: The team was not operating at full strength at the outset, as it took more time than expected to fill outstanding positions, due to a very competitive labour market, which has continued to cause capacity constraints at some points. The IDH FFF team were also fundraising for the first period and finalising the Fund's governance and operational structures. The combination of these factors constrained the number of deals they were able to execute.
- Covid-19: disruptions further delayed early-stage investments and slowed the build-up of a consistent pipeline.
- Ukraine: Russia's invasion of Ukraine severely disrupted global agricultural commodity markets⁴¹, making it extremely difficult to complete deals in the sector.
- Mismatch between demand and Fund requirements: the IDH FFF seeks to find deals with attractive commercial returns and high impact. This is an inherently difficult and time-consuming process – if it was easy to find such deals it seems likely that others would have already invested in them. Second, many agri-businesses were/are not “investment-ready”, lacking the administrative, financial, and governance structures needed for IDH FFF participation. This has created a bottleneck between latent demand and actionable investment opportunities. The IDH FFF had to filter out non-commercially viable proposals, which, while necessary, slowed down fund deployment and can obscure the perception of demand sufficiency.
- Complex deal structures and limited ecosystem readiness: the complexity of deals, particularly involving equity or blended structures, and the limited integration with local investment ecosystems, have contributed to slower initial deployment.

⁴¹ Russia's invasion also triggered a surge in fertiliser prices, undermining the viability of input finance programs and broadly hindering input sales.

- Challenges in aligning with investor scopes and transaction share restrictions: alignment with investor scopes along with the rejection of some opportunities [redacted] has created challenges. In addition, cocoa transactions have been very challenging, especially due to low levels of maturity of producer organisations in CDI/Ghana. When established the IDH FFF's share of any transaction was capped at 30%⁴² in order to encourage the mobilisation of private investment. This proved to be an obstacle to concluding some deals, as some prospective investees are too small to absorb an investment of the minimum size this necessitates, reducing the attractiveness of the offer that IDH FFF could make

6.2. Coherence

EQ3: How well is the Fund aligned with other activities of IDH? Are there duplications of effort and activities? Do the interventions complement each other? Does IDH Farmfit Fund address the financial inclusion needs of IDH projects which focus on developing agribusinesses and smallholder farmers?

IDH FFF is conceptually and strategically aligned with IDH's goals and activities, but there are still risks of missed complementarity where internal alignment and communication are weak. There is strong complementarity in purpose, with shared focus on de-risking, inclusion, and scaling impact business models. 'Investment' is fully integrated as one of the 5 pillars of IDH's new strategy, with the IDH FFF seen as the first of a number of facilities that will be developed by IDH Invest.⁴³ Certain investment cases demonstrate effective operational synergy with IDH programs. However, there is limited pipeline integration and lack of institutionalised coordination mechanisms. Also, the limited TA facility undermines its potential to directly support IDH-targeted beneficiaries.

The IDH FFF was designed as a complementary instrument to IDH's broader Farmfit ecosystem, especially to serve the observed 'missing middle' financing gap in SH finance emerging from IDH FFF technical assistance and advisory work, in an attempt to increase impact by providing revolving rather than grant finance⁴⁴. IDH FFF aims to support IDH's ToC by scaling up proven service delivery models and de-risking investment into high-impact agribusinesses, thereby extending the reach and sustainability of other IDH interventions. IDH programs such as Farmfit Business Support (BS) and the IDH FFF are structurally independent but were intended to operate in a sequenced and mutually reinforcing manner – e.g.: BS provides design and diagnostics, while the IDH FFF then supports scale and investment readiness for business models proven through BS engagements.

Specific investments (e.g., Advans, Mvuvu, or ACOM) show how businesses receiving TA for being part of IDH ecosystems later received capital from IDH FFF, which amplifies the initial TA effort.

However, despite the design logic, in practice, very few investments have come directly out of IDH TA pipelines. Many have come from external sources or were originated independently. This is often due to the time mismatch between TA engagement and fundable business maturity, lack of readiness for investment even after TA support and limited systematic handover mechanisms between IDH business advisory teams and IDH FFF investment processes. Moreover, although IDH FFF was expected to benefit from a €13M TA provision managed by IDH, this has not been fully operationalised, and it is set to be further reduced, limiting its ability to develop a robust TA strategy and enhance investee readiness and align with IDH's broader development work. Much of IDH's work is linked to specific projects with dedicated funding streams, including TA. Its access to unrestricted TA funds is therefore limited. This problem is compounded by the fact that IDH projects tend to operate on a shorter timeframe (i.e. donor grant funding cycles are typically for 5 years) to that of a closed-ended fund such as the IDH

⁴² Since increased to 50% in some cases. (Deals between 1 million and 10 million euros)

⁴³ The reVive Investment Development Hub a key role in building an ecosystem for scale (as opposed to a project-based approach) in nurturing potential investments to scale, and in ensuring an exit strategy for its TA through the convened Finance Network

⁴⁴ A grant can only be deployed once, whereas investments that are repaid (i.e. 'revolving') can be deployed repeatedly, multiplying potential impacts.

FFF, which tend to have a 10-15-year cycle. Given this, there has reportedly been a tendency for IDH's limited TA funds to be absorbed by its own projects, where the urgency to demonstrate results to donors was greater and therefore a decision was taken to prioritise these.

Some stakeholders perceive that the IDH FFF operates too independently⁴⁵, which can lead to missed opportunities to leverage synergies with IDH programs and other donors. These highlighted the need for a stronger, more deliberate coordination mechanism to align strategies, share intelligence, and match funding instruments to program outputs.

EQ4: How well is the Fund aligned with the focus sectors of corporate lenders in the Fund? What is the added value (other than financial) of the Fund to these investors?

The IDH FFF has a clear alignment with corporate value chains in SHF-focused sectors and brings added value to some, though not all, of its corporate lenders and to the sector in general, but indirect impact measurement weakens visibility of strategic benefits. IDH FFF adds non-financial value through de-risking, innovation exposure, ESG alignment, and sector influence and supporting corporates' long-term sourcing sustainability goals.

Corporate lenders in IDH FFF, such as Unilever, Mondelez and JDE Peet, have strong interests in specific agricultural value chains, including cocoa, coffee, and other smallholder-linked commodities. IDH FFF's investment focus on inclusive business models in SHF-linked agri-value chains directly aligns with these corporates' sourcing priorities and sustainability goals. Several investments have been made in companies operating within or adjacent to corporate lenders' sourcing geographies or sectors. For example, IDH FFF investments in Hatch Africa (poultry) and Avanti Finance (India SHF finance) intersect with broader corporate interests in sustainable and inclusive supply chains.

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⁴⁵ Investment expertise within IDH is relatively limited, which can lead to misunderstandings about why the fund does not pursue investment leads from IDH. While a more integrated strategy could strengthen collaboration between IDH and IDH IM, direct involvement by IDH management in investment decisions would likely compromise the effectiveness of IDH IM's investment outcomes.



As discussed previously, it is not clear how this divergence in expectations emerged. The Fund's investment criteria were established and agreed to before contracts were signed. It may be that agreements made at the most senior level in companies were not transmitted to staff who ultimately interacted with IDH FFF. Or that there were problems with communication between the IDH FFF and corporate investors, or turnover of key staff. Whatever the reasons, it is undoubted that a major divergence did emerge between the sorts of investments the IDH FFF wished to make, and the types of investments that their corporate lenders were interested in.

Given the IDH FFF's risk appetite and drive or need to make decent returns, it is unsurprising that their stakeholders from the financial sector take a more positive view, though this also varies. One corporate investor was positive about IDH FFF's contribution to the sector but did not believe that the expected value to them had been fully realised, particularly the ability to benefit from the 'last-mile' value chains⁴⁶ of other corporate lenders.

The most positive view came from one DFI stakeholder who sees the IDH FFF as a way of connecting them to smaller, more impactful investments that they would otherwise not be able to make. As well as accessing smaller ticket sizes, IDH FFF's ability to derisk investments with its concessional capital base was seen as central to its contribution, bringing investments that would otherwise have been too risky within the bounds of stakeholders' risk appetite.

While benefits are acknowledged by most corporate lenders, there is limited quantitative tracking of how IDH FFF investments directly impact corporate supply chains or reduce sourcing risk, even if the latter was not an objective of the Fund. Some stakeholders noted the potential to strengthen corporate alignment further, e.g., by explicitly designing investments to de-risk supply chains or by leveraging IDH FFF as a platform for corporate-SME partnerships.

From the perspective of the IDH FFF, a key challenge in engaging with its corporate stakeholders has been the frequent corporate policy and staff changes over time, leading to changes in commitment and interests. It is also the case that different corporate stakeholders had different priorities, separately from their sector focus. FMO, for example, as seen as particularly ESG focused, while Rabobank placed more emphasis on KYC issues. As well as the expectations challenges discussed above, this further complicates matching deals with partners.

⁴⁶ The "last mile" in supply chain and logistics refers to the final stage of the delivery process, where goods are transported from a distribution center to the end customer. It is often the most complex and expensive segment of the supply chain, due to factors like the need for timely delivery, customer interaction, and geographic challenges.

EQ5: How well is the Fund aligned with and additional to other initiatives and partners supported by the Dutch Ministry of Foreign Affairs? Are there duplications of efforts and activities? Do the interventions complement each other? What is the added value of the Fund to these and other activities and partners?

EQ6: Is there a role to play for the Ministry of Foreign Affairs to increase coherence? If so, what can the Ministry do?

While IDH FFF was designed by IDH Investment Management to be additional and complementary to other MFA-supported initiatives, by providing links to new pipelines through its corporate investors and IDH, this vision has not fully been realised for the reasons discussed above. While it is possible that the MFA could have mitigated these problems by taking a more active role, most of the issues are structural in that they result from the way the IDH FFF was set up (governance structure, closed funding period, and investment criteria) in spite of the different expectations and needs of some corporate lenders.

IDH FFF was originally envisioned by MFA as complementary to its other related initiatives – e.g. the Good Growth Funds, Dutch Fund for Climate and Development (DFCD), and FMO. From the Ministry's perspective, IDH FFF would provide access to a pipeline of deals that was different to these other funds. There were three elements to this.

- First, IDH FFF would complement FMO through its ability to invest in smaller, riskier projects, including those at an earlier stage.
- Second, it was assumed that projects receiving grant funding from IDH would 'graduate' to IDH FFF, before progressing to DFI funding and, ultimately, a fully commercial financing model.
- Third, the engagement of corporate stakeholders was particularly attractive, offering potential access to a pipeline of deals connected to their supply chains, that other Dutch funded initiatives – or those funded by other countries - were not able to access. The assumption was that corporate stakeholders, particularly Mondelēz, JDE Peet, and Unilever would bring these deals to the IDH FFF.

The envisioned complementarity has not materialised as expected. The relationship dynamics were complex, and corporate lenders did not bring in as many viable investment opportunities as hoped. As discussed above, this seems largely due to different expectations on behalf of the IDH FFF and its corporate lenders, and their very different risk appetites. Projects from corporate partners were not investment-ready enough to meet IDH FFF's due diligence requirements on a risk-return basis. From some of the corporate partners perspective, however, these were exactly the kind of investments that the IDH FFF should have made, as these would align with their goal of creating a better quality, more diverse supply chain, while benefiting the greatest number of smallholder farmers. This would have required a willingness to accept more risk, and to provide more TA than the IDH FFF could, given its structure and access to resources.

This misalignment between TA and investment expectations contributed to the slow pace of deployment. There is some overlap in clients between IDH FFF and FMO, raising concerns of duplication rather than additionality in the MFA. It is certainly the case that IDH FFF has invested in a number of clients where FMO is also an investor. (Advans CDI, Agora, ECOM, although the Fund's investment is in ACOM, ECOM is a subsidiary in Vietnam). From the IDH FFF perspective, however, the Fund invests through more junior instruments than FMO and has a stronger focus on SHFs than is the case with FMO. IDH FFF therefore see its role as being complementary to FMO, enabling clients to engage in riskier, more impactful activities than would otherwise be the case, and increasing and maintaining the focus on SHFs. It is important to note, however, that while there is appetite from the Ministry and from corporate lenders for the fund to engage in smaller, riskier projects, IDH FFF was never structured in such a way that this was possible. Furthermore, as concerns grew about the slow early rate of deployment, where only one investment was made in 1.5 years, the MFA held meetings with the IDH FFF to ask them to accelerate deployment. Although one way of doing this would be target larger investments that could be more rapidly concluded this was not requested by the MFA. This pressure from the MFA partly stemmed from the fact that it

paid a management fee based on a percentage of its committed capital, whereas most investors paid fees based on deployed capital, meaning that any delay in deployment resulted in the MFA bearing the majority of management costs during the initial years.

Perhaps because of this misalignment, there was limited engagement from corporate lenders.

Even actors like Rabobank and FMO, being investors themselves, did not bring successful new investment leads to the table as much as was hoped. Particularly from the Rabobank side, there seems to have been plenty of engagement and activity, but some suggested investments have not made it through Rabobank's own investment process. Rabobank clearly hoped that the structure would give them access to deals in the corporate supply chains they would not otherwise have access to, while FMO performed an invaluable 'backstop' role, agreeing to invest in deals that met IDH FFF's criteria, but did not fall within one of the corporate investor scopes. There have been benefits to Rabobank by providing access to some new investments, but not in the form that was originally envisaged.

In principle, IDH FFF's ability to reach projects below FMO's threshold, particularly through corporate value chains, remains its key added value. All stakeholders agree that that was a unique attraction of the IDH FFF. In practice, however, it has proved impossible to realise this potential. The main obstacle appears to have been the misalignment of expectations discussed above, but the way that corporate investors were included in the Fund's structure has also been a major problem.

The interviewees acknowledge the need for proactive engagement and that the Ministry has been too passive in managing coherence among its instruments and initiatives. FMO's investment in IDH FFF came through Dutch government-funded entities (e.g., MASSIF), rather than through FMO's own balance sheet (i.e. FMO-A). As a result, the MFA actually provided Euro 62.5 million of funding to IDH FFF not just the Euro 50 million redeemable grant. This does not seem to have been strategically coordinated or proactively decided by the government.

Finally, despite political uncertainty in the Netherlands, there is recognition that MFA-supported revolving funds that engage Dutch businesses and invest in the agriculture sector is expected to remain highly relevant to Dutch development policy. IDH FFF fits well in this context, if better coherence and alignment are established.

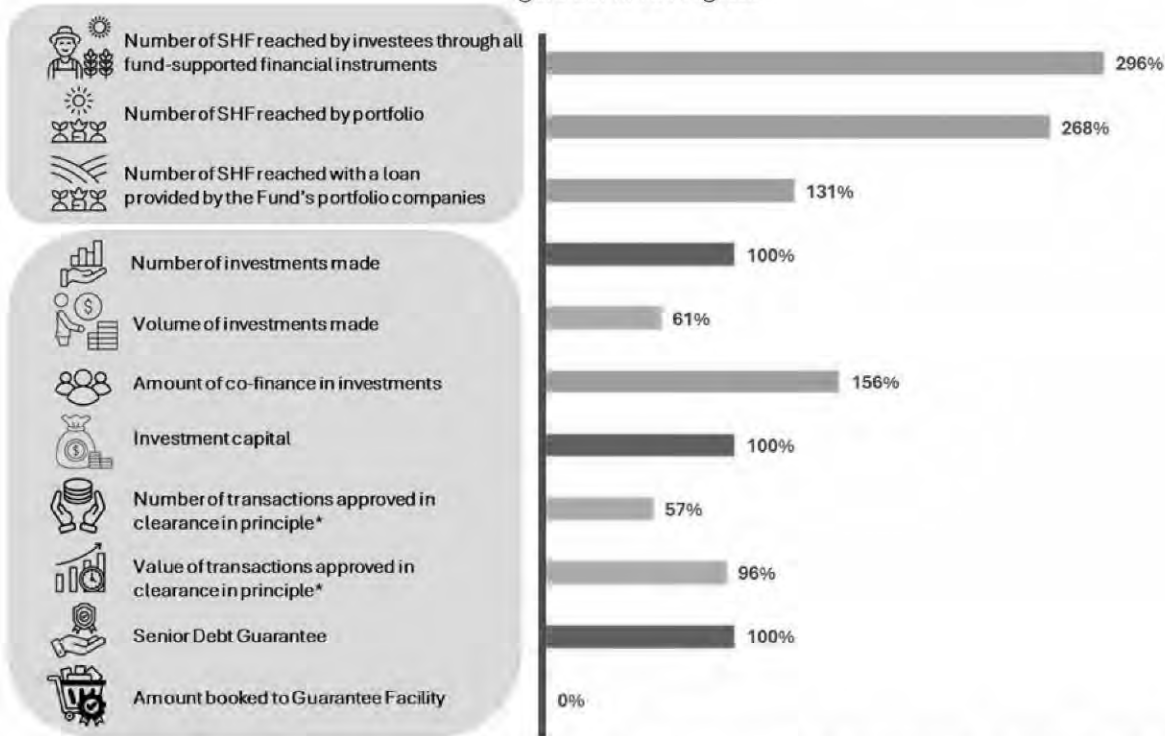
6.3. Effectiveness

EQ7: What progress has the Fund made on its outputs and intermediate outcome targets? Is the portfolio of sufficient quality?

The IDH FFF has made progress with €33.4 million invested and €100 million in co-financing. While this was slow in the early years it has accelerated, and the Fund is on track to be fully deployed by the end of the investment period. However, the impact on smallholder farmers (SHFs) remains unclear due to limited data and monitoring. The portfolio quality has been affected by challenges in investee readiness and lack of technical assistance. While the Fund's strategy has had to adjust to market realities, necessitating a pivot of target investments the IDH FFF's objectives remain broadly aligned.

The assessment of the achievement of outputs and outcomes is based on a comparative analysis of the KPI targets and the progress reported (see Figure 29). IDH FFF reports on progress on an annual basis, the final figures are a compilation of data collected by the relevant stakeholders. The last available KPI data reporting is from 2024, reflecting progress and achievements after 4 years of implementation. As mentioned in Section 3.3.5.3.5, IDH FFF track also a set of indicators within its Results Measurement Framework. The full list of indicators and data reported since the start of the IDH FFF is available in Annex 5.

Figure 29: KPI's Progress



Source: ADE own elaboration, based on IDH FFF reported KPI data (Percentages on the bars show the progress over the annual targets)

In terms of **outputs**, as of the most recent reporting, 15 investments were made with €33.4 million committed and €100 million in co-financing, 91% of which is private capital. This reflects a good leverage ratio, though early fund deployment was slower than anticipated resulting in less capital being deployed by 2024/5. Financial returns expectations are lower than initially envisaged but remain positive. The IDH FFF successfully deployed its blended structure (e.g., junior tranches, guarantees) to absorb higher risk and catalyse co-investments and it has been particularly effective in smaller, complex, high-risk deals in frontier markets where traditional DFIs would not operate.

Regarding **intermediate outcomes**, the IDH FFF has reached approximately 1.2 million SHFs, 70% of whom are women. While the scale of SHF outreach is impressive, the breadth may mask a lack of depth, as the level of actual benefit per SHF is uneven and often unmeasured. While there is limited data to confirm income increases for SHFs, available survey data from [redacted] and [redacted] indicates positive income effects and improvements in quality of life. Based on our case findings, only [redacted] may reach the high threshold of an average income increase of 50%. As noted in more detail below, IDH FFF's ability to enhance impact has been adversely affected by the lack of TA it has been able to access. Attribution claims remain difficult due to the indirect nature of investment pathways and absence of robust M&E or outcome verification processes across the portfolio. It is also intrinsically difficult to robustly assess and attribute changes in SHF income levels to the investments made by IDH FFF with the cost of doing so rigorously being beyond what a fund such as the IDH FFF can realistically be expected to support.

At the time of its design and launch, the expectation was that the IDH FFF would invest significantly in traders and work closely with local banks. These assumptions have proven to be incorrect as recognised by the IDH FFF and documented in the '5 Key Lessons' blog referenced previously. This correctly notes that local banks have little appetite for SHF investments, both because of the high risks involved and because they can earn higher returns

far more easily from other types of investments, such as government bonds, for example. For some interviewees, the solution to this is to create more incentives for local banks to participate. This could take the form of guarantees to address risk, and subsidised financing to boost returns. The IDH FFF is not structured and mandated to provide sufficient incentives, but the experience of other funds cited by interviewees suggests that, with sufficient will and the right structures, it is possible to incentivise local banks to invest in the sector. The idea of working with traders remains attractive for sector experts, but some suggested that the IDH FFF was not close enough to the ground, and also too complex and slow-moving to be able to do this properly, with more agile local finance providers, with better knowledge of local conditions and actors, being better placed. It should be noted that we are not in a position to validate this perspective, and the need for speed and agility must be set against due diligence and measurement requirements. As we have seen, there are strong arguments for increasing rather than reducing the latter.

Also, while there is agreement that the 'intermediary layer' between SHF and larger-scale buyers is key to improving outcomes for SHFs, it is less clear how this can be reformed. There is a need for formalisation, professionalisation and capacity building, but it is not obvious that this could be done on a commercial basis. Some type of coordinated donor interventions at scale would perhaps be needed, where funds like IDH FFF, as well as local banks, could be one part of a larger effort to change the ecosystem.

As a result of these factors, the portfolio has not evolved as initially expected, but in the view of the evaluation team, the adapted approach remains generally well-aligned with IDH FFF objectives: inclusive business models, many with potential to demonstrate systemic change, and a blend of geographies and sectors, though more concentrated in Africa and India.

Investments are additional in either a financial or non-financial sense and have had a catalytic effect in some cases, bringing in (or, more accurately, enabling) new capital to underserved markets. However, for the reasons discussed above, portfolio quality has been affected by investee readiness and lack of TA. Many potential investees are not investment-ready, creating a filtering challenge that reduces the effective pipeline, a problem compounded by the limiting impact of the corporate stakeholder scopes. There is also a question on whether decision-making over the most recent investments, including those under consideration, is influenced by the limited timeframe of the IDH FFF's deployment window. As IDH FFF themselves acknowledge, the limits of the investment period mean that they are only able to consider investments that can potentially be completed in this time frame. This has not affected quality in their view due to the full application of IDH FFF's robust due diligence processes, but it has inevitably reduced the potential pipeline, with investments likely to take a larger payback time being screened out. The delays in deploying capital in the early years of the IDH FFF, may have exacerbated, this problem.

Only a small share of the IDH FFF's pipeline has directly come from IDH TA activities or ecosystem engagements, which limits synergistic value creation. The decrease in the activity of the TA facility has impaired the IDH FFF's ability to improve investee readiness and monitor intermediate outcomes, which undermines both the quality of impact and the potential to turn pipeline into investable opportunities. Moreover, the lack of a comprehensive M&E system has made it difficult to validate impact claims. Stakeholders noted the need for clearer impact verification protocols to back up outreach and income claims.

EQ8: How effective has the Fund been to date at delivering its output and intermediate outcome objectives? To what extent is the Fund on-track to delivering its primary outcomes? Which strategies have and have not been effective at leveraging investor capital towards smallholder farmers?

After a slow start, the IDH FFF has made good progress on capital deployment and leverage, with large SHF reach and operational effectiveness of its blended finance model. Investments reflect strategic intent and show catalytic potential. However, it is still unclear what income or resilience impacts will result from these investments due to limited outcome data and monitoring gaps, which hinder learning and adaptive management. It is also unclear whether the IDH FFF will be able to create the demonstration effect needed to support the development of SHF as a mainstream asset class.

As discussed previously, the slow initial deployment was due to a range of external and internal factors. As well as these issues, as a start-up the IDH FFF saw significant time put into building the IDH FFF's operational infrastructure and its foundational elements. This issue was compounded by another factor. The IDH FFF's investment period formally began in November 2019, when the contract was signed with the JDE Peet. Negotiations with the corporate stakeholders, however, continued into 2021, when an agreement with Rabobank was reached in July of that year. As well as taking up considerable time on behalf of the team, which inevitably reduced their capacity to scrutinise potential investments, this meant that the investor scopes that determine the focus of investments were being negotiated while the IDH FFF was supposed to be sourcing deals. On reflection, the IDH FFF believe that the investment period should not have started until financial close had been achieved, and efforts could have then been focused on deployment rather than fundraising and related negotiations.

Achievement of primary outcomes

There is evidence that the IDH FFF is making progress towards achieving primary outcomes. All investments the IDH FFF make have the potential to support 'responsible business growth' as the IDH FFF's comprehensive due diligence processes ensure that potential investees are broadly in line with IFC Performance Standards, and the promotion of inclusive, financially viable, and impactful business models that take into account client protection standards and the needs of smallholder farmers. Where there are gaps, Environmental and Social Action Plans (ESAPs) are put in place to address these. This mitigation of E&S risk is standard practice in the DFI sector, but the IDH FFF add a further layer with an impact focus. Development Action Plans (DAPs) are designed to enhance positive impacts for smallholders and are a unique feature of the IDH FFF model. Similarly, the development of the Client Protection Framework (See Section 3.3.4) for the agri-SME sector is a IDH FFF innovation, as described in Section 3.3.4.

Investments are thus selected to be 'responsible' with respect to E&S and client protection risk, with mechanisms put in place to enhance this as needed. DAPs seek to move beyond this, and to enhance positive impact on smallholders over time. This is not the same as 'growth', however. The IDH FFF's financing is designed to be supportive of growth through, for example, providing grace periods on loans. While this is common in the DFI sector, it is not in the agri-financing space. IDH FFF's use of such tools is therefore raising the bar for sector standards. Whether IDH FFF's investees will experience sustainable growth will only become apparent over time. Whether or not these business models are replicated is of course directly related to this, as only those models that are able to deliver sustainable growth are likely to be replicated. This raises a more fundamental question. In an ideal world, the IDH FFF would not only support companies that can grow responsibly and deliver positive benefits to smallholders but identify those companies that have the potential to grow *more* and deliver *more* positive benefits than alternatives. In this case, replication will lead to greatest overall impacts. The question is whether the structural constraints discussed previously – such as the limits placed by investor scopes – have restricted the investment universe too much to make this possible. The '5 Key Lessons' blog, as well as discussions with the IDH FFF team, make it clear that there is a recognition this is unlikely to be the case. This is not the fault

of the IDH FFF as it has had to operate within challenging constraints, but it is important that these lessons are taken on board for successor funds.

The second primary outcome is an improvement in the efficiency of SHFs. As described in the Section 2.2, we find evidence of improved efficiency in both the [redacted] and [redacted] cases. To assess the efficiency and productivity of its investments, the IDH FFF conducted focused household surveys across its portfolio, targeting smallholder farmers and microfinance clients. These surveys measured the impact on financial services, agricultural income, and overall quality of life. The results consistently highlighted significant improvements in productivity and efficiency across organisations⁴⁷.

[redacted] report that 89% of clients saw increased business income, with 84% noting enhanced quality of life and a strong Net Promoter Score (NPS) of +88, reflecting high customer satisfaction and advocacy. Women are a key demographic for [redacted] accounting for 78% of survey respondents, and reporting greater confidence and decision-making authority in the household due to access to finance. Loans were reportedly used primarily for expanding inventories, purchasing livestock or investment in agriculture. SHFs who used funds for productivity related activities such as this reported a direct increase in business income. No difficulties with loan repayments were reported,

[redacted] also showed impressive results, with 92% of clients reporting income gains and an NPS of +62. [redacted] exhibited varying outcomes across regions, with [redacted] outperforming [redacted] in both income (90% vs. 45%) and quality of life (88% vs. 56%), showcasing more efficient results in certain areas. The [redacted] demonstrated near-total success, with 98% of respondents reporting increased income and 96% experiencing improved quality of life. Even [redacted] despite having the lowest NPS at +24, showed strong gains, - though it should be noted that any score above zero represents an on average positive customer experience - with 78% of respondents reporting higher income. There was also increased investment in farms, leading to enhanced productivity and increased employments, and some suggestions of increased school attendance by SHF children. These findings highlight the IDH FFF's ability to contribute towards greater efficiency, enhanced productivity, and improvements in the livelihoods of smallholder farmers, leading to measurable increases in client satisfaction.

It is, however, unlikely that the size of the primary outcomes is sufficient to reach the impact target of 50% income increase. With the notable exception of [redacted] average income effects are below this target. For example, the [redacted] finds that farmers earned an additional [redacted] (~\$35 USD) from selling [redacted] which represents about 5% of total income from cocoa. This effect is meaningful but lower than the impact targets set by the programme, though it should be noted that the survey took place at a time when [redacted] sourcing had only just begun and is therefore more of a baseline than a measurement of full income effects.

The final primary outcome in the TOC is 'increase access to finance for smallholder farmers', which follows the intermediate outcome of 'increased access to finance for smallholder inclusive businesses. Clearly, the IDH FFF has had a positive influence in both respects, both directly by the provision of its own finance and indirectly through the leveraging of private investment. As we have seen, the IDH FFF has been successful in leveraging investor capital towards SHF by providing blended finance tools, including junior tranches, first-loss guarantees, and subordinated debt, which have helped crowd in commercial capital. The IDH FFF achieved a leverage ratio of nearly 3:1, demonstrating catalytic performance. Moreover, IDH FFF's structure allows it to operate in high-risk geographies and underserved sectors, attracting investors who would not normally participate. This includes deals where IDH FFF takes on disproportionate risk to de-risk private capital. Investments have been concentrated in Africa and India, particularly in inclusive value chains like poultry and smallholder finance, have shown alignment with both impact and private investor interest.

⁴⁷ Impact was measured using 60 Decibels' Lean Data™ approach, which involves short, phone-based interviews conducted by trained local researchers. Farmers were surveyed using a standardised questionnaire assessing changes in income, resilience, financial planning, and quality of life. Results were benchmarked against global datasets to provide context and comparability.

Mobilisation of investor capital towards smallholder farmers

The term 'mobilisation' requires definition, however. This implies that the IDH FFF has actively initiated discussions with potential co-investors and persuaded them to invest. In fact, it may be that this process often works the other way round. The IDH FFF's ability to de-risk investments is a key attraction for private co-investors. For some interviewees, this has led these co-investors to reach out to the IDH FFF to bring them into investments. In this sense, the IDH FFF may actually be 'mobilised' by private investors rather than the other way round. That said, the end result may be the same, in that the participation of the IDH FFF is essential for private investors to engage, as this brings investments within the risk tolerance of these investors. In one important sense the distinction does matter. If correct, this suggests that private investors need the IDH FFF more than the other way round. As reported by numerous people engaged with during this study, the ability of the IDH FFF to take subordinated positions to de-risk investments is a very scarce and valuable resource. For some interviewees, this should cause the IDH FFF to demand more from co-investors for its participation, particularly with respect to driving impact.

Many of IDH FFF investments in smallholder inclusive businesses (intermediate outcome) have resulted in increased financing for smallholder farmers (primary outcome). This is not true in all cases. [redacted] for example, is the second largest contributor to the SHF outreach figures. This provides better quality inputs to SHFs, but not financing, though it should be noted that the supply of finance should be prioritised only where this is what is needed. Similarly, [redacted] has focused on the provision of inputs to date, but this is largely due to the impact of the [redacted] drought on last year's crop, which limited its ability to provide stable and fair markets for smallholder farmer's crops. This is expected to change in 2025.

To summarise, all IDH FFF investments are 'responsible' and the Fund is taking important steps to enhance this and to enhance the positive impacts these make. We can see an increase in direct and indirect financing for both agri-SMEs and smallholder farmers across the portfolio. This is not universal, however, with some investments showing greater potential for impact than others.

What it cannot yet be said is whether these investments will enable sustainable growth of the kind that triggers replication and multiplies impacts. Similarly, it cannot be said whether the IDH FFF, and its co-investors, will be able to achieve financial returns at a sufficient level to attract significant capital into the sector, ultimately creating a new asset class focused on SHF. Finally, there is the question of the IDH FFF's role relative to other factors. In part, this is a question of time, where the scale of longer-term impacts will not become apparent for some years. Even then, however, establishing the role that the IDH FFF played relative to other factors will be very difficult. Attribution is challenged by indirect investment channels, lack of counterfactuals, and lack of outcome data. This is an intrinsic problem which cannot be completely solved within any feasible budget or timeframe.

The IDH FFF is trying to show that SHFs are a viable asset class and build investable opportunities, but only a subset of the portfolio is directly tackling this challenge. It remains to be seen whether this will be sufficient to create the 'demonstration effect' the IDH FFF hopes to achieve, an issue that will return in the discussion of EQ11 below. Progress is being made, but more evidence of outcomes is needed to confirm the model's effectiveness.

Despite problems with attribution and challenges finding high-quality deals, some of the investments the IDH FFF has made have the potential to create significant impacts in the view of the evaluation team. Effectiveness challenges remain, though, notably due to the lack of TA funding, which has reduced the IDH FFF's ability to make investees investment-ready or support their development of M&E systems. This limits both pipeline conversion and long-term developmental effectiveness. Also, despite shared goals, very few Fund investments have originated from IDH's technical assistance pipelines, largely because these have not been considered 'investment-ready' by the IDH FFF and therefore have not successfully made it through the due diligence process described above. In part, this is because the goal of creating investment-ready projects is a recent strategic shift on behalf of IDH. It may also reflect, however, misunderstanding within IDH on what it means to be 'investment-ready'.

Given this is a new goal for the Foundation this is unsurprising, and the problem would be expected to lessen over time as IDH staff become more familiar with the needs of investors.

EQ9: Are the underlying causal assumptions between outputs, outcomes and impact (targets) correct?

The causal assumptions linking outputs, outcomes, and impact are generally plausible and supported by existing evidence. However, challenges remain, particularly in achieving systemic change in the financial sector and meeting the ambitious income increase targets for smallholders.

As detailed in Section 2.2, assumptions are defined within the four IDH FFF ToC causal hotspots. Each hotspot is tied to specific goals and expected results, and the plausibility of the causal links between these elements provides insights into whether the assumptions are correct.

Causal hotspot 1 the primary assumption in this hotspot is that the investments made by the IDH FFF, combined with technical assistance, will lead to the development of commercially sustainable businesses that have the potential to attract further investment. It is plausible that with sufficient initial support, these businesses will become commercially viable in that they provide a positive return for investors. The delay in finalising transactions until now could affect the IDH FFF's expected timeline for return on investments, making it slightly more challenging to achieve the targets within the planned 10-year period. The evidence so far, including the IDH FFF's approach to technical assistance and the alignment of investments with the theory of change, suggests that the underlying assumptions in this hotspot hold reasonably well, even considering the lack of TA in IDH FFF' to further strengthen the investees' capacity, especially for more fragile Agri-SMEs.

Causal hotspot 2 the main assumption is that by demonstrating the potential for smallholder finance as a commercially viable asset class, the IDH FFF will influence a broader sector shift, leading to increased interest from both commercial and institutional investors. The IDH FFF has already contributed to learning within the sector, as evidenced by its role in demonstrating new models for smallholder finance (e.g., junior and senior loans, co-investment structures). However, the assumption that this will trigger widespread systemic change is more uncertain. Agriculture is widely accepted to be a 'low return-high risk' sector – creating a positive return from an investment is not enough. This needs to be attractive compared to alternatives, which it is not. Given this, it is not clear that this can ever become the "mainstream asset class" that the IDH FFF is hoping to help create, which actors like institutional investors see as a part of their portfolios. For most stakeholders engaged with, investors need another reason to invest in the sector beyond risk and return. This may be because of mandate, or a dual-impact objective. There is also agreement that agri-investments are potentially highly impactful. A clear example is local banks' unwillingness to lend to agri-SMEs. They have no such reason at the moment in African countries and can make two or three times the return from investing in government bonds with little or no risk. There are two ways of changing this: provide a very large boost to returns through a blended structure and guarantee risks; or create a substantial regulatory push by mandating local banks to lend to the sector, as is the case on India. This reality weakens the causal link between the IDH FFF's activities and sector-wide change. The lack of a strong push for regulatory change (e.g., advocating for policies to mandate local financial institutions to allocate a portion of their portfolio to agriculture) further limits the IDH FFF's potential impact on systemic change. This suggests that the assumption may need to be adjusted to include a stronger focus on public-sector-driven policy regulations.

The assumption in **causal hotspot 3** is that increased access to finance, inputs, and services for smallholder farmers will lead to significant efficiency gains and income increases, thus improving their livelihoods. The

assumption seems largely correct based on the evidence provided, particularly from the portfolio-wide impact on smallholders reached and income increases. For example, smallholders involved in the IDH FFF's investments have seen substantial yield and income increases. While the overall targets for income increase (e.g., 50% rise in income) appear ambitious compared to some field estimates, they are within a reasonable range, especially considering the IDH FFF's prior track record. The evidence suggests that the interventions are leading to the expected outcomes, with efficiency gains and increased incomes for farmers, although the extent of these gains varies across investments.

For most of the causal hotspots, the links between the IDH FFF's outputs (investments, technical assistance) and its outcomes (increased financial viability, smallholder reach, improved incomes) seem plausible. However, systemic change in smallholder finance remains uncertain without stronger regulatory support and more consistent involvement from local commercial banks and MFIs.

EQ10: Do the annual targets provide the right steering to achieve the overall (impact) targets of the funds? What are the main drivers behind the current under- and over performance of the annual targets?

The use of annual targets has provided a valuable operational framework for monitoring the IDH FFF's progress, contributing to strong performance in outreach and co-financing metrics, though there may have been some unintentional, distorting effects. The flexibility in implementation has also allowed for effective realignment during periods of disruption, such as the Covid-19 pandemic. However, the approach has notable limitations: some key performance indicators (KPIs) (see Table 20) prioritise scale over depth, potentially compromising transformational impact. Additionally, technical assistance and pipeline gaps have hindered the IDH FFFs capacity to achieve more complex objectives.

Table 20: Key Performance Indicators

| KPIs | 2020 | | 2021 | | 2022 | | 2023 | | 2024 | |
|--|------|----|------|------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | T | A | T | A | T | A | T | A | T | A |
| Number of Investments made | 4 | 0 | 6 | 3 | 8 | 5 | 10 | 2 | 5 | 5 |
| EUR volume of investments made | 4.6M | 0 | 9M | 3.5M | 18M | 12.8M | 22M | 6.4M | 18M | 11M |
| Number of transactions approved in clearance in principle | 9 | 6 | | | 22 | 8 | 16 | 6 | 7 | 4(7) ⁴⁸ |
| Value (EUR million) of transactions approved in clearance in principle | 14M | 7M | 18M | 21M | 33M | 24.4M | 35M | 14.8M | 25M | 25M (32) |
| EUR amount of co-finance in investments | | | 27M | 5.6M | 42M | 38M | 51M | 33M | 18M | 28M |
| Co-finance ratio in Fund Investments | | | | | 70% of total deal size | 75% of total deal size | 70% of total deal size | 84% of total deal size | 50% of total deal size | 72% of total deal size |

⁴⁸ The number/amount in parentheses refers to the investments made for which the Fund obtained waivers for its Clearance in Principle phase by its Investment Committee.

| EUR amount booked to Guarantee Facility | | 5M | 0 | 8 | 0 | 10 | 0 | 4 | 0 |
|---|--|--------|--------|--------|---------------------|---------|------------------------------------|---------|--------------------------|
| Number of smallholder farmers reached with a loan provided by the Fund's portfolio companies | | 9.200 | 13,173 | 23.000 | 18,500 31% women | 40.000 | 220,000 87% women, 46% youth | 350.000 | 575,000 (90% women) |
| Number of smallholder farmers reached by portfolio companies through all fund supported financial instruments | | 16.000 | 19,747 | 53.000 | 60,900 51% women | 100.000 | 283,000 82% women, 36% youth | 400.000 | 1,185,000 (70% women) |

Source: ADE own elaboration

The Annual targets were set to act as intermediate milestones toward long-term goals (e.g., financial inclusion, income increases, systemic transformation) and guide Key performance indicators such as Number of investments made or Smallholder farmer outreach.

Outreach targets are common among DFIs and impact investors and funds, despite there being general acknowledgement that are a quite superficial proxy for impact. That said, they are not without value, as they force the valid issue of the breadth of reach (and thus the breadth of potential impact) into the decision-making calculus. On the other hand, the risk is that achieving the target becomes the main consideration, rather than one amongst a number to take into account. Review of the IDH FFF portfolio suggests this has not been the case. While some investees, notably Avanti and Hatch Africa, have very large outreach numbers, many others do not. It could be argued that the sheer scale of the outreach from these two investees made it possible to focus on different priorities in other investments, as the target had been achieved from just two investments, but there were good reasons to make these two investments beyond their contribution to the targets.

A second risk is that achieving the target has no influence over impact. The business models of both [redacted] and [redacted] are dependent upon scale. For [redacted] the IDH FFF investment helped them to expand this materially, or at least to do so more rapidly than would have been possible without the investment. There is no evidence that the IDH FFF investment led [redacted] which has a wide group of investors, to reach more SHFs than they otherwise would have done, though they appear to have been able to retain this focus in the face of pressure to reduce its SHF-related portfolio. What it did do, however, was to drive an increased focus on measuring and reporting on this reach, a requirement that was built into the shareholder agreement that other shareholders agreed to. Perhaps more importantly, and particularly within the context of the recent problems in the [redacted] [redacted] the IDH FFF's commitment to SHFs reportedly (from [redacted] perspective) helped them to resist pressure from other shareholders to increase their focus on more lucrative market segments at the expense of SHF outreach. Without the target it seems unlikely that this would have happened.

Income targets are important, since the primary long-term goal is to improve the lives of smallholder farmers. As described in more detail in the Section 2.2, however, a 50% increase in incomes across the portfolio seems unrealistic. There is broad agreement from those engaged with during this study that a 10-20% increase could be possible, but not 50%. Unlike the outreach target no evidence was found to support that the income target has materially influenced decision-making. This does not mean that the need to increase incomes has not influenced decisions. Clearly it has. All investments are designed to improve the incomes and lives of SHFs, but it is not clear

that the goal of increasing incomes by this degree has been an important consideration. As discussed in the Section 2.2, different types of business models have different potential impacts on incomes. The ET finds no evidence that the IDH FFF has particularly focused on those with the greatest potential in this regard. It may be, of course, that such investments are not compatible with the IDH FFF's other goals, particularly the need to deliver commercially attractive returns for investors but setting more realistic income targets would seem a sensible change to make.

Mobilisation targets are also quite common in the sector. The IDH FFF has performed well in this regard, with its ability to provide risk absorbing finance particularly important. The restriction on the IDH FFF's share of investment to 30% was specifically designed to encourage mobilisation. While it has without doubt done so, there have also been less positive consequences, with potential investments needing to be of sufficient size to interest and attract private co-investors. This has prevented the IDH FFF from making smaller, potentially more impactful investments, including as a sole investor, which could have been a significant addition to the portfolio, and allowed more experimentation and innovation. It would also have enabled the IDH FFF to provide financing for a market segment that is particularly under-served by the financial sector.

Under deployment Drivers:

- Deployment constraints: as discussed previously, a number of external and internal factors constrained deployment, particularly in the early years. Most of these were outside the control of the IDH FFF.
- Structural constraints: as discussed above, limitations on the share of transaction have prevented investments in certain types of investments, limiting the pipeline. The need to align investments with corporate stakeholder scopes has further limited the potential pipeline.
- Multiple-objective constraints: the IDH FFF seeks to balance a number of objectives, most notably the need to achieve strong impacts at the same time as delivering commercial returns at a level sufficient to attract new private investors into the sector. In practice, this greatly reduces the set of investments that can be realistically considered. It is also an explanatory factor for the limited 'graduation' of TA funded IDH projects into the IDH FFF portfolio. While IDH may believe that such projects are investment ready, they are likely to be looking primarily at the impact side of this equation and taking insufficient account of commercial elements.
- The TA facility remains operational, albeit at a lower capacity than originally expected: Delayed capacity support for pipeline development and investee readiness. This slowed investment conversion and limited progress on more complex outcomes.
- Weak pipeline from IDH ecosystem: Disconnects between IDH TA and the IDH FFF meant that fewer investable businesses came through internal channels.
- High complexity of deals: Many opportunities were not investment-ready or required lengthy structuring, which affected short-term target performance (e.g., disbursement volume, number of investments). Investor scopes have added complexity to the deal sourcing process. Initially, IDH FFF had to allocate significant resources to a narrowly defined scope [redacted] which proved unproductive. Over time, some scopes became fully allocated, requiring the team to shift its focus primarily to sectors such as cocoa.

Overperformance or Strategic Adjustments:

- Outreach target performance driven by two investments. The IDH FFF demonstrated flexibility in pursuing higher-SHF-outreach investments (e.g., Avanti, Hatch Africa), which helped surpass some numerical outreach targets even as others lagged.
- Co-investment performance helped by shift to larger ticket sizes and supply of risk-reducing finance. Leveraging co-finance (particularly private capital) exceeded expectations, demonstrating effective strategic alignment with the blended finance model.

To summarise, annual targets provide a useful operational framework to monitor fund progress and drive positive performance on outreach and financing metrics and its flexibility in implementation has allowed a smooth realignment during disruptions (Covid-19). There are risks that targets can dominate decision-making, but there is evidence that the IDH FFF has successfully managed these risks. In some cases, such as the co-investment requirement, targets have prevented potentially impactful investments being made. Finally, some stakeholders take the view that the fund would benefit from outcome-focused targets, particularly related to access to finance.

6.4. Efficiency

EQ11: To which extent has the Fund been able to demonstrate that it is possible to combine a double objective of increasing investments in smallholder farming with mobilising private finance for this target group? What are the lessons learned?

The IDH FFF has successfully demonstrated its ability to mobilise private capital for investments in the smallholder farmer (SHF) segment, particularly through intermediaries and inclusive business models, but the thesis that high impacts can be achieved at the same time as returns attractive enough to create a new, mainstream asset class does not seem plausible. It has effectively deployed capital at scale and sparked increased investor interest in sectors that were previously underserved. However, while these achievements are promising, the IDH FFF has yet to consistently show clear, attributable improvements in SHF livelihoods or financial inclusion on a large scale, with particular question marks over its ability to deliver returns sufficient to create a new *mainstream* asset class over the longer-term. To solidify its impact, IDH FFF must strengthen its evidence base on how blended capital translates into tangible, measurable outcomes for smallholder farmers, and refine its financial objectives into something more realistic.

Private Capital Mobilisation

The IDH FFF has demonstrated its blended finance structure efficacy by being able to mobilise over €100 million in co-financing for its €33.4 million committed, with 91% of this co-finance coming from private sources. The IDH FFF has used subordinated positions and guarantees to attract private investors to high-risk markets. Its concessional funding structure not only helps mobilise senior lenders but also enables more flexible and tailored financing, deeper learning, and greater sharing of insights and transparency – benefits that are often not achievable with predominantly private funding. By offering a mix of debt, equity and guarantees the IDH FFF has been able to match investor risk appetite while accommodating diverse needs of the SHF facing enterprises.

The IDH FFF operates in a space where many DFIs do not, using its risk tolerance to unlock deals in underdeveloped markets, a space often underserved by private capital. Its capital structure enables the IDH FFF to offer longer tenors and more tailored, patient financing as well as to take subordinated positions. It was also instrumental in attracting some corporate stakeholders to join the IDH FFF by bringing the investment within the bounds of their risk tolerance.

It is important to note, however, that the IDH FFF's pricing must reflect the level of risk being assumed. The IDH FFF aims to prove the commercial viability of businesses, a goal that would be undermined by the supply of financing at below market-rates.

Investments in SHF-Linked Models

The IDH FFF has reached approximately 1.2 million smallholder farmers, with most SHF outreach concentrated in a few high-scale investments such as Avanti and Hatch Africa. However, direct impact on SHF incomes or

financial inclusion remains less documented, and many investments are only indirectly linked to SHFs.

Partial demonstration of the Double Objective and limits on its full demonstration

While the IDH FFF has shown it can mobilise private finance into SHF-linked models, it has not fully demonstrated that a) it can deliver returns sufficient to materially change the appetite for SHF related investments among private investors in the future, or b) that its investments will also result in transformational SHF outcomes.

The IDH FFF's capital structures, with layered risk positions, has proven to be effective at attracting private investment without undermining the IDH FFF's Impact mission. What is not clear, is whether the IDH FFF would be able to attract mainstream private investors purely on the basis of the merits of the investment, which would be a precondition for the long-term goal of creating a new, mainstream asset class that can deliver attractive returns.

The consensus view among those engaged with during this study is that the returns available from the agri-SME sector will remain lower than those available from other investments, with potential equity returns in the 0-10% range, and at the lower end of this scale in many cases. This is less than most DFIs would look for (~15%) and far below what an institutional investor would require (>20-25%). While it is possible to boost returns for private investors through funds with a 'waterfall' structure – i.e. where those at the base of the capital stack accept lower returns to enable those at the top to receive more – this requires concessional capital on an ongoing basis. Moreover, to operate at the increased scale needed to attract significant investment, the supply of concessional capital would need to rise sharply and be sustained. Given the ongoing reductions in donor budgets, this seems highly unlikely.

A second issue is risk. As well as relatively low returns, the sector is characterised by high levels of risk. As pointed out by an interviewee from a major IFI, 'blended finance can de-risk investors but not investments.' If a business goes bust, all investors will lose their capital, regardless of whether the first part of the losses have been absorbed, and creditors will see their loans defaulted on. This could be addressed by greater provision of guarantees, but this just shifts risk to the providers of these guarantees, who need to be prepared to absorb resultant losses. One could argue that the benefit of concessional guarantees could be transferred (partially) to the investee company to support them in developing and implementing their inclusive business model, and not only to be used for de-risking senior investors. While an interesting suggestion, this still requires an ongoing and increasing supply of concessional guarantees. Providing guarantees on a commercial basis would come at a prohibitive cost, which again highlights the need for the ongoing supply of non-commercial finance to make the system work.

While there are examples of organisations operating commercially in this space, this is the exception not the rule. Rabobank is the clearest example, but the bank has built up deep experience and networks over many, many years which would be extremely difficult to replicate. Although this would not be impossible, it raises the more fundamental question of why an institution would choose to do so given the risk-return features described above.

The consensus among interviewees is that investors need a reason beyond the purely commercial to engage with the sector. This could be regulatory as in the case of sector lending requirements in India, mandate driven in the case of DFIs, national development banks or impact investors, or because it is supportive of their wider commercial interests in the case of companies that need to source agricultural commodities. For those that do not have these regulatory requirements or features – for example local banks in Africa that can make better returns through less risky investments – incentives would need to be created to attract them, or regulatory

requirements put in place to require them to lend. From the perspective of some sector experts interviewed as part of this study, these incentives would need to be significant. This cannot be done on a commercial basis.

The goal of creating a mainstream asset class that forms a part of the portfolios of generalist financial investors seems unrealistic. Seeking this goal could be a distraction from promoting regulatory change – if the ‘double objective’ thesis is correct over the longer-term and SHF can be turned into a mainstream asset class, regulatory requirements would be unnecessary. While it is not the job of an impact fund to push for regulatory change, the IDH FFF has been established to prove that a commercially viable asset class can be created under current conditions. While not the intention of the IDH FFF, this could potentially dissuade others – such as other parts of the Dutch MFA, for example – from prioritising this policy change, as if the IDH FFF thesis is correct, it would be unnecessary. While it is possible to identify some commercially attractive options, this is insufficient to comprise a portfolio with the potential to be attractive to mainstream commercial investors in our view. Other expert stakeholders share this opinion.

It could also distract from a greater focus on the investors that could potentially be attracted and designing incentive structures to achieve this. The most obvious investor types are local banks, which could provide the local currency financing that is widely seen as the most important missing element of the financing picture, particularly given the high cost of hedging instruments. Sector experts interviewed for this study make clear that these incentives would have to be significant, however.

A related risk is that seeking to achieve returns that cannot realistically be replicated across the wider market may come at the expense of long-term impact, as it focuses time, money and effort on the small number of potential investments that can meet these criteria, at the expense of the larger number who cannot.

Key conclusions on the ‘twin objective’

SHF reach is often indirect (e.g., through value chain aggregators or MFIs), which dilutes the visibility and certainty of actual benefits for smallholders. Income improvement or inclusion outcomes lack systematic measurement, limiting the ability to fully demonstrate success on the SHF side of the objective.

Despite capital availability, few SHF-focused businesses are truly investment-ready. During its initial years, the Fund lacked access to TA resources, and the available support lacked a long-term perspective, limiting its effectiveness in building investment readiness.

Successful investment cases (e.g., Avanti) show that it is possible to blend risk absorption with scalable SHF impact, but these are not yet the norm.

Compared to many alternative investments, potential returns in the sector are low, while risks are relatively high. This is unlikely to change in the foreseeable future, limiting the potential to create a mainstream asset class that is not supported by concessional capital or regulatory requirements. Tensions may also exist between financial viability and inclusive impact.

While it is possible to find ‘win-win’ investments that deliver high returns and high impact, the difficulty that the IDH FFF has found in sourcing these, as well as the underlying characteristics of the sector, suggest that it will be difficult, if not impossible, to replicate these at the scale needed. This suggests decisions will have to be made on whether to prioritise financial performance or impact in many cases, and a more nuanced and focused approach taken to where private capital can be best attracted on a commercial basis, and

where other forms of incentives or regulatory measures may be needed. Assuming that 'win-win' investments can become the norm across the sector risks distracting from these realities and preventing action to address them.

EQ12: Are the human and financial resources used as planned and appropriately and fully utilised?

The IDH FFF faced significant challenges in utilising its financial resources as initially planned. The issue of deployment and the reasons for delays have been extensively discussed and do not need to be revisited. It should be noted, however, that deployment has accelerated and the IDH FFF is now on track to be fully deployed by the end of its investment period.

Despite the IDH FFF's strong mandate and positive intentions, various constraints limited the full and effective use of available capital and investment opportunities. As well as the points discussed previously, pressure from the MFA and other investors to increase investment ticket sizes reduced the IDH FFF's ability to support smaller, innovative, and locally relevant models. Strategic opportunities were ultimately passed over because they did not conform to rigid capital structures or tight donor timelines, even when their potential impact was high. The same is true of the need to match potential investments with one of the corporate stakeholders' scopes. While FMO played a valuable role in being open to investments that did not align with one of the other stakeholders, it must be the case that potentially impactful investments that could have been made were not due to these constraints.

More broadly, a lack of full alignment between the IDH FFF's structural design and operational realities further constrained effective financial utilisation. The closed-ended fund structure was ill-suited for the long-term nature of investments required to support Agricultural SMEs and SHF-focused business models. While risk-absorbing capital is vital for high-risk, low-return ventures in agri-finance as discussed above, the IDH FFF's structure lacked the flexibility to fully support this approach.

TA funding has also been a major issue. Although €13 million of TA funding was built into the IDH FFF design, much of it remained unsupplied with the Fund's actual needs. The IDH FFF enjoyed limited control over the availability of TA funds, which hampered its strategic flexibility. As well as ensuring promised TA funding is delivered, it is clearly important the IDH FFF itself has control over how it is allocated and deployed.

As should be very clear from this evaluation, IDH FFF staff have had to navigate significant complexities⁴⁹ and balance multiple objectives, some of which are in tension with each other. The IDH FFF's management team quickly adapted to the demands of complex investment structures. The team showed resilience in managing multiple priorities – including targets set by the IDH FFF itself⁵⁰, investor mandates, financial performance, SHF impact, and supply chain transparency – building capacity along the way. As the IDH FFF moves from deployment to monitoring its investments, the level and composition of human resources may need to be adjusted.

Coordinating among diverse investors also brought major challenges. The process of aligning differing expectations – [redacted] – has been difficult. It should also be noted that corporate stakeholders have been more passive than was envisaged, with high levels of turnover in IDH FFF contacts, and have not brought the pipeline of high-quality projects that was hoped for when the IDH FFF was designed.

⁴⁹ The governance structure and setup of the IDH FFF is complex, involving multiple entities, though the majority remain under the control of IDH.

⁵⁰ The 50% income increase, and the 3 million farmers reached.

EQ13: Is the structure and amount of the remuneration for the Fund appropriate?

The IDH FFF's remuneration level is at the upper end of the normal range in the industry but considered reasonable given the complex and resource-intensive nature of its activities, particularly as it does not have the option of using TA to subsidise some aspects of Due Diligence and E&S risk assessments, as is the case with some comparator funds⁵¹ (see Annex 6 for a comparative analysis of the IDH FFF's costs). The structure of remuneration is appropriate and aligned with industry standards for high-risk blended finance. The compensation mechanisms support its operational needs and incentivise long-term performance. There are, however some key aspects that can be improved, like the consideration of stronger impact-based performance incentives within the remuneration framework or ensuring a continued alignment between the IDH FFF's complexity, its impact ambitions and resource availability.

Table 21: Management Fees over Assets under Management

| IDH FFF | AgDevCo | &Green | Climate Investment Fund | Acumen Resilient Agriculture Fund | KawiSafi Ventures | MCE Empowering Sustainable Agriculture |
|--|---------------------|-----------------------|-------------------------|-----------------------------------|---------------------|--|
| 0,5% - 1% over committed amounts (undrawn) 2.75% over invested amounts (drawn). | ~2.6% ⁵² | 1.25-2% ⁵³ | .54 | ~2.6% ⁵⁵ | ~2.2% ⁵⁶ | 2% |

Source: ADE own elaboration based on various financial reports (2024)

The IDH FFF's Management fees vary depending on whether the fund is based on committed amounts or drawn amounts. For committed amounts, management fees are generally lower compared to drawn or invested amounts. For drawn amounts, the fees are slightly higher compared to other funds, but when you average the fees (ranging between 1% and 2.75%), the overall management fee is lower. The IDH FFF's management fee varies across time and the Dutch Ministry of Foreign Affairs (MoFA) and corporate lenders. For instance, MoFA sets them at 2.75%. Corporate lenders' management fees are of 2.75% and 2.5% for drawn amounts in the first and subsequent three years (respectively), and for undrawn amounts, it was 0.5% for the first three years of the fund's operation and increased in January 2023 to 1%. This implies that the corporate lenders' management fee is more "performance-based" since it is tied to how much of the loans are used for investments, not just the total amount committed. Such below-market rates for undrawn amounts were necessary in 2018/2019 to attract corporate lenders' but they are not standard practice in the industry. Comparatively, market standards reported by ISF Advisors (Concessional Capital for Agri-SME Funds: Donor & Investor Guidance Document, 2025) are set at around

⁵¹ This is the case with Root Capital and responsAbility's Resilient Food and Agriculture Fund, for example, with the latter relying on CGIAR to conduct impact due diligence and MEL activities funded through the TAF.

⁵² We estimate AgDevCo's management fees by taking 83.54% of its operating costs. Such percentage represents the average contribution of management fees in the other sampled funds' operating costs. We then divide the estimated management fees by AgDevCo's funds under management in 2023 (\$280M).

⁵³ &Green's management fees are set at 2% per annum up to \$250M assets under management, 1.75% up to \$350M, and 1.25% for amounts exceeding \$350M.

⁵⁴ Management fees are calculated on the basis of the CIF's share of Norfund's total portfolio and total expenses, which would correspond to 1.84% and 7.3% in 2022 and 2023. We do not report them in the table given the different way of calculating management fees to be paid.

⁵⁵ We estimate the Acumen Resilient Agriculture Fund's relative management fees by dividing its management fees in 2023 by \$57M assets under management.

⁵⁶ We estimate the KawiSafi Ventures Fund's relative management fees by dividing its management fees in 2023 by \$7M assets under management.

2% of assets under management. It is important to note, however, that even market-standard fees are considered insufficient by ISF Advisors.

The IDH FFF's remuneration framework is based on a multi-layered compensation mechanism that includes Management fees, which are used to cover operational and administrative costs of IDH IM that aligns longer-term incentives with IDH FFF performance. These mechanisms reflect market standards in blended finance and private equity, while also accommodating the Fund's impact-oriented structure.

The remuneration structure of the IDH FFF shows a balance between flexibility and incentive alignment. The structure combines the incentives for financial performance through the carried interest model and the need to fund intensive transaction structuring and risk mitigation, via the management fees. It also allows for tiered risk-sharing, where different investor classes have differentiated remuneration tied to their risk exposure.

The structure is perceived as appropriate given the IDH FFF complexity. Stakeholders interviewed broadly agree that the remuneration is reasonable and justified, given the IDH FFF's high transaction costs, early-stage focus and complex blended finance model. The IDH FFF operates in challenging markets with fragile enterprises, requiring hands-on engagement and custom deal structuring. These realities require a higher management effort compared to more mature investment funds.

There is limited evidence of misalignment, but a few stakeholders noted the importance of ensuring that remuneration does not skew focus towards safer or more commercial deals at the expense of high-risk SHF-impact investments. Some called for clearer performance-based impact incentives (e.g., SHF income or inclusion metrics) in the remuneration structure.

Although not directly about remuneration, the lack of a sufficient TA facility puts more pressure on fund management resources, which in turn affects perceptions of whether current remuneration adequately supports the Fund's broader developmental aims.

EQ14: Are the assumptions behind the financial model realistic?

The IDH FFF's financial model relies on a set of assumptions that are broadly in line with standard market practices in impact finance, although some reflect the challenges of operating in a data-light environment. While they do not invalidate the model, they are important to acknowledge as the IDH FFF moves into a more mature stage.

The financial model has two main elements: income and costs. On the income side, we have seen the expected gross returns from the IDH FFF were originally 4.6-7.8% but are now estimated to be 5.9%. It has proved more difficult than expected to find and invest in good quality companies capable of collectively generating returns on this scale. As described in Section 0, achieved returns in the agribusiness sector are generally between 0-12%, with smallholder focused investments at the lower end of this scale. The great majority of stakeholders interviewed as part of this investment agree with this assessment, with the sector broadly seen as 'low return-high risk'.

We have also seen, however, that the difference between projected gross and net IRR for the IDH FFF is very large, with the net IRR being negative despite a positive projected gross figure. It should be noted that this is a deliberately conservative estimate, with IDH FFF expecting to end up around the break-even mark on a net basis.

The adjustment between gross and net IRR reflects the IDH FFF's cost, which are examined on a comparative basis in below. The funds we are comparing the IDH FFF with are the AgDevCo, Kampani, &Green, Climate Investment Fund, Acumen Resilient Agriculture Fund (ARAF), and KawiSafi Ventures. Most of these funds were created between 2016-2022 (except AgDevCo in 2009) and are close-ended (except Kampani). They all seek to create impact and be additional to the market. We chose the AgDevCo, Kampani and ARAF funds because they were

sampled in a report drafted by ISF Advisors which seeks to understand investors' allocation of concessional capital among comparable agri-SME investment funds (Concessional Capital for Agri-SME Funds: Donor & Investor Guidance Document, 2025). Their fund size varies between \$60-190M. To this list, we added KawiSafi Ventures, a \$67M close-ended fund focused on clean energy in East Africa, and the &Green and CIF funds, which focus on forestry / sustainable agriculture and climate in the Global South and are much larger in size (\$400-600M).

Despite similarities, it is important to acknowledge the drivers of the funds' cost which may make comparisons unfair. There are three main differences. First, funds' maturity impacts their cost structure. Newer funds, such as the IDH FFF and the ARAF are in an active deployment phase characterised by their sourcing and deal negotiating activities. This phase is typically cost-intensive, since it requires considerable resources to build a pipeline, conduct due diligence, and negotiate terms suitable to both investee and investors. By contrast, more mature funds, such as AgDevCo and &Green, are typically larger in size and further along their investment cycles. They have a larger portion of their portfolios in the monitoring phase, and their larger ticket size implies that fixed costs, such as staffing and legal expenses, are spread across a larger volume of capital deployed. The fact that they're older also means that they benefit from institutional memory, where they can streamline internal processes and establish longer term relationships with investees, all of which contribute to greater operational efficiency. Another important factor influencing costs is the term structure of the fund. Open-ended funds, such as Kampani, can continue raising and deploying capital over time. As a result, they might experience lower capital deployment pressure relative to close-ended funds characterised by their finite life cycle and aggressive investments in the early years of operations, thereby increasing the initial costs. A final consideration relates to the funds' sectorial and geographical scopes. Funds that specifically target smallholder agriculture in Sub-Saharan Africa face an increased cost burden due to the associated risks, whereas funds like &Green and the CIF, which operate globally, can diversify their investments across different supply chain actors.

Table 22: Efficiency Measures⁵⁷

| Year | IDH FFF | AgDevCo | &Green | Kampani | Climate Investment Fund | ARAF | KawiSafi |
|--|---------|---------|--------|---------|-------------------------|-------|----------|
| Cost-to-Income Ratio (without Equity Returns) | | | | | | | |
| 2019 | . | 2,74 | 0,90 | 1,20 | . | . | . |
| 2020 | . | 2,02 | 0,87 | 1,11 | . | 14,90 | 13,30 |
| 2021 | 10,66 | 1,36 | 0,63 | 1,07 | . | 7,89 | 10,94 |
| 2022 | 4,12 | 1,21 | 0,58 | 0,89 | 9,05 | 2,66 | 3,68 |
| 2023 | 2,36 | 1,04 | 0,57 | 1,00 | 3,34 | 1,72 | 4,08 |
| 2024 | 2,44 | . | . | 0,88 | . | . | . |
| Cost-to-Income Ratio (with Equity Returns) | | | | | | | |
| 2019 | . | . | " | " | " | " | " |
| 2020 | . | . | " | " | " | " | " |
| 2021 | 3,34 | . | " | " | " | " | " |
| 2022 | 0,42 | 6,61 | " | " | " | " | " |
| 2023 | 0,35 | 0,70 | " | " | " | " | " |
| 2024 | 0,30 | . | " | " | " | " | " |

Source: ADE own elaboration based on the Fund's KPI Result & Cashflow Model (2024)

The IDH FFF's operational efficiency, as measured by the operating cost-income ratio, is declining in time in a similar way to the newest funds in the sample (ARAF, KawiSafi, and CIF which started in 2019 and 2022). In 2024, each euro of income generated (without equity returns) cost the IDH FFF €2,44. This reflects the fact that the IDH FFF has been newly created but displays growing efficiency that is in line with the market. However, it is a

⁵⁷ See Annex 9 for data sources

conservative view of income since it does not account for equity returns (despite a significant amount of capital being invested using equity and compulsory convertible preference shares). Adding equity returns leads to great gains in operating efficiency as the IDH FFF manages to obtain similar ratios as &Green. In 2024, each euro of income generated cost the IDH FFF €0,3.

The IDH FFF's approach to valuing equity investments is based on a formula that estimates fair value (used as a proxy for the asset's potential sale value) by compounding assumed equity returns over the asset's holding period, starting from the investment's at-cost value. While this is a standard approach, three main assumptions are important to note. First, it assumes a gross Internal Rate of Return (IRR), unadjusted for fees and costs related to the returns, so the actual investor returns will inevitably be lower. Second, the model assumes reinvestment of returns at the same IRR. This is a standard assumption in fund performance measurement, although it risks overstating performance in contexts where reinvestment opportunities are limited. Third, the model assumes investment-specific returns that range between 0-12% and assume default rates between 5-7% (5-10% for the most conservative scenario). Impairments are accounted for [] in 2023 and for [] in 2025 (which falls outside the time horizon of this evaluation). The aggregate changes in the investments' fair values are positive for the evaluated years and contribute to decreasing the cost-to-income ratio when accounting for equity returns. Other funds, such as AgDevCo, report fair value losses. For this reason, both lower-bound (cash-only) and upper-bound (including equity valuations) income estimates are presented in the analysis.

There are also broader assumptions embedded in the IDH FFF's efficiency modelling. These include expectations of growing operational efficiency over the time horizon analysed, based on the premise that investment income will scale faster than costs. While this is not unreasonable (especially in a fund's early year), it does require a strong pipeline, smooth disbursement processes, and timely income realisation, which have been challenging to date due to various factors such as bureaucratic delays linked to contracting under different laws, prolonged negotiations, delays in signing conditions precedent, delays in fulfilling disbursement requirements, and weather hazards.

While the IDH FFF is currently more expensive relative to other funds, this is less pronounced when compared to funds that are most similar in terms of sector and stage, such as ARAF. The IDH FFF's efficiency has been improving over time, as expected for a fund in its early stage of maturity. Given the complex nature of the IDH FFF's objectives, particularly in targeting smallholder agriculture, the higher costs are broadly justified. The challenges associated with sourcing, negotiating, and managing these investments are significant, and as the IDH Farmfit Fund matures, these costs are expected to decrease⁵⁸, aligning more closely with market expectations.

⁵⁸ Note that management fees decline after the investment period ends, as fees are no longer charged on undrawn commitments.

7. Conclusions & Recommendations

The conclusions presented below are based on a range of evaluative activities described in Section 2. These are organised according to the OECD/DAC evaluation criteria: relevance, coherence, effectiveness, and efficiency. As this is a mid-term review, the criteria of impact and sustainability are not assessed directly, though we consider the likelihood of impact where relevant.

Recommendations are directly linked to the conclusions in each Section. They take two forms: (A) suggestions for improvements during the remainder of the current investment period, and (B) broader recommendations for the design of future funds, aimed at both IDH Investment Management and the Ministry of Foreign Affairs.

7.1. Relevance

This criterion assesses whether the Fund is meeting the needs of SHFs and SHF-related SMEs, and whether there is sufficient demand for its funding. To explore this, we identified key needs based on literature review and expert interviews.

These needs include access to long-term, flexible, affordable, and local currency financing, as well as sustainable market access. Agri-SMEs also require support to improve their capacity and meet international standards in ESG and SHF inclusion. SHFs, in turn, need protection from unfair pricing and over-indebtedness. While the Fund addresses many of these needs, it was not designed to target the most high-risk investments, where needs are often greatest. This reflects its original strategy, which emphasises minimum return thresholds, strong risk controls, and a minimum investment size due to high transaction costs.

C1

IDH FFF addresses key financing gaps for agri-SMEs and smallholder-focused enterprises by providing flexible, risk-tolerant capital and non-financial support. Its structure enables investment in higher-risk segments, where traditional financiers are often absent. **However, its impact is limited by structural constraints, including strict investment criteria, the 70% co-financing requirement, lack of local currency financing, and insufficient TA funding.** These challenges restrict support to smaller, riskier enterprises and slow pipeline development. While demand for funding is strong, especially in Africa, early deployment was delayed by external shocks and internal complexity. The Fund has since gained momentum and remains relevant, but translating demand into investable deals continues to be a key challenge.

IDH FFF meets identified needs in the following areas:

- 1.1. **Agri-SMEs need patient, flexible capital**, which the Fund supplies through long-term loans and the use of grace periods.
- 1.2. Broadly, **the Fund responds to the identified needs** by supporting agri-SMEs (and MFIs) that provide market access and other inputs, including financial support.
- 1.3. **Equity is very scarce in the sector, and IDH FFF adds significant value in this area.** IDH FFF's ability to provide subordinated debt is also of great value and is key to its ability to leverage co-investment into the sector.
- 1.4. **The IDH FFF also provides non-financial support** to raise ESG standards and enhance positive impacts on SHFs through development action plans.
- 1.5. At the SHF level, **the Client Protection Framework, co-developed by the Fund, is a valuable tool** with the potential to become the industry standard.

The following gaps were also identified:

- 1.6. **The Fund's investment criteria**, including the stipulation that IDH FFF may contribute no more than 30% of the total deal size, **limit its ability to invest in smaller, riskier enterprises**. While intended to ensure capital mobilisation, these constraints make it difficult to support the very groups that face the greatest barriers to finance but also present the potential for the most significant impact.
- 1.7. **Local currency financing is a significant need** as most SHF-related businesses are not in the export sector, and currency exchange rates may fluctuate a lot. The absence of a local currency funding modality is a clear gap in the products that the IDH FFF can offer.
- 1.8. **The supply of equity is constrained**. IDH FFF is a time-limited closed fund, and equity investments would need to be sold or transferred in a timely manner before the fund closes. The need for a market where equity can be sold to other investors is limiting the provisioning of equity investments. Equity is, therefore, mainly used in India, with debt being the primary instrument used in African markets⁵⁹
- 1.9. **While there is strong demand for funding, it is not always the right 'type' of demand for IDH FFF**. The Fund has strict investment criteria, and many potential investments are too small and/or too risky to meet these. The screening of the pipeline for projects that do meet these criteria and have high potential impacts results in a much lower level of 'effective demand'.

**R1.
A**

During the current investment period

Directed at: IDH FFF

› **Consider whether there is value in increasing the use of guarantees, and other mechanisms to incentivise the participation of local financial institutions, in markets with limited liquidity** (*Conclusion 1.8*)

› **Eliminate the 30/50% limit to enable investments in smaller ticket sizes**, and develop closer relationships with funds and other organisations operating at more grassroots SHF level to enhance links with IDH FFF-funded companies and strengthen impacts for this key target group (*Conclusion 1.6, 1.9*)

**R1.
B**

For the development of future funds and related initiatives

Directed at: IDH FFF

› **Maintain and expand flexibility with respect to instrument use**, including local currency finance if possible (*Conclusions 1.1 and 1.7*).

Directed at: MFA

› **Prioritise the supply of local currency financing**, either through formal partnerships with local financial institutions or through exploring new FX swap arrangements, such as those recently pioneered by the Inter-American Development Bank in Brazil. One option would be to work with the African Development Bank (AFDB) to adapt the approach (*Conclusion 1.7*).

› **Be explicit that risks can be taken**. Having time-limited closed funds without an explicit mandate that accepts funds may be lost in a high-risk portfolio of innovative investments results in a fund management with limited risk-taking (*Conclusion 1.8*).

⁵⁹ Recently an equity investment in Zambia has been committed, and another is being considered.

› **Include a separate investment window in fund structures to enable smaller, riskier lending** that could then select and incubate SMEs for graduation to access the main fund. It needs to be understood and accepted that such incubation will be costly and funds' business models structured to accommodate this without adversely affecting the financial position of the main fund. (Conclusion 1.6).

7.2. Coherence

This criterion concerns the alignment of the IDH FFF with a) the IDH Foundation, b) corporate lenders in the Fund, and c) the MFA. When the Fund was established, an important part of the business case was its potential complementarity with both the IDH Foundation and other funds and initiatives supported by the MFA. Alignment with the strategic objectives of its corporate stakeholders was also a core element of the strategy, as well as being a unique feature compared with other related funds.

C2

While the IDH FFF is broadly aligned with the strategic priorities of the IDH Foundation, corporate lenders, and the MFA, the potential of these partnerships has not yet been realised. Misalignment stems primarily from differing expectations and structural limitations. Within IDH, limited understanding of investment requirements and constrained TA funding have hindered the transition of projects into investable opportunities, though recent strategic shifts show promise. The Fund aligns well with corporate lenders' sector focus, yet several stakeholders see limited value due to a fundamental mismatch between their expectations for grassroots, SHF-level investments and the Fund's more risk-averse investment criteria. Similarly, MFA's vision of the Fund as a complement to other initiatives has only partially materialised, as key elements of the anticipated deal pipeline remain unrealised. Despite clear communication of the Fund's strategy, these persistent gaps suggest a need for structural adjustments – such as a dedicated higher-risk investment window – to better align stakeholder objectives.

IDH Foundation Alignment

- 2.1. **The strong potential for complementarity has not yet been realised** due to a limited understanding among IDH Foundation staff of what is required for a project to be investable. The problem has been reducing over time, however.
- 2.2. The IDH Foundation's **inability to provide TA funding at the level envisaged** has limited IDH FFF's ability to improve the "investability" of SMEs involved in other IDH projects.
- 2.3. **Structural alignment is much improved under the new IDH strategy**, with investment being one of the five strategic pillars and a strong IDH commitment to grow this area.

Corporate Investor Alignment

- 2.4. **IDH FFF is fully aligned with the focus sectors of its corporate lenders.**
- 2.5. **The Fund adds significant value to FMO**, enabling it to invest in smaller, riskier investments than it would otherwise be able to support.
- 2.6. **Value-added for Rabobank is less than hoped**, largely because the anticipated pipeline of investments in last-mile sourcing from corporate stakeholders has not materialised.
- 2.7. **Corporate stakeholders do not see value added from their investment in the Fund.**

[Redacted]

[Redacted] These companies had hoped to support grassroots, SHF-level projects to strengthen and diversify their supply chains – projects that fall outside the Fund’s risk appetite and investment criteria. While the Fund’s approach was reportedly communicated when contracts were negotiated and signed, the disconnect persists and it appears unlikely to be resolved.

MFA Alignment

- 2.8. **The IDH FFF was originally envisioned as complementary to other initiatives such as the Good Growth Fund, DFCD, and FMO as well the pipeline from IDH TA support.** It was expected to provide access to a distinct pipeline of deals, including (a) smaller, riskier projects; (b) agri-SMEs that had ‘graduated’ from IDH support; and (c) corporate stakeholder supply chain projects. In practice, only (a) has materialised to any significant extent. The limited flow of (b) appears to be due to cultural factors, which may ease over time. However, in the case of IDH FFF, the lack of (c) stems from a deeper misalignment between the Fund’s investment criteria and corporate stakeholders’ expectations, which is unlikely to change.
- 2.9. **The disconnect between corporate lenders’ expectations and the Fund’s strategy is significant, and it is unclear how this was overlooked in the design.** This issue might have been mitigated by including a dedicated investment window for higher-risk, SHF-level supply chain projects aligned with corporate interests, supported by separate MFA funding. MFA was not involved in the fundraising from corporate investors. However, such structures exist in other MFA-supported funds, raising questions about why it was not considered by IDH FFF.

**R2.
A**

During the current investment period

Directed at: IDH FFF and IDH Foundation

› **Deepen learning between the IDH Foundation and the Fund**, including secondments of key staff to understand the realities of the investment process better (*Conclusion 2.1*).

› **Ensure the TA funds originally committed to IDH FFF are supplied** (at least partly, considering the global ODA reductions) and decision-making about the TA is ringfenced in IDH FFF (*Conclusion 2.2*).

Directed at: IDH FFF and MFA

› **Explore whether there is scope to modify the terms of a portion of MFA funding to fully grant funding, or a partly revolving model, such as used in some FMO-managed government funds.** This could be used to establish a separate investment window with different investment criteria. The €10mn. matched MFA funding [Redacted] [Redacted] could be an option (*Conclusions 1.6 and 2.9*).

Directed at: IDH FFF, MFA and Corporate Lenders

› **Continue to convene an open, frank, facilitated discussion** on how to make the best use of the existing structure and funds during the remaining investment period (*Conclusions 2.9*).

**R2.
B**

For the development of future funds and related initiatives

Directed at: IDH FFF

› **Ensure all investors are aligned with fund strategy**, and this is understood throughout their organisations rather than agreed at CEO level only (*Conclusion 2.9*).

Directed at: MFA

› **Be more actively involved in the design of funds in which MFA invests** and structure the terms of MFA financing to support the realisation of intended outcomes (*Conclusions 2.8 and 2.9*).

7.3. Effectiveness

This criterion focuses on the Fund's progress in meeting its output and intermediate outcome targets, including reasons for under- or over-performance, and whether it is on track to achieve its primary impact goals.

C3

IDH FFF faced slow initial deployment due to external shocks as well as internal design flaws, particularly corporate involvement in investment approvals. Its governance structure and strategic misalignment made identifying suitable investments challenging. While the portfolio diverged from initial plans, **the Fund adapted by focusing on SHF-related investments** such as microfinance institutions, staying within its mandate. With €33.4 million committed and €100 million in mostly private co-financing, the Fund has shown strong leverage and financial additionality, reaching an estimated 1.2 million SHFs. **Tools like ESAPs, DAPs, and the Client Protection framework offer valuable sector contributions.** However, the absence of systematic ecosystem analysis may have limited impact targeting. Overall, the Fund has demonstrated adaptability, supported SHF-focused learning, and shown signs of positive outcomes aligned with MFA goals.

Deployment

- 3.1. **Deployment was initially slow but accelerated in 2024 and 2025. While external factors like Covid-19 and the war in Ukraine were significant constraints, internal issues also played a role.** Notably, the Fund's complex design – particularly the involvement of corporate lenders in approving investment decisions – is now widely seen as a design flaw.
- 3.2. The Fund's governance structure, combined with the previously noted misalignment, has made it **time-consuming to identify investments that both meet the Fund's ambitious objectives and satisfy corporate lenders.**

Outputs and intermediary outcomes

- 3.3. **IDH FFF's portfolio has not evolved as originally anticipated.** Significant investments through trader networks and partnerships with local banks did not materialise, prompting a pivot to other SHF-related investments such as microfinance institutions, Agri SMEs, local traders, etc. Despite this shift, the portfolio remains aligned with the Fund's mandate. This **strategic shift reflects adaptive management and learning** and may represent a valuable long-term contribution to the sector.
- 3.4. **To date, the Fund has made 15 investments, committing €33.4 million and leveraging €100 million in co-financing (91% from private sources).** The leverage ratio is comparable to similar funds and

higher than most DFIs. The Fund's ability to offer flexible capital, particularly subordinated structures, has been critical to attracting co-investment.

- 3.5. **The fund reaches its target population of SHF.** The Fund has reached approximately 1.2 million SHFs, mostly indirectly through investees such as Avanti and Hatch Africa.
- 3.6. **All investments demonstrate additionality, primarily financial.** In cases where financial additionality was less clear, strong non-financial justifications, such as development impact, supported the decision. Financing has been provided on flexible terms uncommon in the sector, including long tenors, grace periods, subordinated debt, and equity.
- 3.7. **IDH FFF use of ESAPs and DAPs remains rare in agri-finance and provides a strong example for the sector.** The development of an agri-focused **Client Protection tool** is a particularly valuable contribution, with potential to become an industry standard.

Likelihood of achieving primary outcomes and role of targets

- 3.8. **All investments have the potential to support responsible business growth,** and the Fund's combination of financial and non-financial support is well structured to promote this objective.
- 3.9. **However, investments have not been guided by a systematic analysis of local financial ecosystem bottlenecks for SMEs and SHFs.** Combined with the Fund's complex governance structure and strict investment criteria, this makes it unlikely that the highest-impact opportunities have consistently been identified.
- 3.10. **The intents to assess income effects in SHFs are praised in the sector but still faces challenges.** Survey evidence indicates that investees are contributing to improved incomes, with the Fund playing a meaningful, though not exclusive, role. The SHFs reached by the companies in which IDH FFF invested experience on average a significant positive income increase, though lower than the stated target of 50%. The Fund's target of an average income increase of 50% is widely considered unrealistic for the type of services that the companies provide; expert input and available data suggest a more achievable range of 10–20%.
- 3.11. **IDH FFF's result tracking system helps reflection on KPI targets at portfolio level.** The inclusion of impact targets, on smallholder farmers reached, for example, within each investment has helped maintain a strong SHF focus, as seen in cases such as the MFI Avanti.

During the current investment period

Directed at: IDH FFF

› **Deploy the remaining funds across a diverse set of investees to maximise learning about what works, in which contexts, and under what conditions.** Taking calculated risks, even at the expense of lower financial returns, is justified if it generates valuable evidence to inform the design of future funds. The Fund's long-term value lies in building this foundational knowledge for the sector (*Conclusion 3.3*).

› **To improve the understanding of income changes among SHFs, IDH FFF could collect primary quantitative income data through short, targeted End-Beneficiary Focus Studies.** These would validate information on yields and income effects while clarifying who can truly be considered a beneficiary. At the same time, the linked methodology developed by IDH and AKVO, now more modular and adaptable, should continue to be piloted, including in endline measurements. Comparing baseline and endline data, together with clear documentation of change processes and IDH FFF's contributory role, will help build a credible, evidence-based contribution story. (*Conclusions 3.10-3.11*).

R3.
A

**R3.
B**

› **Focus on the expansion and sector-wide adoption of key tools developed by the Fund**, especially the Client Protection tool, as well as the broader use of ESAPs and DAPs (*Conclusion 3.7*).

For the development of future funds and related initiatives

Directed at: IDH FFF and MFA

› **Conduct deeper research into structural constraints within specific sectors or regions to better understand the types of financial support needed to mobilise local capital for SMEs.** This insight can help build a stronger, more targeted pipeline of potential investees within those geographies or value chains (*Conclusion 3.10*).

› **Piloting a one-time survey two years after investment, combining quantitative and qualitative data to assess impact.** The survey would use “AKVO”-style questions, asking farmers to reflect on changes in yields, income, and livelihoods, and the company’s role in these changes. Responses can be triangulated with secondary data (yields, prices, modelling, etc.) to estimate income gains. A heterogeneous sample across clear and “grey zone” beneficiaries helps capture varied exposure and impact.

› **Given the critical role of local currency financing, greater attention should be paid to the use of hedging instruments, which would need to be subsidised by grant financing, and enabling mechanisms to encourage local banks to lend, such as blended finance, risk mitigation tools (e.g. guarantees), and equity investments in SMEs.** These approaches could help attract local banks, which currently have limited incentives to lend to agriculture due to higher returns in other sectors (*Conclusion 1.7*).

Directed at: MFA

› **Building on the research into structural constraints, consider complementary activities that could support future funds.** These may include supporting public sector policies such as mandatory lending requirements (e.g. as seen in India) or promoting innovations to mitigate risks, including FX risk, that currently limit local financing for agri-SMEs.

› **Include end-beneficiary focus studies in the end-line evaluation to strengthen qualitative evidence and provide a deeper understanding of the changes experienced by final beneficiaries.** These focus studies would help validate reported information on yields and income effects, while also assessing the appropriateness of the company’s definition of reach.

7.4. Efficiency

This criterion relates to the cost and remuneration structure of the Fund, and whether it has proved that it is possible to make high-impact investments while mobilising private finance at scale and, ultimately, helping to create a new mainstream asset class.

C4

IDH FFF has higher costs than many funds, though this is justified given its complex objectives and has improved over time. Its remuneration structure is generally appropriate. While the Fund has mobilised private finance into SHF-linked models, it has not yet proven its ability to deliver returns high enough to shift investor appetite or achieve transformational outcomes for smallholders. With agri-SME returns typically below investor expectations, long-term engagement will likely depend on actors with regulatory, developmental, or strategic motivations. Making agri-SME finance a mainstream asset class remains unlikely without major structural changes.

Cost, efficiency and remuneration

- 4.1. While the IDH FFF is generally more expensive than other funds, the cost difference is less significant when compared to similar funds. Efficiency has improved over time, as expected for a fund in the early stages of maturity. Given the complex nature of the Fund's objectives, particularly in targeting smallholder agriculture, the higher costs are broadly justified.
- 4.2. The Fund's remuneration structure is largely appropriate for its goals.

Compatibility of twin objectives

- 4.3. While the Fund has demonstrated an ability to mobilise private finance into SHF-linked models, it has not fully proved that it can consistently deliver returns high enough to shift private investor appetite toward SHF-related investments or generate truly transformational outcomes for smallholder farmers.
- 4.4. There is broad consensus that expected returns in the agri-SME sector, typically in the 0–10% range, are significantly lower than what most DFIs (~15%) or institutional investors (>20–25%) require. These modest returns, often lower than those from safer alternatives like government bonds, make the sector unattractive to local commercial banks.
- 4.5. As a result, investors engaging in the agri-SME space generally require motivations beyond commercial returns. These may include regulatory mandates (e.g., required sector lending in India), development mandates (for DFIs and national banks), or strategic interests (e.g., securing agricultural supply chains). Without major structural changes, the goal of establishing agri-SME investments as a mainstream asset class for generalist investors appears unrealistic.

R4. A

During the current investment period

Directed at: IDH FFF

› In deploying the remaining funds, the Fund should adopt more flexible return expectations. The focus on sourcing investments that can attract commercial investors is likely to exclude investments in the many high-impact companies that can deliver solid, but lower, returns. A more flexible approach would help the Fund to support a broader range of impactful businesses and generate a richer and more diverse set of lessons on how to invest in an impactful way in the sector, maximising benefits for SHFs (Conclusions 3.3 and 3.6).

› The Fund should shift the focus from attracting new sources of mainstream finance, to sourcing and structuring investments that align with the interests, return expectations, and risk tolerance of companies and development finance institutions already active in the sector. These actors may be willing to invest, or increase their investment, in certain SMEs if

the Fund absorbs part of the risk (*Conclusion 4.5*).

**R4.
B**

For the development of future funds and related initiatives

Directed at: MFA

› **Prevent co-investors having to agree individual investments.** In new funds it would be reasonable to recommend that the Fund does not have to negotiate each investment with each co-investor individually but just follows its internal processes and procedures as one sole fund where money is fungible.

› **Future funds should be designed with characteristics that are important for the plausible long-term investors in SHF finance** – those with a mandate to invest in the sector, and expect rates of return that are realistic for the agricultural sector, and have or an existing clear commercial incentive as is the case with agricultural supply chains, for example (*Conclusion 4.5*).