

EVALUATION AND MONITORING OF THE AGRI3 FUND

2020-2024

FINAL REPORT

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AUTHORS

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AMSTERDAM, MAY 25

Infographic

Evaluation and monitoring of the AGR13 Fund 2020-2024

Impact

- AGRI3 falls short of grant targets but shows impact in sustainable land use and forest protection; rural livelihood impact is limited

Effectiveness

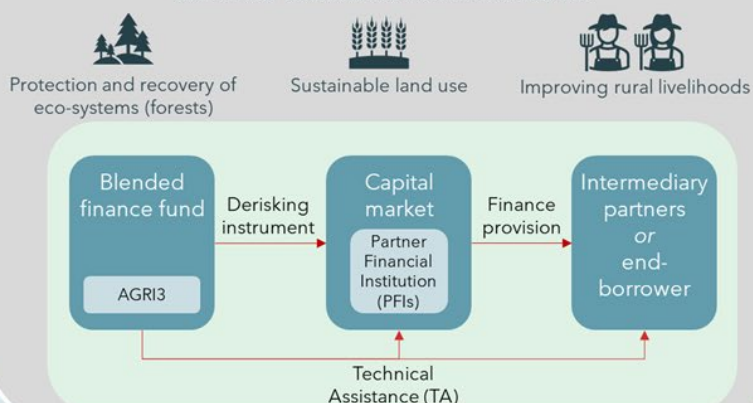
- AGRI3 catalysed less private finance than initially foreseen
- Clients are progressing on sustainability KPIs, but rural livelihoods and gender impacts are limited
- Some demonstration effects are apparent, but market factors play a larger role.
- The fund's products are suitable for clients' needs, though the higher-risk instruments remain unused

Additionality

- Both financial and development additionality have been modest, due to the selection of well-established agribusinesses that have good access to finance and already focus on sustainability

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AGRI3 is a blended finance fund with the mission to mobilise USD 1 billion in public and private capital for sustainable agricultural investments, using derisking instruments and technical assistance to contribute to:



- Client: Dutch Ministry of Foreign Affairs
- Methods: desk research, data analysis, interviews, field work (in Brazil, Nicaragua, Malawi and India)
- Partners: MDF Training & Consultancy and ERM NINT

Efficiency

- The operational efficiency of AGR13 is strong, but operational costs have been disproportionate
- Reporting and monitoring systems are appropriate, but there are opportunities for refining KPI measurement and ensuring that observed results are used for learning and steering decisions

Coherence

- AGRI3 aligns with the Ministry's objectives on climate change, sustainable agriculture and ecologically sound food systems
- While there is overlap between AGR13 and other funds, AGR13 distinguishes itself through its delivery mechanism via PFIs. This makes it complementary to, but not yet necessarily synergetic with other initiatives

Recommendations



Seek more innovative and likely more risky projects



Cut operational costs and make realistic financial and business projections



Explore partnerships outside of traditional banks



Reinforce gender analysis to more strongly incorporate actions for gender equality



Prioritise those countries where most impact can be reached



Expand technical assistance and learning activities for end-borrowers

Executive Summary

At the request of the Dutch Ministry of Foreign Affairs, SEO Amsterdam Economics conducted a “real-time” evaluation and monitoring of the AGR13 Fund over the period 2020 to 2024. The AGR13 Fund (hereafter, AGR13) seeks to mobilise private finance to allow agribusinesses to invest in: 1) sustainable land use, 2) the protection and recovery of forests, and 3) the improvement of rural livelihoods. To this end, AGR13 provides credit enhancements to financial intermediaries, absorbing part of the risks of making sustainability loans and/or allowing increased loan maturities to bridge the extended investment period during which no cash flow is generated. AGR13 also operates a Technical Assistance Facility (TAF) to support investments and enhance their impact. The evaluation was carried out in four phases: 1) the initial 2020–2022 evaluation, 2) monitoring in 2023, 3) monitoring in 2024, and 4) this final evaluation report, which summarises all previous findings. SEO conducted the 2020–2022 evaluation and the 2023 monitoring in collaboration with its partners MDF Training & Consultancy and ERM NINT (Brazil).

AGR13 had a slow start but expanded steadily between 2020 and 2024. From just two transactions in 2020, the fund grew to nine in 2024. The cumulative value of catalysed loans reached USD 262 million (hereafter: mln), of which USD 113 mln guaranteed by AGR13, resulting in a leverage ratio of 2.3. Sixteen investments were made in Brazil, primarily targeting sustainable land use, sustainable agriculture, and nature conservation or recovery. The remaining nine transactions were concluded in Africa (various countries), India, Nicaragua, and China, with a mixture of themes and greater emphasis on rural livelihoods. Technical assistance (TA) gained in importance over time, with most end-clients receiving pre-investment or post-investment TA (or both).

Although AGR13 has yet to meet the five-year targets outlined in the Ministry’s grant decision (through the end of 2024), it has made a substantial contribution to expanding land under sustainable management and forest protection. Due to the slow start, less private finance was mobilised than anticipated. While current end-clients are on track with KPIs related to sustainable land use, agriculture and ecosystem protection, progress on rural livelihoods and gender equality is expected only in recent deals. Demonstration effects exist, but shifts by banks and businesses toward sustainability are largely driven by market, social, and political pressures. Nevertheless, AGR13’s products support and expedite the transition to sustainable agriculture. AGR13’s products align with end-client needs, though the higher-risk instruments remain unused.

Financial and development additionality have varied, as AGR13 mostly worked with well-established Partner Financial Institutions (PFIs) and end-clients that often already had good access to finance and a pre-existing sustainability agenda. While it is clear that PFIs would not have opted for a guarantee without a genuine need, the end-clients are generally not credit-constrained and would have accessed credit somehow. The financial additionality, however, often stems from the specificity of the transaction. In Brazil, nearly all AGR13 transactions combined *pari passu* guarantees with maturity extensions, supporting large investments in land rehabilitation and regenerative production. AGR13’s additionality in these cases derived from the fact that conventional bank financing was insufficient due to size and tenor restrictions (funding gap), and that AGR13’s support accelerated investments. While most end-clients would eventually have undertaken these projects, in part or in full, AGR13 contributed to expediting and expanding them. This was particularly true for investments in forest replanting, which lack direct financial returns. In other countries outside Brazil, AGR13’s *pari passu* guarantees helped mitigate lending risk. Deals would either not have occurred without these guarantees, or would have been smaller. However, most end-clients – except in India – were neither financially constrained nor new to sustainability. Going forward, greater financial and development additionality could be achieved by targeting more ambitious end-client profiles, supported by TA to enhance impact. AGR13 is currently developing diversification strategies to achieve this.

AGRI3 is appreciated by partners and end-clients for its efficiency. The operational efficiency of AGRI3 is strong, but management costs have been disproportionate to the fund's portfolio and capital. Reporting and monitoring systems are appropriate. However, in some projects, the definition and measurement of KPIs could be improved to better guide end-clients toward impact and to ensure that observed results are used for learning and decision-making.

AGRI3 aligns with the Ministry's policy objectives regarding climate change, sustainable agriculture, and ecologically sound food systems. While there is overlap between AGRI3 and other funds in terms of thematic focus and types of instruments, AGRI3 distinguishes itself through its delivery mechanism via PFIs. This makes it complementary to, though not yet fully synergetic with, other initiatives.

List of abbreviations

AGRI3	The AGRI3 Fund
APP	Area of Permanent Protection (in Brazil forest code)
BEMO	Policy Memo ("Beleidsmemo") MFA
CAR	Cadastre Registration (in Brazil, includes forest code compliance)
CSA	Climate Smart Agriculture
CRA	Certificate of Receivables from Agribusiness
DA	Delegated Authority
DD	Due Diligence
DFI	Development Finance Institution
ESAP	Environmental and Social Action Plan
E&S	Environmental and Social
ESG	Environmental, Social and Governance
FGD	Focus Group Discussion
FMO	Dutch Entrepreneurial Development Bank
FNS	Food and Nutrition Security (programme of MFA)
GEF	Global Environment Facility
GHG	Greenhouse gases
IC	Investment Committee
IDH	The Sustainable Trade Initiative
IGG	Inclusive Green Growth (department of MFA)
ICLS	Integrated Crop Livestock Systems
KII	Key Informant Interview
KPI	Key Performance Indicator
LR	Legal Reserve (in Brazil forest code)
MDF	MDF Training & Consultancy
M&E	Monitoring and Evaluation
MFA	Ministry of Foreign Affairs of the Netherlands
NGO	Non-governmental Organisation
OECD-DAC	Organisation for Economic Cooperation and Development - Development Assistance Criteria
PFI	Partner Financial Institution
RBM	Result-Based Management
RM	Relationship Manager (in partner bank)
SBLC	Standby Letter of Credit
SEO	SEO Amsterdam Economics
SIM	Sustainable Investment Management
TA	Technical Assistance
TAF	Technical Assistance Facility
ToC	Theory of Change
ToR	Terms of Reference
UNEP	United Nations Environment Programme

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1 Introduction

This is the final report of the monitoring and evaluation of the AGRI3 Fund over the period 2020-2024, with a focus on learning.

The Inclusive Green Growth department (IGG) of the Dutch Ministry of Foreign Affairs (MFA) commissioned SEO Amsterdam Economics (SEO) to evaluate AGRI3 from 2020 to 2022, followed by progress monitoring through to 2024. The AGRI3 Fund (hereafter, AGRI3) aims to mobilise private finance to enable agribusinesses to invest in: 1) sustainable land use, 2) the protection and recovery of forests, and 3) the improvement of rural livelihoods. To this end, AGRI3 provides credit enhancements to financial intermediaries by absorbing part of the risks associated with sustainability loans and/or offering extended loan maturities to bridge the long investment period during which no cash flow is generated. AGRI3 also has a Technical Assistance Facility (TAF) to support the investments and maximise their impact. The evaluation was conducted in four phases: 1) the initial 2020-2022 evaluation, 2) monitoring in 2023, 3) monitoring in 2024, and 4) this final evaluation. This report is the final deliverable of this multi-year assignment. SEO conducted the 2020-2022 evaluation and the 2023 monitoring jointly with its partner MDF Training & Consultancy and ERM NINT.

Learning is an important objective of this evaluation and monitoring exercise. AGRI3 represents a new approach for the MFA to promote sustainable land use and forest protection, neither following a traditional project set-up nor providing grants to public or private sector partners. Instead, the MFA provided a reimbursable grant to AGRI3, which partially guarantees loans by private financial intermediaries to agribusinesses and farms – enabling sustainable investments that would otherwise not be feasible. The effectiveness of this type of instrument (in promoting sustainable agriculture), along with its efficiency and impact, are assessed in this evaluation.

The research informing this final evaluation report was carried out between 2022 and 2024. In addition to interviews with resource persons, the evaluation team conducted an in-depth review of 14 out of 25 investments supported by AGRI3 up to 2024. The team made country visits to Brazil, Nicaragua, Malawi and India. For the remaining investments, their investment appraisal and decision reports were studied, along with progress and impact reports by AGRI3.

This report is structured around the evaluation questions. Chapter 0 introduces the AGRI3 Fund. Chapter 3 describes the evaluation methodology. Subsequently, Chapter 4 contains the core evaluation findings. “Lessons learned” and recommendations are presented in Chapter 5. Chapter 6 provides a summary of the main conclusions and recommendations.

2 Background of AGR13

AGR13 is a blended finance fund aimed at improving (a) forest protection and reforestation, (b) sustainable land use, and (c) rural livelihoods. It does so through credit enhancements and technical assistance.

2.1 Introduction to AGR13

AGR13 is a blended finance fund with the mission to mobilise USD 1 billion in public and private capital, using USD 300 mln in guarantees backed by USD 100 mln in capital, to “contribute to sustainable agricultural value chains and avert deforestation”.¹ The fund was announced in 2017 by the UN Environment Programme (UNEP) and Rabobank, with the aim of financing projects that stimulate deforestation-free, sustainable agriculture and land use. The Dutch Entrepreneurial Development Bank (FMO) and IDH joined AGR13 in 2018.² In 2019, the Dutch Ministry of Foreign Affairs (MFA) provided AGR13 with a partly reimbursable grant of USD 40 mln, of which USD 5 mln was earmarked for TA, while Rabobank pledged a USD 50 mln loan.³ In April 2020, AGR13 launched, starting with a client list prepared by Rabobank for this purpose. In 2023, AGR13 secured an equity participation of USD 13.5 mln from the Global Environment Facility (GEF). Discussions with other potential participants are ongoing.

AGR13 seeks to deliver both environmental and social impact. Its recently updated Theory of Changes is structured as follows:⁴

- **Goal Statement:** Mobilise private capital for the transition of food and agriculture systems towards sustainable, climate-resilient practices and processes that preserve forests and natural ecosystems, and support the long-term well-being of communities.
- **Outcome 1:** Increased conservation and restoration of forests and natural ecosystems (Fund KPI I)
- **Outcome 2:** Increased land under sustainable management (Fund KPI II)
- **Outcome 3:** Increased number of people with improved livelihoods (Fund KPI III)
- **Outcome 4:** Climate mitigation benefits resulting from GHG emissions avoided and removed (Fund KPI IV)
- **Outcome 5:** Private capital is mobilised (Fund KPI V)

AGR13's outcome areas – particularly 1) forest protection and reforestation, and 2) sustainable and climate-smart agriculture – are interconnected: agriculture that depletes forests is inherently unsustainable, while healthy forests help protect the climate and water resources, both of which are preconditions for sustainable agriculture. AGR13 aims to contribute to many SDGs, but most directly to SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. AGR13 targets both lower- and middle-income countries.

As per its programme design, all AGR13 projects were required to contribute to both environmental and social impact goals. To be eligible for AGR13 support, each investment had to contribute to (1) forest protection

¹ <https://agri3.com/>. This implies an expected (AGR13) capital leverage of 1:3, and secondary leverage of 1:3.3.

² Rabobank, UNEP, FMO and IDH are considered the founding partners in AGR13.

³ AGR13 Information Memo, version 1, May 2021. The MFA contribution is classified as a capital preservation tranche. The Rabobank contribution is debt financing and takes precedence over any other fund participation in terms of default risk.

⁴ At the time of writing this final evaluation report this new ToC had not yet been approved. Hence, it is not shown here.

and reforestation and/or (2) sustainable land use, while all projects were expected to contribute to (3) rural livelihoods.⁵ However, the 2023 evaluation concluded that this clause was impractical, as few Brazilian projects had any significant livelihoods component. It was subsequently decided that the requirement should apply at the portfolio level, rather than to each individual investment.

To achieve the desired impact, AGRI3 provides credit enhancement tools and Technical Assistance (TA).

AGRI3's services mainly consist of credit enhancement in support of commercial banks and other financial intermediaries – referred to as “Partner Financial Institutions” or PFIs (such as Rabobank) – which are finance investments in sustainable agriculture, forest conservation, and rural livelihoods. Through credit enhancement, AGRI3 enables these PFIs to support private sector investments that would otherwise not be funded due to (perceived) risks.⁶ In Brazil, for example, all projects included components of land, forest, and habitat restoration. Such projects take time to implement and typically exceed banks' standard loan maturities. In addition, land and forest restoration projects do not (immediately) generate cash, increasing the risk for both borrower and bank. AGRI3 covers part of this risk, while the tenor extensions and long grace periods provide borrowers with more time to complete the investment.⁷ In other countries, AGRI3 has mainly used standard pari passu guarantees. Technical assistance is discussed in Chapter 2.3.

In exchange for its participation, AGRI3 receives a portion of the commercial margin proposed for the overall facility. Specifically, the guarantee fee – 65–75 percent of the commercial margin on the loan exposure covered by AGRI3 – is paid by the PFI to AGRI3 and is not separately charged as a guarantee fee to the end-client (with the transactions in India being an exception due to local regulations). AGRI3 applies a standard pricing policy per product, with some flexibility for fine-tuning based on the level of risk involved. As of December 2024, AGRI3 had not incurred any losses.

2.2 Investment portfolio

As of December 2024, AGRI3 had cumulatively supported 25 investments through PFIs:

- Since 2020, when AGRI3 launched, it has consistently increased the number and value of its investments year-on-year (see Figure 2.1).
- Most investments were realised in Brazil (16), followed by India (5), Africa (2), Nicaragua (1) and China (1). Consequently, Brazil recorded the highest total mobilised finance at USD 170 mln (see Figure 2.2), out of the AGRI3 total of USD 262 mln.
- Rabobank has been the dominant partner in both the numbers of investments and mobilised capital (see Figure 2.3). Nevertheless, from 2022 AGRI3 has begun diversifying its PFIs.
- Each investment was assigned one or two focus themes from the following categories: Farmer Incomes, Sustainable and Productive Agriculture, Land Restoration, Nature Restoration and Protection, Inclusion, and Training. The distribution of investments by theme, and also by year and country, is shown in Figures 2.4 and 2.5. The most frequently targeted themes are Sustainable and Productive Agriculture (16 investments) and Land Restoration (12 investments).
- As mentioned, the total number of investments increased over the years, peaking in 2023 and 2024, with broader distribution across different focus themes.

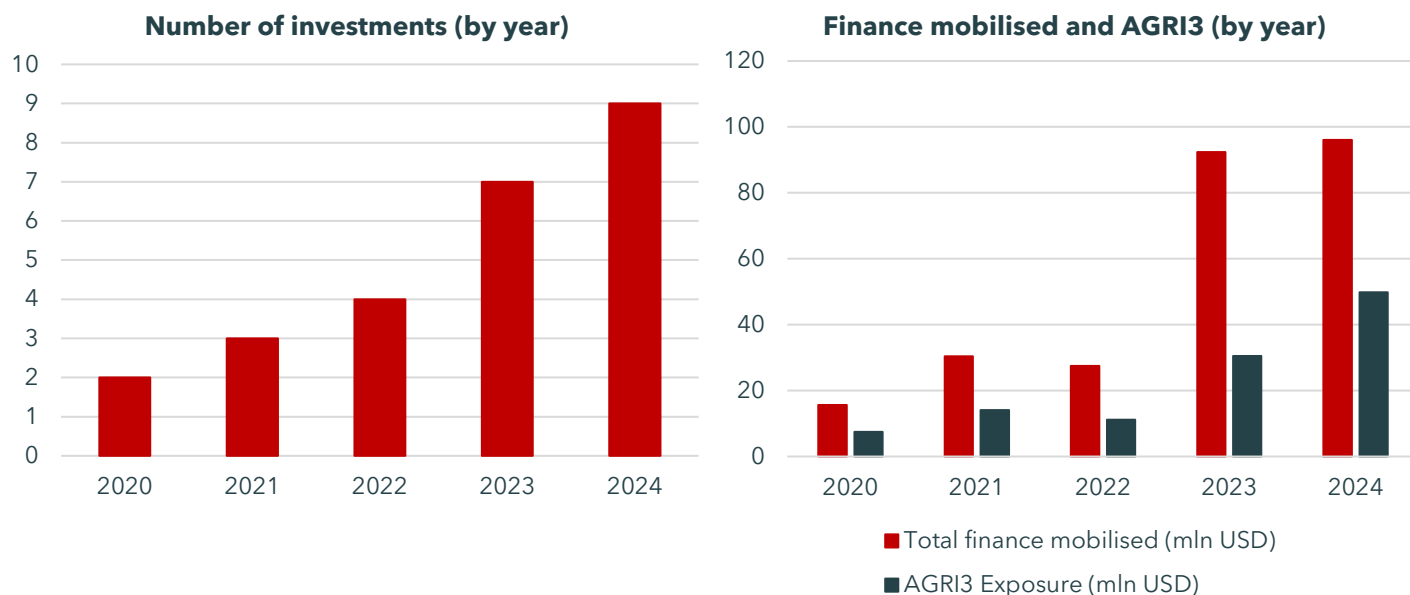
⁵ See AGRI3 impact and E&S policy statement, April 2022.

⁶ AGRI3 Information Memo, version 1, May 2021

⁷ AGRI3 tenor extensions allow the PFI to issue loans that extend beyond the period it would normally deem acceptable given country risk. The grace periods are extended too.

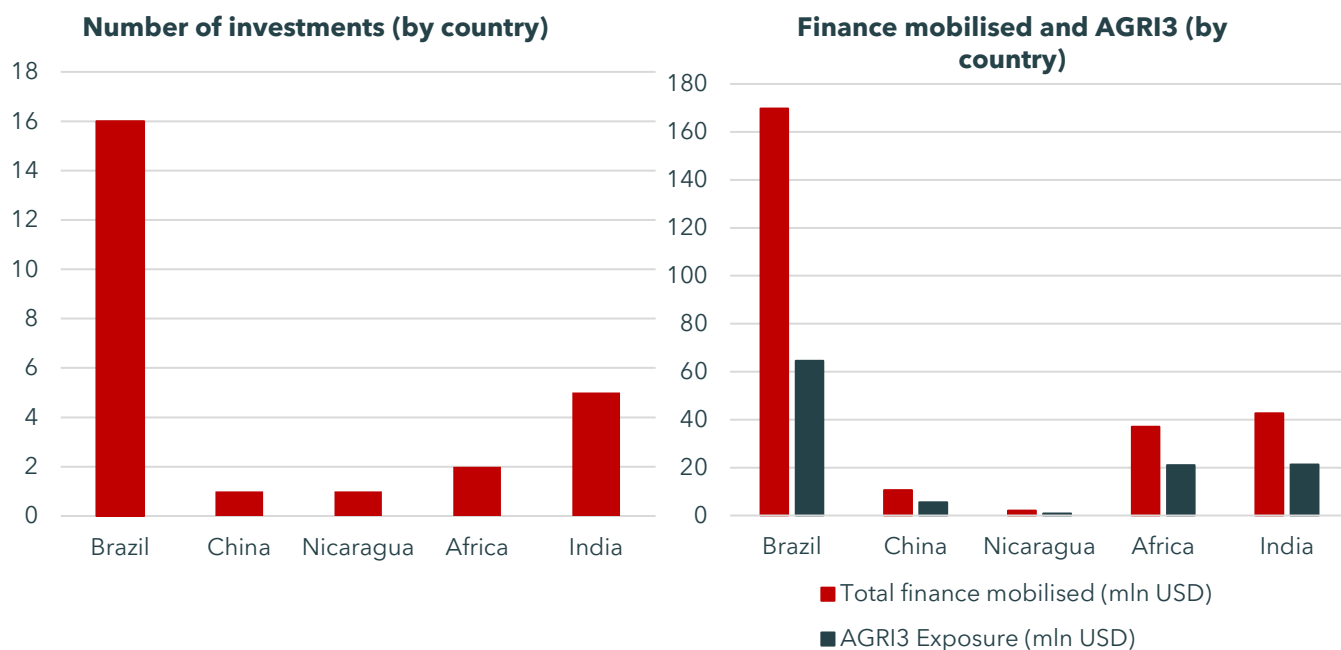
- Investments in Brazil primarily focused on sustainable and productive agriculture and land restoration, while those in India, Africa, and Nicaragua spanned a broader range of focus areas.

Figure 2.1 The number of new investments increased each year. The associated exposure and finance mobilised also increased (except in 2022, when the investments were smaller)



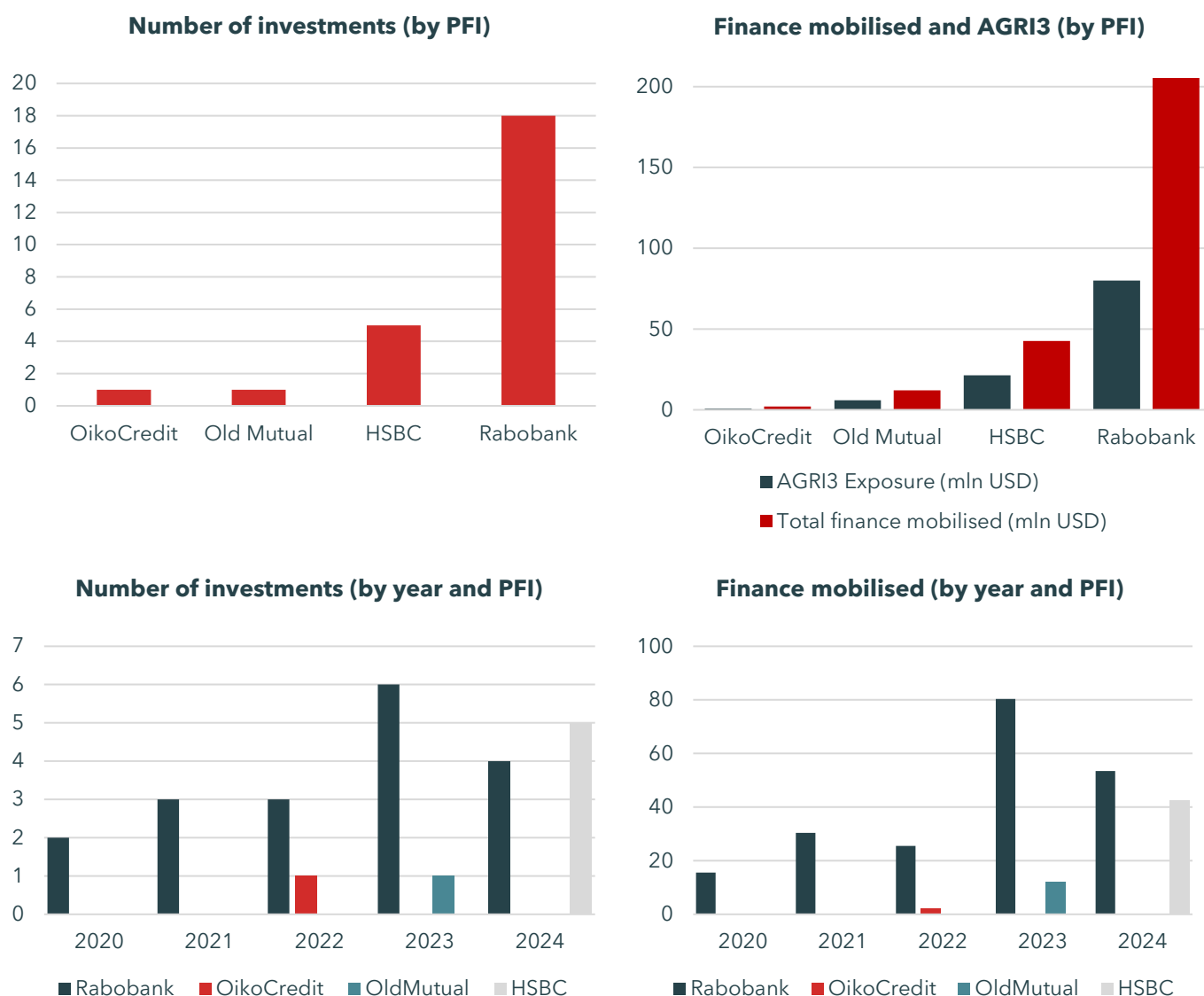
Source: Portfolio overview AGR13, cumulative, as of 31 Dec 2024

Figure 2.2 Brazil has led in terms of number of investments, total AGR13 exposure, and finance mobilised



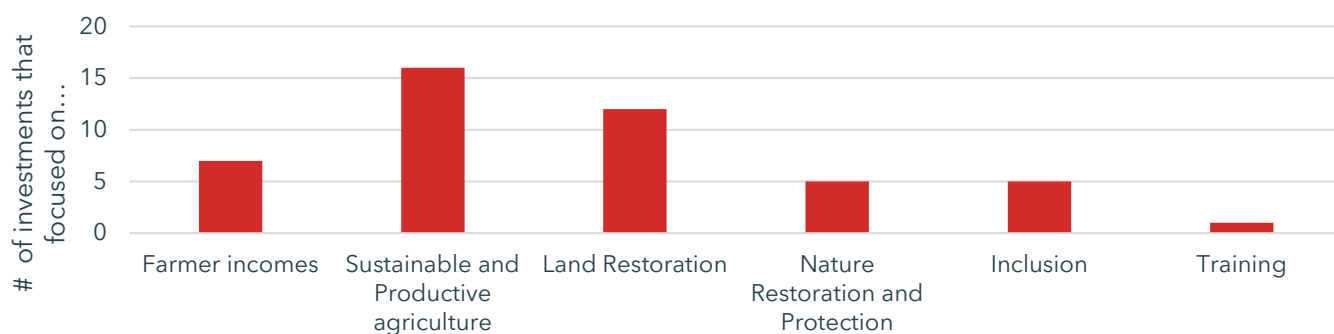
Source: Portfolio overview AGR13, as of 31 Dec 2024

Figure 2.3 Although most investments and finance mobilised was achieved with Rabobank, AGR13 started diversifying its PFIs from 2022 onwards



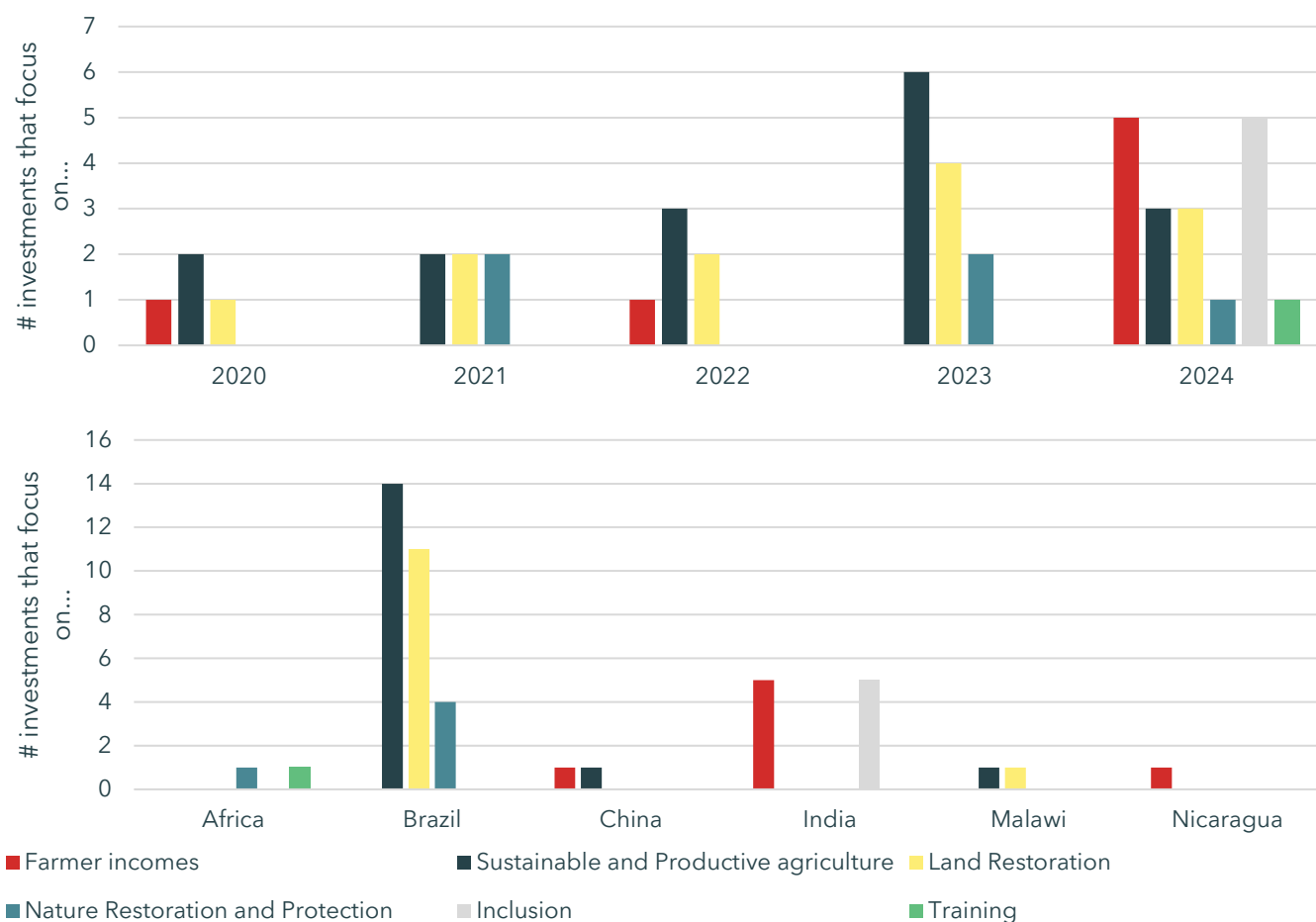
Source: Portfolio overview AGR13, as of 31 Dec 2024

Figure 2.4 In terms of themes, 16 out of the 25 investments focused on Sustainable and Productive Agriculture



Source: Portfolio overview AGR13, as of 31 Dec 2024 and SEO Amsterdam Economics. Most projects were assigned two themes

Figure 2.5 In 2024, AGRI3 diversified its focus themes and included investments with a focus on female inclusion (five investments projects in India) and training (one investment in Africa)



Source: Portfolio overview AGRI3, as of 31 Dec 2024 and SEO Amsterdam Economics

2.3 Technical Assistance Facility

IDH manages the **Technical Assistance Facility (TAF) of AGRI3** and aims to “support the Fund Manager in identifying investments and procuring relevant expertise”. Specifically, the TA facility seeks to accelerate the development of investment opportunities, maximise their impact, and de-risk the investments made by AGRI3.⁸

During the period 2020-2024 the TA Facility executed the following projects:

- Market reconnaissance - AGRI3 conducts sector studies to identify viable intervention areas.
 - 2020-2022: Four market reconnaissance projects resulted in three sector studies: one on palm oil in Indonesia, another on soy and cattle in Brazil, and a final one on climate-smart agriculture in India.
 - 2023: Farm assessments and a roadmap for pastureland renovation in Brazil. In Indonesia, a pre-feasibility study on options on how to support the mobilisation of commercial finance towards sustainable production in key agricultural commodity sectors in Indonesia – particularly palm oil.

⁸ AGRI3 Information Memo, version 1, May 2021

- 2024:
 - IDH conducted a country assessment in Colombia to explore the types of guarantees available to agricultural financiers and to evaluate AGR13's potential additionality.
 - IDH also performed a gender study to understand the challenges, gaps, and needs faced by women working in Brazil's key value chains, including soy, cattle, coffee, cocoa, sugarcane, and corn. Based on this initial assessment, consultants will develop a gender framework to be integrated into the Fund's due diligence process.
- Transaction-related TA, which contains two categories:
 - Pre-investment support:
 - 2020-2022:
 - The pre-investment TA projects were mostly benchmark and needs assessments, though some also supported the formulation of Environmental and Social Action Plan (ESAP) requirements to facilitate the AGR13 deal.
 - Provided pre-investment TA to smallholders growing chilis in China. Support included an assessment of E&S outcomes and the development of ESAP.
 - 2023:
 - Farm assessment and roadmap for pastureland renovation for a cattle farm in Brazil.
 - 2024:
 - Pre-investment TA was delivered to a coffee trader in Uganda to promote sustainable, low-carbon coffee production, aiming to address challenges within the coffee supply chain and advance broader sustainability goals and carbon reduction commitments.
 - Pre-investment TA was provided to five MFIs in India. The TA included an assessment of sustainable agriculture challenges and opportunities in MFI client portfolios, as well as engagement with MFIs to explore climate-smart solutions such as CSA loan products, capacity building, partnerships, and policy integration to enhance sustainability in their operations.
 - Post-investment support:
 - 2020-2022:
 - China: Post-investment TA focused on capacity building for the same project that had received pre-investment support. The focus shifted to development and implementation support, including training, of an improved cultivation plan.
 - Brazil: Post-investment TA targeted pastureland renovation and water security for the first Renova Pasto loan, as well as certification processes for soybean seed production. Additionally, post-investment TA was provided to a cotton producer to assess current regenerative practices and opportunities, with recommendations to scale them further.
 - 2023-2024:
 - Brazil: As part of Renova Pasto, TA was provided to two cattle farmers, including assessments and roadmaps for implementing recommendations and obtaining sustainable certification. TA also supported a facility in Brazil with an assessment of potential improvements in livelihoods, gender, and sustainable agriculture. An agricultural company received post-investment TA to assess biodiversity and regenerative agriculture practices through a climate risk lens. Furthermore, post-investment TA supported an organisation in disseminating best practices and promoting broader adoption of sustainable farming methods with other farmers.
 - Malawi: Post-investment TA was provided to a macadamia producer, focusing on improving working conditions, conducting a farm sustainability assessment, addressing gender issues, and supporting a beekeeping programme.

- Enhance impact monitoring - *Support the Investment Advisor in monitoring and reporting on the Fund's impact KPIs.*
 - 2020–2022: Internal monitoring project to develop the impact monitoring methodology for AGR13.
 - 2023–2024: During this period, IDH carried out limited work on enhancing investment monitoring. Much of the monitoring was conducted internally by the Fund's staff or its partners, such as Produzindo Certo and 52 Impact (in Brazil).
- Learning and knowledge sharing
 - 2020–2022: Learning and knowledge-sharing activities focused on sector studies and the development of an investment toolkit in collaboration with WWF.⁹
 - 2023: The TA facility helped shape the agenda for a UNEP-hosted knowledge exchange event in Brazil. Furthermore, IDH contributed to other learning and knowledge products during the year, including the "Little Book of Nature Start-ups" by Global Canopy and a gender course tailored specifically for investors.

Between 2020–2023, the TAF underspent its initial target budget. The Ministry of Foreign Affairs (MFA) committed USD 5 mln to the TAF, while AGR13 initially aimed for a total budget of USD 15 mln. However, fundraising for the remaining USD 10 mln was put on hold due to low absorption. Between 2020 and 2023, the TA Facility spent approximately USD 2.4 mln.¹⁰ This represents 48 percent of the MFA budget of USD 5 mln, but only 22 percent of the USD 11 mln expected to be spent by 2023 according to the BEMO. With an anticipated increase in spending, current projections indicate that cumulative expenditures will reach USD 5 mln by 2026.¹¹

2.4 AGR13's M&E system and KPIs

AGR13's M&E includes both financial and impact indicators. Monitoring by AGR13 covers financial and credit performance metrics, which influence the risk rating of the transaction, as well as impact and E&S performance, including those summarised in Key Performance Indicators (KPIs). In 2020, AGR13 developed a set of twelve KPIs: four under the heading "Forest protection and restoration", four under "Sustainable and Efficient Agriculture", and four under "Rural Livelihoods". During contract negotiations with the client, the relevant impact areas are identified and the corresponding KPIs (from the AGR13 set of twelve) are set with a target. With the new ToC (not yet approved), these KPIs have been somewhat expanded, and a fund-level layer has been added.

In addition to the impact KPIs, many transactions include an Environmental and Social Action Plan (ESAP).

This outlines actions the client commits to undertake within a defined timeframe to address gaps in environmental and social management identified during due diligence, or to enhance the impact of a transaction (e.g., ensuring workers' housing meets international standards, developing a biodiversity plan, etc.). ESAPs are transaction-specific.

AGR13 uses a mixture of methods to measure KPIs and progress on the ESAP:

- Client self-reporting, usually biannually, through the PFI or directly to AGR13
- Monitoring (visits) by the PFI (relationship managers in the branches)
- Locally based or international technical and impact advisors who make site visits
- Remote sensing data, analysed by the above-mentioned impact advisors
- Proxy tools (e.g., modelling of GHG reductions)
- Monitoring (visits) by AGR13 itself

⁹ <https://www.idhsustainabletrade.com/publication/attracting-private-investments-for-sustainable-landscapes-a-guide/>

¹⁰ AGR13 Fund, FGR (Annual Report 2023)

¹¹ Annual plan 2025

KPIs involve their definition, baseline setting, target setting, and monitoring and reporting. The KPIs to evaluate project impact are defined at the project preparation stage. Although KPIs are standardised, their precise formulation and targets are discussed and negotiated with the client and PFI. The standardisation of KPIs enables AGRI3 to aggregate impacts across the portfolio, which supports annual impact reporting. However, there may also be some project-specific, non-standard KPIs, such as road renovation by a sugar cane producer in Brazil. Monitoring and reporting requirements are also discussed with the end-client. AGRI3 publishes an annual impact monitoring summary, presenting the baselines of new investments and progress made on the previous ones. Results are aggregated at the fund level.

The E&S Panel, made up of partners and independent advisers including UNEP, reviews transactions for their potential E&S risks and impacts at the project approval (IC1) stage. The E&S Panel also provides expertise and advice to the AGRI3 Fund Manager.

3 Methodology

This evaluation applied a mixed methods approach, following the OECD-DAC evaluation criteria. Fourteen out of the twenty-five projects were selected for in-depth review.

3.1 Evaluation methodology and data sources

This evaluation and monitoring applied a mixed methods evaluation approach. The research methodologies consisted of the following:

- Document review (e.g., investment appraisal documents, AGR13 annual and impact reports)
- Data analysis (e.g., AGR13 portfolio, end-borrower data)
- Key Informant Interviews (KIs) with PFIs, end-borrowers, AGR13, IDH, UNEP, MFA, and related resource persons
- Focus Group Discussions (FGDs) with workers and beneficiary farmers

The evaluation team conducted an in-depth review of 14 of the 25 investments supported by AGR13 over the first five years of the fund. This included country visits to Brazil, Nicaragua, Malawi and India. For the remaining investments, their investment appraisal and decision reports were studied, as were progress and impact reports from AGR13. Several factors determined the selection of investments for in-depth study, but most importantly their capacity to demonstrate the AGR13 method and review its effectiveness. The selection also ensures a variation of agricultural sectors, e.g., both crops and cattle, and a variation of AGR13 impact themes: forest protection, sustainable land use, and rural livelihoods. Logistical factors (e.g., distance in Brazil) and availability and willingness of AGR13 companies to receive the evaluation team also played a role.

3.2 Evaluation criteria and questions

The evaluation questions were defined at the inception stage. These were taken from the Terms of Reference, but slightly reformulated and reorganised to better align with OECD evaluation terminology and to improve precision. Half of the (18) evaluation questions (EQs) relate to effectiveness. Additionality and coherence are also important themes (though additionality is not a formal OECD-DAC criterion). Questions on impact and efficiency are few, given the limited time since the fund's inception and the long duration of most projects. Any findings on impact indicate only initial signs of change towards achieving impact. The evaluation questions barely touch on relevance (only the revised EQ8) and sustainability (no EQ). However, relevance is partially addressed in the section on coherence (as one of the evaluation questions asks about consistency with the MFA's objectives), while sustainability is discussed in the context of effectiveness.

The ease and extent of data collection depended on the stakeholder. The extent to which different stakeholders allowed the team to access information depended on their "proximity" to AGR13:

- The most immediate stakeholders are representatives of AGR13 and IDH, who provided any information necessary for the proper execution of the evaluation.
- At the second level are the PFIs – namely Rabobank, Oikocredit, Old Mutual, and HSBC Bank – which signed credit enhancement contracts with AGR13. The evaluation team experienced good collaboration from all of

these. To respect bank-client relationships, it was agreed that all (initial) contacts between AGRI3 end-borrowers and the evaluation team would go through the PFIs.

- At the next level are the end-borrowers, who are vital to the evaluation of effectiveness and impact. All AGRI3 end-borrowers interviewed were aware of AGRI3, and some had received TA or developed an ESAP. While not all of them may have been fully clear about the purpose of this external evaluation, the evaluation team received a warm welcome in all cases.
- Finally, there are the local communities that are affected by the project – such as cooperative members (Nicaragua), MFI clients (India), outgrowers, and farm workers. They were mostly unaware of AGRI3, and the purpose of the evaluation was explained to them, including why they were asked to volunteer information to outsiders.

4 Findings

4.1 Impact

Impact refers to the extent to which the intervention has generated, or is expected to generate, significant positive or negative, intended or unintended, higher-level effects.

While AGR13 is not reaching the impact targets of the Ministry's grant decision, the most visible impacts are in the expansion of land under sustainable management and in forest protection. The (expected) impact on rural livelihoods remains limited.

EQ1 - What has been the development impact of AGR13 in the first five years, compared to the ToC and against its results framework? This includes any positive/negative, (un)intended effects observed on top of the KPIs or fund objectives.

The original AGR13 ToC presented three impact areas without indicators or targets. These were Climate Change Mitigation, Natural Capital Conservation, and Improved Rural Livelihoods. AGR13 prepares annual impact reports, but these reflect deal-level development outcomes, aggregated at the fund level. The results, according to the 2023 impact report, are presented in Chapter 4.2 (Effectiveness).

The original policy memorandum ("BEMO") for AGR13 included five explicit performance targets. This memorandum, which was based on the AGR13 grant proposal and forms the legal basis for the Ministry to provide a reimbursable grant to AGR13, proposed five development results, impacts, and outcomes with quantitative indicators to be reached within the first five years of operations (i.e., by early 2025). For all five results included in the BEMO, AGR13 developed KPIs or reported portfolio data (e.g., amount mobilised for private finance). The five BEMO targets (also mentioned in the AGR13 grant application) are listed below. The table compares these targets with the KPIs reported by AGR13 as of December 2023.¹²

Table 4.1 Four out of five of the BEMO's five-year targets will most likely not be reached

BEMO target early 2025	Realisation Dec 2023, according to AGR13 impact report 2023
1) Sequester and/or avoid <u>six million tonnes of CO₂</u> from sustainable land use practices and avoided deforestation (impact)	372,487 tCO ₂ -e GHG emissions sequestered through the protection and restoration of natural ecosystems and through farm practices. The total expected at the end of the investment projects, which in Brazil are typically for 10 years, would be 1,535,012 tCO ₂ -e GHG emissions. This is still only a quarter of the BEMO target.
2) Bring <u>700,000 hectares of agricultural land</u> under sustainable management (outcome in the AGR13 Theory of Change (ToC), impact in the Food and Nutrition Security (FNS) ToC) ¹³	4,424 ha of degraded pasture and agricultural land rehabilitated and 75,285 ha under sustainable management. By the end of the still ongoing investment projects, this is expected to be 12,655 ha and 97,418 ha, respectively. Which would still be far below the BEMO target.

¹² AGR13 Impact report 2023, the 2024 version not yet being available.

¹³ See Letter to Parliament, AVT19/BZ128916, May 2019

3) Bring 41,000 hectares of forests under sustainable management (outcome in the AGR13 ToC, likely impact in the FNS ToC)

4) Reach out to 45 companies and 65,000 farmer households, and train 300,000 farmers (output/outcome)

5) Mobilise more than USD 1 billion of private finance (not in the AGR13 ToC, for the MFA it would be a PSD target)

The total of natural ecosystem protected or restored, including indirectly (e.g., through no-deforestation pledge), is 130,656 ha. By the end of the investment projects this is expected to be 130,855 ha. This is significantly above the BEMO target.

16 companies (25 in 2024), 8,054 people through training, and 1,830 farmers as cooperative members. These numbers, however, have rapidly grown in 2024 in the African and Indian investments.

USD 262 mln by 2024, hence just over a quarter of the BEMO target.

Source: MFA / AGR13 BEMO and AGR13 impact report 2023

While it is obvious that four out of five of the BEMO's five-year targets will not be reached, it is noted that the AGR13 grant proposal did not specify a target date.¹⁴ Furthermore, the GEF project application, which included nearly the same targets, stipulated a target timeline of 20 years, giving AGR13 much more time to reach the above targets. Nevertheless, the volume of AGR13's operations would need to increase significantly to reach any of the BEMO targets.

The evaluation team's qualitative observations point to impacts particularly in nature protection, land recovery, and sustainable agriculture. Most of the BEMO results will be further illustrated in the next chapter on effectiveness. The evaluation team's broad appraisal, however, points to expected impacts in protecting and, in some cases, restoring forest and nature resources, as well as advancing sustainable and regenerative agriculture practices. Impacts on livelihoods have so far been limited.

4.2 Effectiveness

Effectiveness in the context of AGR13 relates to the achievement of agreed results (e.g., KPIs), but also to the fund's wider contribution to the financial sector through catalytic and demonstration effects.

AGR13 has catalysed less private finance than initially foreseen. All current AGR13 clients are on track to reach their KPIs related to sustainable land use, production, and ecosystem protection. However, results in the areas of rural livelihoods and gender equality are only expected in the latest transactions. Some demonstration effects on other banks and businesses are apparent, but market factors play a larger role. The fund's products are suitable for clients' needs, though the higher-risk instruments remain unused.

¹⁴ Given the expected duration of investment projects, it stands to reason that the AGR13 proposal had intended a longer timeframe.

4.2.1 Evaluation focus on effectiveness

The evaluation is focused on effectiveness. Half of the (revised) evaluation questions (2–10) are about effectiveness. All of the above-mentioned evaluation methods (Chapter 3.1) were used in the context of analysing effectiveness. Effects on sustainable agriculture and forest conservation are incorporated into the AGR13 KPIs and were validated through an in-depth review of 14 of the 25 investments. The evaluation team also considered community perceptions, as evidenced by interviews with stakeholders and farmers. Effects on rural livelihoods and gender inclusion were reviewed through the AGR13 KPIs and desk review, the perceptions of financing PFIs, and – above all – through company visits, including discussions with the management, as well as observation and discussions with farm workers and farmers (e.g., outgrowers, MFI borrowers). Effects on the financial sector were discussed with both AGR13 PFIs and non-partners, end-borrowers, and relevant stakeholders.

4.2.2 Effectiveness in reaching sustainability objectives

EQ2a - *How did/do AGR13 farmer(s) (aggregates) perform in terms of sustainable land use, forest protection and reforestation?¹⁵*

EQ2b - *How did/do AGR13 farmer(s) (aggregates) perform in terms of sustainable & climate-smart agriculture? What has been AGR13's contribution to this observed change (if any)?¹⁶*

Effectiveness is monitored through standardised KPIs. As outlined in Chapter 2.4, AGR13 monitors effectiveness in reaching sustainability and livelihoods objectives through 12 standardised KPIs, tailored to each investment transaction. The first four KPIs cover forest protection and restoration, the next four cover sustainable agriculture, and the final four focus on rural livelihoods. The aggregated results as of December 2023 (according to the 2023 AGR13 impact report) relating to forest protection and restoration and sustainable agriculture (EQ2) are presented in the tables below. The aggregated results related to rural livelihoods are discussed in Section 4.2.3.

¹⁵ According to the GEF application, forest protection and reforestation refers to *acceleration* of sustainable management of forests and legal reforestation obligations, transition to agroforestry as well as protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity.

¹⁶ According to the GEF application, climate-smart agriculture involves sustainably increasing agricultural productivity and incomes; adapting and building resilience to climate change; and reducing and/or removing greenhouse gas emissions, where possible.

Table 4.2 KPIs for forest protection and restoration

Key Performance Indicators		Results as of Dec 2023
KPI 1	Natural ecosystems (forest and non-forest) under management for protection	23,825 ha directly protected and 105,668 ha indirectly protected. The latter is a consequence of the company-wide no-deforestation clause applied by AGR13 in Brazil. Agribusinesses in Brazil typically consist of multiple, even many, farms. AGR13 end-clients commit to protect the forest on <u>all</u> farms, even where legal deforestation rights may apply.
KPI 2	Natural ecosystems (forest and non-forest) under management for restoration	1,163 ha restored. Several projects in Brazil include the recovery of degraded and/or eroded nature, namely forests (LR) and protected areas (APPs). This is not just to accelerate compliance with the Brazilian forest code, but also to stop the damage done to current production resources (e.g., to rivers and water bodies).
KPI 3	Production forest under sustainable forest management	No such projects in AGR13
KPI 4	GHG sequestered through protection or restoration of natural ecosystems	-139,072 tCO₂-e through the protection and restoration of natural ecosystem. This was modelled using the FAO Ex-Act v9.3.1 Carbon Tool.

Source: AGR13 2023 Impact report

AGR13 has been effective in protecting and restoring natural ecosystems. This was particularly true – and also urgent – in Brazil. Six of the sixteen projects in Brazil include investments in nature restoration (e.g., APPs and LRs), typically through earthworks (to repair erosion) and the replanting of native trees and vegetation. All projects in Brazil include a requirement to protect forest and nature resources company-wide, even if legal forest exploitation rights (LR surpluses) exist. This, however, has the adverse effect that AGR13 tends to attract end-clients who have already exploited their deforestation rights, and in some cases fall short of meeting legal requirements. The marketing of the Renova Pasto programme by Rabobank and AGR13 – which offers a standardised investment loan to cattle farmers – met with resistance from farmers who consider the company-wide no-deforestation requirement unreasonable (as do some staff at Rabobank Brazil). This is the main reason the roll-out of this product has stagnated.

The core benefit offered by AGR13 to enable nature conservation has been the long maturity of its product.

Nearly all investments in Brazil have taken the form of a maturity-subordination guarantee. Rabobank provided a ten-year loan, with the first seven years *pari passu* guaranteed by AGR13, and the final three years fully guaranteed by AGR13.¹⁷ Investing in nature reserves (e.g., replanting) takes time. In addition, nature restoration or protection projects are typically non-cash generating. In this context, a long-maturity loan provides an incentive for the borrower to complete the work.

¹⁷ Rabobank's country risk limits for Brazil do not allow for any risks beyond seven years.

Table 4.3 KPIs for sustainable agriculture

Key Performance Indicators		Results as of Dec 2023
KPI 5	Degraded land rehabilitated	4,424 ha degraded pasture and agricultural land rehabilitated to date. Most projects in Brazil include the recovery of degraded and/or eroded farm and pasture lands.
KPI 6	Agricultural area under sustainable management	75,285 ha. Rehabilitated pastures, precision and regenerative agriculture in Brazil, sustainable production in China.
KPI 7	Increase in agricultural yield through sustainable intensification	Cattle +248% yield (increased cattle capacity due to rehabilitated pastures) Crops -21.1% yield (due to draught in Brazil in 2023)
KPI 8	GHG emissions reduced by changes to farm practices	-233,415 tCO₂-e through farm practices across all farms. This was modelled using the FAO Ex-Act v9.3.1 Carbon Tool

Source: AGR13 2023 Impact report

AGR13 has been effective in supporting sustainable agricultural production. A common theme among most (12 of the 16) clients in Brazil has been the recovery of degraded pasturelands. Past exploitative practices have left much of Brazilian agriculture land unproductive or even unusable. Overall, nearly 100 million hectares of Brazilian pasturelands are partially or severely degraded.¹⁸ Recovering the land means that the number of cattle per hectare can be increased (reducing the need to open up new farmland, and hence deforestation), or the land can be converted to crop production. The two approaches are often combined in Integrated Crop-Livestock Systems. AGR13 also supported nine clients in Brazil, China, and Africa in setting up precision agriculture, regenerative production, conversion to non-chemical and biological inputs, as well as sustainable certification. Again, the long loan maturities made possible by AGR13 were crucial, given the large investment required and long implementation times.

ESAPs complement the KPIs by providing additional actions and measures. The evaluation team reviewed the ESAPs of AGR13 investees. The ESAPs complement the KPIs through proposed E&S actions with defined target dates. The ESAPs are tailor-made and not standardised across investments. Examples include the development of an APP restoration plan, a plan for closing Legal Reserve (LR) deficits on all company farms, reducing animal stress by providing clean drinking water and shade trees, implementing actions for manure management practices, and reducing the use of production chemicals, etc. Although the ESAPs are a requirement agreed to by the PFI client, they should be seen as an effort by AGR13 to help and encourage companies to address E&S risks. ESAPs are generally in the company's self-interest. The evaluation, however, found that AGR13 end-clients are not always wholeheartedly committed to their ESAPs, particularly in relation to forest protection.

¹⁸ According to the Brazilian Agricultural Research Corporation (Embrapa), the country has 152 million hectares of pastures, of which 34 million hectares are severely degraded, 63 million hectares are of intermediate quality, and 55 million hectares are in good productive condition. Therefore, nearly two-thirds of pasturelands require rehabilitation.

Figure 4.1 Tree nursery and biological pests



Photographs by Serena Canjani and Bert van Manen

4.2.3 Effectiveness in reaching livelihoods objectives

EQ3 - To what extent is AGRI3 reaching farmers as the priority beneficiaries / target group, and contributing to rural livelihoods?¹⁹

Livelihoods are expected for smallholder farmers, company workers, and neighbouring communities, including suppliers or outgrowers. The livelihoods KPIs (9–12) are relatively vague in their result metrics but do mention income effects (KPI 9) and training and knowledge development (KPI 11), the latter of which would also contribute to the beneficiaries' long-term revenue potential. Both metrics could apply to company workers and to the wider community, including suppliers or outgrowers. In the case of cooperatives in China and Nicaragua, the cooperative members should be direct beneficiaries in terms of income effects. The same is true for borrowers of MFIs in India.

Table 4.4 KPIs for improved rural livelihoods

Key Performance Indicators		Results as of Dec 2023
KPI 9	Number of participants reporting increased income (preferable disaggregated by gender and by local communities, where relevant)	1,830 farmers (China) Income effects may be expected from coffee growers in Nicaragua, MFI clients in India, and smallholder farmers in Africa – all of which are not yet included in the 2023 impact report.
KPI 10	Number of people not included above, benefiting directly or indirectly from Fund transactions (preferably disaggregated by gender)	Not reported on

¹⁹ According to the GEF application, the rural livelihoods component involves improving the living standards of farmers (and farm workers), including smallholders, in order to achieve sustainable, inclusive growth, with particular attention to gender equality, eradicating child labour, promoting fair labour and wages, and alleviating poverty.

KPI 11	Number of people trained in, and technology transferred for, best management practices in sustainable agriculture/forest protection, preferably disaggregated by gender	8,054 people (Brazil and China) Training has taken place in Africa too.
KPI 12	Client meets one or more criteria for the 2X Challenge on Financing Women ²⁰	No data, but the projects in China, Nicaragua, India and Africa do reach women as beneficiaries.

Source: AGR13 2023 Impact report

AGR13 was not initially effective in contributing to rural livelihoods. At the onset of AGR13, it was stipulated that all projects had to contribute to rural livelihoods, along with (at least) one of forest protection and reforestation or sustainable land use. The 2023 evaluation, however, concluded that while cooperative members in a project in China and another in Nicaragua were benefitting from positive income effects, contributions to rural livelihoods in the Brazilian projects were largely absent. Most end-clients in Brazil are medium to large corporations with relatively few staff and limited outgrower relations.²¹ While staff receive training, which may contribute to their long-term employment and income potential, and all companies undertake social actions for neighbouring communities, overall their contributions to livelihoods have not been on par with the other components in the project. Furthermore, the requirement for all companies to organise training field days for (smaller) farmers in their area has not been taken up. Although some companies did indeed train smaller neighbouring farmers, most did not, citing reluctance to share proprietary technologies with potential competitors. This led the evaluators to recommend relaxing the above-mentioned requirement, as very few AGR13 projects were found to be serving sustainability and livelihoods objectives simultaneously, and as insisting on this requirement would hamper AGR13's progress.

The new orientation to contribute to livelihoods on a portfolio level allows for more flexibility, though recent projects, such as in India, risk shifting towards livelihoods benefits without meaningful impacts on sustainable agriculture or nature conservation. After the evaluation report (2023), it was concluded that it would be sufficient for AGR13 to contribute to livelihoods on a portfolio basis. While the Brazilian investments since that time continue to have only minor livelihoods components, new projects developed in India and Africa have strong potential impacts on rural incomes, particularly for women. The India project, however, does not have any effect on nature conservation, and a potential impact on sustainable agriculture is yet to materialise. This may lead to the reverse of the situation observed in the 2023 evaluation – namely a livelihoods project without meaningful sustainable agriculture effects.

4.2.4 Effectiveness in promoting gender inclusion

EQ4 - To what extent does AGR13 promote gender equality?

A review of AGR13 projects in Brazil, including the Investment Memos, reveals that attention to gender is almost entirely absent. Despite a gender study undertaken in Brazil, Rabobank Brazil, AGR13 and investment partners have identified very few opportunities for women's empowerment through AGR13 support. Interviews with companies highlighted that gender was not brought up in discussions on KPIs with Rabobank, and that they found

²⁰ This indicator was added when the first investments had already been made.

²¹ A sugar factory was the major exception as it sources in large quantities from neighbouring sugar estates. It shares training and technical manuals in order to ensure product quality. This company also builds rural roads to be able to access these plantations. This road building benefits remote villages as well.

it difficult to conceptualise how gender equality could be improved given the farm contexts. Most AGR13 end-clients operate in remote areas, typically employing male workers who are housed in non-family accommodations. Companies are not (yet) structured to employ women on those sites.

There was no clear gender focus in cooperative projects in China and Nicaragua either. Although 23 percent of farmer members in Nicaragua are women, it was not a specific goal of AGR13 to increase this percentage or improve their livelihoods. The same applies to China.

By contrast, new projects in Africa and India are expected to contribute to women's empowerment. A new project with a commodity trader operating across the continent includes specific actions to reach women through targeted extension services and by bringing women together in VSLAs. In India, the five MFIs now in the programme almost exclusively serve women. This may significantly increase their income, and thereby improve family and rural livelihoods.

Some TA projects have focused on gender. For example, the TAF hired Bridging Gaps to perform a gender study to gain a deeper understanding of the challenges, gaps, and needs faced by women working in key value chains in Brazil. Based on this initial assessment, consultants will develop a gender framework to be integrated into the Fund's due diligence process. In addition, four other TA projects were designed with a specific gender focus.

4.2.5 Effectiveness in catalysing private finance

EQ5 - To what extent has AGR13 catalysed private finance:

- *Ex-ante induced financial institutions to finance sustainable agriculture with AGR13 support?*
- *Ex-post mobilisation of finance in the same client without AGR13, following improved client performance and demonstrating the business case?*

Until Dec 2024, AGR13 catalysed USD 262 mln in private financing using USD 113 mln in guarantees. AGR13 enabled the conclusion of 25 investment projects through its guarantees and tenor extensions, with a leverage ratio of 2.3.^{22,23} According to the AGR13 fund proposal (2019), the fund should have had 48 active investments by the end of the fifth year (i.e., early 2025) with a cumulative guarantee of USD 313 mln. So, there were far fewer transactions, while the average investment was less than expected (average guarantee of USD 2.8 mln compared to the projected USD 6.5 mln). The number and value of AGR13 guarantees not only falls short of its initial projections (2019), but also of all subsequent annual plans and fund updates. Hence, the fund's effectiveness in catalysing private finance has disappointed in quantitative terms.

AGR13 leveraged private finance. The review of additionality (EQ11) and discussions with PFIs showed that credit enhancements from AGR13 resulted in increased loan amounts for sustainability projects, with longer maturities and longer grace periods. In the absence of AGR13 coverage, Rabobank would have opted for lower loan amounts and a shorter maturity and grace period, in line with the bank's risk appetite – if the transactions had taken place at all – also considering that the maturity extensions were the decisive element in nearly all transactions in Brazil. In Nicaragua and India, AGR13's role was principally to increase the PFIs' loan exposure to the client. In China and

²² There was no double leverage of AGR13 capital, as all guarantees are covered by cash collateral or SBLCs. This is because AGR13 still lacks track record in the market and an (investment-grade) credit rating.

²³ After the expiry of two transactions and through natural amortisation, by the end of 2024 there were 23 active guarantees in place, with a total AGR13 exposure of USD 90 mln.

Africa, Rabobank would not have engaged in financing without AGRI3. Thus, the first part of EQ5 can be answered in the affirmative, albeit to a lesser extent than projected at the outset.

Rabobank in Brazil has not yet provided similar follow-up finance to any of the clients without AGRI3 participation. To our knowledge, Rabobank Brazil has not engaged in follow-up finance of the same nature and tenor to the same or similar clients, this time without AGRI3's cover. Rabobank has not changed its risk assessment for Brazil, and has therefore not extended the maximum loan maturities (seven years). As a result, the AGRI3 maturity extension is still required. The pipeline of projects being discussed between Rabobank Brazil and AGRI3, along with the proposed credit enhancements, is similar to the earlier projects. Another defining element of AGRI3 is the requirement to forbid deforestation anywhere in the company – on all farms including those not affected by the project – even if legally exploitable reserves exist. Rabobank has not adopted the AGRI3 conditionalities for loans on its own account, as its existing policies are already more stringent than those applied by most other banks (e.g., no deforestation on the farms financed).

Potential for follow-up in the other countries is mixed. Repetition of the same projects in China without AGRI3 is unlikely, as Rabobank no longer targets this market. It has also been de-prioritised by AGRI3 following the MFA's policy. Repetition of similar projects in various Oikocredit partner countries with AGRI3 is possible but has so far not yielded results. The new partner, HSBC in India, however, is likely to continue financing MFIs, with or without AGRI3, as it already did prior to the AGRI3 partnership. The partners in Africa will also continue their engagement. In both AGRI3 projects in Africa, the fund supported PFIs to finance existing clients. AGRI3, through a *pari passu* guarantee, allowed them to raise the amounts. This engagement will continue, with or without AGRI3.

4.2.6 Demonstration effect

EQ6 - To what extent has AGRI3 through its demonstration effect induced partner and non-partner banks to engage in (more) sustainable agriculture finance to other clients, where they hitherto did not?

The demonstration effect was a core reason for creating AGRI3. In the AGRI3 fund application, it was stated that “the ambition of the Fund is to develop investments in agriculture that demonstrate the financial viability of business models that guarantee forest protection, sustainable production, and improved livelihoods for farmers. These investments will serve as a proof of concept to the wider community of banks, other financial institutions, and value chain partners, with the aim of ultimately mainstreaming such sustainable practices across the agricultural and financial value chains”. The demonstration effect may be observed at several levels:

1. For the **PFIs**, namely that their experience with AGRI3 leads them to undertake similar investments with other clients, preferably without AGRI3 involvement.
2. For **other financial institutions**, so that they cease financing unsustainable agriculture and instead develop sustainable finance services.
3. **For agribusinesses**, so that they embrace sustainable practices. This is why many AGRI3 projects have incorporated field days for neighbouring farmers.
4. Eventually, for **entire agricultural sectors** to follow the example.

Level 1 - Demonstration effects on PFIs

There are tentative demonstration effects on PFIs. As observed above, Rabobank Brazil has not relaxed its maturity and risk parameters on agriculture. Nevertheless, the bank has continued to explore options for sustainable

finance in agriculture, also investigating ways to monetise carbon credits for reforestation projects. The development of KPIs and ESAPs with AGR13 support has enriched the bank's risk monitoring practice and has been partially adopted by it. Through the Renova Pasto product, Rabobank aspires to serve farmers who wish to renovate degraded pasturelands and accelerate their compliance with the Forest Code – a product that Rabobank relationship managers promote. These are examples of Rabobank Brazil having integrated the experience gained with AGR13. Likewise, Oikocredit is using the AGR13 collaboration to gain experience in the sustainability space. This is also the explicit objective of HSBC in India, a country severely afflicted by air and water pollution, as well as heat stress and drought caused by global warming, yet still in the early stages of internalising such concerns.

AGR13 projects help convince other colleagues within PFIs. A common observation in PFIs is that a small number of staff promote sustainable agriculture, while many colleagues in other departments, risk management, or branches lag behind in their commitment and understanding, sometimes even blocking otherwise valuable projects. Even for Rabobank Brazil this is true. The association with AGR13 helps the frontrunners convince the broader bank environment, moving the institution step by step to a more sustainable service offer.

Level 2 - Demonstration effects on other FIs

Financial institutions in Brazil are increasingly focusing their attention on financing sustainable agriculture.

In Brazil, a movement is visible where other (large) banks (e.g., BoB, Bradesco, Itaú, Santander) apply ever-increasing sustainability requirements and develop green products (see EQ11). This is also true for the programmes of the national development bank, BNDES. Although this is much less the case with (smaller) local banks in Brazil, these are not likely to lag behind for long. Thus, the financial sector in Brazil is clearly progressing toward financing sustainable land use, land recovery, no deforestation, and the agricultural innovations that make this possible. Nevertheless, while banks are aware of the work of Rabobank Brazil / AGR13, a demonstration effect on other banks in Brazil is hard to prove, as many other factors are at work that lead banks to pay more attention to sustainable finance:²⁴

- Pressure from (international) owners (e.g., Santander), which themselves are pressured by recalcitrant shareholders, pressure groups, NGOs, certification schemes and the media.
- Tightening of environmental laws domestically, in particular related to forest protection.
- Markets demanding sustainable (e.g., deforestation-free) products – export markets in particular.²⁵ With agribusinesses developing sustainable markets, banks naturally follow with sustainable finance products.

The embracing of sustainable finance by banks is primarily a response to changes in markets and society.

Discussions with banks in Brazil suggest that they are not so much copying the actions of Rabobank Brazil / AGR13, but rather riding the wave of ever-increasing expectations regarding sustainable behaviour from key market actors and society at large. Around five years ago, deforestation-free production was not a topic of public discussion in Brazil, whereas it is a major focus now. All major banks in Brazil have committed to stop financing meat-packing plants that do not supply deforestation-free meat from 2026 onwards. This will force cattle producers to adopt sustainable land-use practices at the risk of missing out on markets (and credit). In turn, this will result in banks increasingly receiving demand for land rehabilitation projects, integrated crop-livestock systems, and similar initiatives. While the projects undertaken by Rabobank Brazil and AGR13 demonstrate how to do this – and

²⁴ A case where AGR13 generated a demonstration effect is the structured loan for 33 soy producers. While AGR13 catalysed Bank Santander and Rabobank Brazil to take part, other banks were keenly interested in participating but could not due to lack of fund absorption capacity.

²⁵ A case in point is the EU's Deforestation Regulation, which served as a wake-up call to agribusinesses and commodity traders worldwide.

Rabobank Brazil is recognised as a leader in the sustainable finance space – these changes are primarily driven by broader economic and societal trends and concerns.

Outside Brazil, and in particular in Africa and India, attention to sustainability is more emergent. AGR13 supported Rabobank in a sustainability-linked loan (SLL) in Africa, in which a consortium of regional banks – not typically focuses on sustainability – was included. This may have a valuable demonstration effect on these banks. In India, MFIs reached through HSBC were previously unfamiliar with climate-smart agriculture and may gain valuable experiences through their association with AGR13.

AGR13's work with Oikocredit could demonstrate sustainable finance to other impact investors. Shifting Oikocredit's operations to place increased attention on sustainable production, land use, and forest protection (i.e., incorporating such elements in lending operations) could have an important demonstration function for other impact investors in export commodity finance, many of which operate internationally. This demonstration could, for example, take the form of publications or presentations at events attended by impact investors, and TA could be used to support these efforts as well.

Level 3 - Demonstration effects on agribusinesses

Few clients demonstrate sustainable production practices to other farmers. Interviews with stakeholders in Brazil revealed that there is no consensus whether sustainable soy production and cattle breeding are financially advantageous compared to non-sustainable production. Many producers are unconvinced – even more so when certification is demanded, as this adds to the cost. Simply put, there is a confirmed business case for cutting down the woods, selling the trees, and planting soy or raising cattle. The business case for leaving the trees standing and intensifying the use of existing land is less clear and requires time and a large financial investment.²⁶ It is precisely this knowledge gap that AGR13 end-clients were supposed to remedy through the organisation of farmer field days. Regrettably, this component of AGR13 has been underwhelming, with most end-clients delaying this important information-sharing work.

Level 4 - Demonstration effects on the broader agricultural sector

It would not be realistic to claim that AGR13 support has had demonstration effects on the broader agricultural sector.

4.2.7 Effectiveness of AGR13 products

EQ7 - Are the AGR13 products suitable to reach the intended development purpose and induce financial institutions to embrace sustainable agriculture?

The AGR13 products are sufficiently broad and flexible. Nearly all loans in Brazil were supported through maturity subordinations (which combine a pari passu guarantee and tenor extension), while the loans in the other countries were supported only by pari passu guarantees. None of the PFIs or AGR13 end-borrowers suggested the need for

²⁶ According to research undertaken by The Nature Conservancy (TNC), there is a solid business case for cattle intensification (recovering land for higher productivity). This is less clear for sustainable, regenerative soy production, given the large investment required and the fact that soy producers tend to have a one-year vision only.

other products (e.g., first-loss guarantees, subordinated or direct loans).²⁷ The products have been effective for the investments proposed to AGR13.

The 2023 evaluation suggested AGR13 could move higher on the risk ladder. The choice of AGR13 instruments reflects the relatively low-risk segment AGR13 operates in. Most investees are solid companies, often being leaders in their sectors.²⁸ Consequently, AGR13 has not yet incurred any loss. However, as will be discussed in Section 4.3, this results in AGR13 investments with sometimes questionable financial and development additionality. While working with leading companies can be effective in terms of scale and potential demonstration effects, the 2023 evaluation found scope for AGR13 to support more innovative and higher-risk projects (e.g., early-stage businesses in biotechnology), which could increase financial and development additionality. This may require deployment of riskier instruments, such as first-loss guarantees, subordinated guarantees, or even direct loans, which are included in AGR13's product catalogue. Although AGR13 has since developed relations with new types of partners and end-clients (e.g., trading companies, MFIs), the overall risk profile remains conservative.

4.2.8 Beneficiary needs

EQ8 - To what extent is AGR13 responding to beneficiary needs:

- *Do the national authorities consider AGR13's objectives as priorities for the country?*
- *Do farmer networks, farms, employees and suppliers consider AGR13's objectives as priorities for them?*
- *Has AGR13's service delivery been flexible to the (changing) demands of its clients?*

AGR13 objectives broadly match national policy objectives. Recovery of degraded pasturelands is an explicit policy objective of the Government of Brazil. Currently, Brazil is seeking investment resources to recover 40 mln hectares of degraded land over ten years, mostly for conversion into cropland, but also for intensive animal breeding.²⁹ The government is also emphasising the (protective) Forest Code, claiming to have slowed (but not stopped) deforestation. Government policies are also reflected in the credit lines operated by the development bank BNDES, which include requirements on sustainable production and forest protection. The government of India is also developing policies to counter the often grave consequences of environmental destruction, air and water pollution, and the consequences suffered by farmers due to global warming (drought, heat stress). The government of India, however, has not committed to reducing global GHG emissions. Policies in Africa are under development. Through the National Reforestation Plan,³⁰ the government of Nicaragua is not only focused on reducing carbon emissions but also dedicated to raising awareness about the critical need to reverse deforestation, expand forest coverage, and enhance the ecological benefits forests offer.

AGR13's objectives are well aligned with the priorities of the PFIs' clients. The Rabobank Brazil / AGR13 clients in Brazil are typically frontrunners in the sustainability space, which is why they sought this collaboration. Although in some cases (such as the Renova Pasto programme), Rabobank Brazil may have proposed sustainable investments to their clients, for the most part the AGR13 programme in Brazil is demand-led, working with clients that seek support to undertake sustainable investments. This is also true for the African commodity trader, which has been at the forefront of sustainability and of promoting rural livelihoods. The AGR13 instruments enhance the capacity of the

²⁷ AGR13 could offer subordinated loans, but the current PFIs do not need liquidity. They need risk sharing and tenor extension.

²⁸ The structured soy loan in Brazil being the main exception.

²⁹ Press release 3 Aug 2023 (in Valor económico)

³⁰ <http://www.marena.gob.ni/Enderedd/wp-content/uploads/2019/09/Version-Avanzada-Marco-Plan-de-Manejo-Forestal-230819.pdf>

PFI – Rabobank in this case – to meet the clients' demand. In India, by contrast, the MFIs and rural clients involved did not ask for loans related to Climate-Smart Agriculture, simply because they had little awareness about this. Given the heat stress and drought suffered by rural dwellers, one may argue that such financial and technical assistance would be beneficial.

AGRI3 products are suitable; otherwise PFIs and end-clients would not have opted to use them. In the case of Brazil, none of the companies visited expressed dissatisfaction with the Rabobank Brazil / AGR13 aims or products, although some indicated that attractive (cheaper) options are emerging on the market. In the case of Nicaragua, however, the loan product did not cover the cooperative's desire to invest in long-term assets – such as purchasing land, planting shade trees, or diversifying into other products. This is not attributable to AGR13 but to Oikocredit, which did not offer this. The MFI loans in India, *pari passu* guaranteed and on 24–27 months maturities, cover the needs of MFIs and rural borrowers.

Investees indicated that AGR13, including TA, could support compliance with the new EU Regulation on deforestation-free products. Under the EUDR, any operator or trader who places certain commodities³¹ on the EU market, or exports from it, must be able to prove that the products are not sourced from recently deforested land and have not contributed to forest degradation.³² Other advanced markets are also introducing such regulations. It is still unclear how farmers can ensure the traceability of their products.

4.2.9 Effectiveness of technical assistance

EQ9 - To what extent does the *Technical Assistance Facility*:

- Enhance AGR13's service delivery and make it more effective?
- Strengthen the capacities of AGR13's clients?

The Technical Assistance Facility (TAF) has been used to support both specific investment transactions and broader market development objectives. As observed in Chapter 2.3, TAF was mobilised for pre- and post-investment support, as well as for general purposes such as market reconnaissance – setting priorities in new countries – and for facilitating learning and knowledge sharing. While the TAF focused mostly on market reconnaissance and transaction-related TA, the learning and knowledge sharing activities have been limited. The geographic focus of these TA activities reflects AGR13's current investment portfolio and pipeline, as well as its aspirations for future growth. For instance, the sector studies in Indonesia and India aligned with AGR13's ambition to initiate investments there, resulting in success in India.

The portfolio of transaction-related TA projects spans a diverse range of themes, reflecting AGR13's sustainability and inclusiveness objectives. Several TA projects were focused on sustainable agriculture certifications, responsible sourcing, and regenerative practices, often working directly with suppliers and producers to improve standards and outcomes. Gender and livelihoods also featured in four and two TA projects respectively, with specific interventions designed to assess and address inequalities within agricultural value chains. Climate-Smart Agriculture (CSA) has been a key area of focus in India, with an initiative aimed at developing loan products for microfinance institutions, analysing market trends, and identifying opportunities and challenges for scaling sustainable agricultural lending. However, the outcomes of the CSA project, presented in December 2024, were not sufficiently actionable. MFIs emphasised that for CSA solutions to be viable, they must be low-risk, technically and

³¹ Soy, beef, palm oil, wood, cocoa, coffee, rubber, and some of their derived products

³² https://environment.ec.europa.eu/topics/forests/deforestation/regulation-deforestation-free-products_en

financially proven, clearly demanded by farmers, aligned with government messaging, scalable within standardised loan processes, and compliant with regulatory and repayment constraints – conditions which were not met.

The learning and knowledge sharing component of the TAF holds significant potential but remains underutilised and limited in scope. Since the last evaluation report, most TA projects – especially in Brazil – have included knowledge-sharing elements, yet AGR13 end-clients rarely prioritise these activities despite loan requirements. To date, knowledge-sharing activities have focused primarily on sector studies and sharing insights with fund managers and investors, missing opportunities to engage a broader audience – particularly farming communities that could directly benefit from shared agricultural knowledge. TAF could add significant value by systematising and disseminating lessons learned, as shown by one end-client that developed a best-practices manual for sugar farmers. A promising, though not yet approved, TA project in Brazil aims to provide services to 20 farmers, with potential for broader knowledge sharing and research on biodiversity, living income, and gender. At the same time, there is room to expand TAF's efforts in building the capacity of PFIs on environmental and social impact. While some engagement has taken place – such as collaboration with HSBC – broader support for PFIs has yet to be fully realised. A more proactive approach could strengthen risk management systems, improve sustainability monitoring, and help embed responsible, impact-driven lending practices, thereby amplifying AGR13's overall impact.

While TAF is supportive in the pre-investment stage, it is not decisive in securing deals. Interviewees from both AGR13 and IDH noted that while TAF contributes to increasing the (expected) impact of the transactions,³³ the transactions themselves would likely have proceeded even without the availability of technical assistance. This suggests that TAF plays a supportive, rather than a decisive, role in the deal-making process.

Monitoring of TA projects after their completion remains limited, hindering the assessment of effectiveness or impact at the portfolio level. While there are anecdotal indications of success – such as farmers in Brazil reportedly obtaining certification as a result of TA support – these outcomes are not systematically tracked. IDH currently focuses primarily on whether the end-client is satisfied with the immediate deliverable, typically a report, but does not follow up on how the TA is implemented or what results it generates over time. As a result, the broader impact and added value of the TA facility remain largely unmeasured.

Based on the case studies, the effectiveness of TA in strengthening the capacities of clients has been limited. In Brazil, the first few transactions did not receive TA, as they were warehouse financing deals from Rabobank (see paragraph below). Other Brazilian TA focused on conducting assessments and developing roadmaps to guide end-clients toward sustainable certification. However, there is no evidence that certification was ultimately obtained. In India, TA has yet to produce concrete results. While initial ideas for climate-smart loan products were explored, these have not led to meaningful capacity strengthening. Two existing transactions – one in China and one in Brazil – strengthened the capacities of the end-clients, but these were not included as case studies and thus not reviewed in detail. For some new TA projects, strengthening results are expected, but have not yet been observed.

Since 2023, the TAF has improved both its visibility and its potential for impact. In 2023 and 2024, IDH participated in multiple field visits to AGR13 end-clients, during which representatives of the TAF actively engaged with prospective end-clients to explore opportunities for technical assistance. This marks a notable improvement compared to earlier investments, where the TA facility was typically involved only at a later stage. The earlier limited engagement was partly due to the nature of the initial AGR13 investments, which included two warehouse financing

³³ By providing input for the ESAPs and KPIs.

deals by Rabobank and involved mature companies with few immediate TA needs. These dynamics constrained AGR13 and IDH's ability to introduce TA at the outset. However, as AGR13 began partnering with a broader range of financial institutions, it gained greater flexibility to play a more proactive role in deal-making, allowing for earlier integration of TA initiatives into the investment process.

4.2.10 Impact through PFIs

EQ10 - *Does the assumption in AGR13's Theory of Change that impact can be delivered through commercial financiers hold?*

Commercial financiers can contribute to positive environmental impacts. AGR13's GEF project proposal emphasised the role commercial financiers play in financing unsustainable agriculture and deforestation, both of which contribute to GHG emissions. The proposal observed that unsustainable production makes good business sense once negative externalities are ignored. The GEF proposal also noted that most commercial banks do not have any sustainable farming or deforestation policies or products. However, the GEF proposal also showed that financiers can be part of the solution, creating instruments to support sustainable agriculture. AGR13 was established in that context. As mentioned in earlier paragraphs, in Brazil, a movement is ongoing in the banking sector to distance itself from forest clearing operations and move toward financing long-term sustainable land investments. Other geographies may follow due to market pressures (or the EUDR).

The AGR13 delivery mechanism is creating impacts. The evaluation revealed important impacts on sustainable land use – notably through the renovation of degraded lands for intensified cattle breeding or conversion into crops – as well as agricultural innovations such as regenerative agriculture that reduce costs, promote the use of organic fertilisers, and achieve energy savings. Several AGR13 investments restore bio-systems, e.g., APPs and LR. Other end-clients protect their forests, including reserves on farms that are not directly part of the AGR13-supported project. The evaluation only identified (potential) livelihoods impacts in the most recent investments in Africa and India. As observed, AGR13 supported sustainable thinking in Rabobank Brazil through the KPIs and ESAPs, and this could also turn out to be the case in the other PFIs.

4.3 Additionality

Financial additionality is the extent to which AGR13 supports capital-constrained markets in which private sector partners are unable to obtain commercial financing, or mobilises investments from the private sector that would not otherwise have been made.

Development additionality is the extent to which public resources contribute to changes in development-relevant results that would not have materialised without them (or would have occurred to a lesser extent, or at a later point in time). In both cases, the evaluation explores the counterfactual scenario of AGR13 not participating.

Both financial and development additionality have been modest, primarily due to the selection of well-established agribusinesses that have good access to finance and already have a sustainability agenda. More could be done to enhance AGR13's additionality through the selection of other end-client types, supported by TA.

For AGRI3, additionality is a key eligibility and decision criterion. AGRI3 defines additionality as follows:³⁴

- **Financial additionality:** projects that go beyond the PFI's usual risk appetite (e.g., loan amount, choice of counterparty, loan tenor, and grace period). In the absence of AGRI3, a similarly structured loan would not have been made by the PFI, but a smaller or shorter one might have. Also, no other financier would have taken up the challenge to provide a loan on these terms.
- **Development additionality:** projects that "go beyond business as usual" in the sector/geography. In the absence of AGRI3, a loan might have been made, but not with the same development impact or level of sustainability.

4.3.1 Financial additionality

EQ11 - Financial additionality: *To what extent would the transaction not have materialised in the absence of AGRI3 (neither the partner bank nor another bank would have financed the deals), or it would have been at less suitable conditions?*

The evaluation found that nearly all AGRI3 investments present a certain level of financial additionality, but none were fully excluded from access to finance. The sources of financial additionality have been identified as follows:

- **In Brazil, the main sources of financial additionality of AGRI3 have been the extended loan maturity, the longer grace periods, and larger loan sizes.** All but one of the AGRI3 projects in Brazil took the form of maturity subordinations.³⁵ This allowed Rabobank Brazil to offer larger loans than its risk appetite otherwise would have enabled (because of the pari passu guarantees), and loans of a longer maturity than Rabobank corporate risk policies allowed in view of established country risk limits (due to the tenor extensions).³⁶ In most cases, this also involved long grace periods – up to three years – allowing borrowers to complete their (land) investments.³⁷ Loan pricing was in line with market conditions (at the time), so this was neither a source of additionality nor a potential market distortion. All companies interviewed in Brazil confirmed that at the time of the AGRI3-supported transaction, they could have obtained alternative bank financing, but with shorter loan tenors and grace periods, and probably smaller amounts. This may have impeded them from launching their sustainability investments.
- **In the other countries the main source of AGRI3's additionality has been a reduction in lending risk, and consequently more generous loan terms and amount.** Most AGRI3 investments outside Brazil were of short to medium duration, covered by a pari passu guarantee. According to Rabobank, the transactions in China (cooperative) and Africa (consortium loan for a commodity trader) would not have taken place in the absence of AGRI3's guarantee. In the latter case, the commercial part of the SLL may not have succeeded, as AGRI3 played the role of a cornerstone investor.³⁸ HSBC in India already financed MFIs, but could increase its exposure as AGRI3 absorbed part of the risk. The same applies to the Oikocredit loan in Nicaragua, the macadamia producer in Malawi, and the structured loan for (33) soy producers in Brazil.

³⁴ AGRI3 Investment Policy, April 2020

³⁵ The only short-term loan was an AGRI3 second-loss guarantee that catalysed Rabobank Brazil and Bank Santander to support (as senior lenders) a packaged loan in favour of (33) medium-sized soy producers.

³⁶ In nearly all Brazilian cases, AGRI3 covered 40-50% of the risk on a pari passu basis and extended the loan maturity from seven to ten years. This implies that from year 8 onwards all residual credit risk is on AGRI3.

³⁷ This refers to the grace period on the Rabobank Brazil loan, with the grace period on the AGRI3 part lasting up to seven years.

³⁸ The AGRI3 guarantee catalysed Rabobank, which helped bring about the quick conclusion of the commercial bank tranche in the SLL, and which in turn was a condition for the DFI tranche to be assembled. However, in the absence of the commercial tranche, the DFIs would have proceeded with an alternative loan package.

- **In a broader sense, AGR13 is the only instrument offering credit enhancements specifically for sustainable agriculture and nature conservation through financial intermediaries.** By doing something others do not, and that the market needs, AGR13 is considered additional in the market.

In the absence of AGR13, however, most clients would have accessed alternative funding. Not only did Brazilian end-clients have alternatives – albeit less suitable ones – the market has also witnessed the progressive entry of funding options that could have substituted for Rabobank Brazil / AGR13, particularly for the larger clients. There is increasing interest among Brazilian banks to engage in sustainable finance, such as deforestation-free soy and beef, under pressure of their (international) shareholders and the market. The Brazilian development bank BNDES has always provided loans of a very long duration (over ten years) at attractive rates from its own balance sheet and targets sustainable agriculture. However, its application processes are seen as slow and cumbersome, and its products are tailored to small- and medium scale producers. Brazil also has a vibrant market for green/sustainability bonds, which some of the AGR13 end-clients can tap.³⁹ The top AGR13 end-clients in Brazil have loans from impact funds or DFIs, always subject to stringent E&S conditions comparable to those of AGR13. This is also true for the African commodity trader, which counts dozens of financiers in its funding portfolio. Although AGR13 played the vital role of cornerstone investor to launch the SLL, in the counterfactual, the company would not have been left unfunded – just not through the advantageous SLL. Nor were the MFIs in India, all among the very top institutions, excluded from finance.

It is concluded that, in the counterfactual of AGR13 not participating, nearly all clients would have obtained funding, but it would have been less well-structured to support sustainable investment – often of a shorter maturity, and possibly in lower amounts. In most countries, AGR13 supported companies that are among the most advanced in their country, all of which have excellent access to finance. This is true for the Indian MFIs as well. The support to a scheme to finance (33) medium-sized soy producers in Brazil through a structured loan was one of the few exceptions. The financial additionality of AGR13 is mainly found in the specificity of sustainable investment loans (large investment amount per hectare, long maturity, and long grace period needed), which the AGR13 guarantee enabled. AGR13 offers a product portfolio and flexibility that alternative funding or guarantee mechanisms do not.

4.3.2 Development additionality

EQ12 - Development additionality: *To what extent would, in the absence of AGR13, the observed development results, chiefly sustainable land use practices, forest protection and reforestation, sustainable and climate-smart agriculture, rural livelihoods, (not) have been achieved?*

Development additionality is foundational to AGR13. UNEP and Rabobank created AGR13 to enhance the development impact of lending activities that normal banking processes did not sufficiently allow for. In Brazil, for example, many agribusinesses wish to invest in recovering degraded land, but the loan tenors and grace periods needed – as well as the time until cash is generated – were too long for banks to be acceptable, and the investment per hectare too large. Agribusinesses are also compelled to protect, rehabilitate, or even entirely replant forests in order to fulfil their obligations under the Forest Code, but since this is a non-cash-generating activity, no banks in Brazil, including Rabobank, were willing to engage. Thus, in the eyes of UNEP and Rabobank, there was a demand in the market that financial institutions left unfulfilled. AGR13 was meant to help banks cover this gap and shift their risk appetite, while gaining more experience with this type of sustainability project. With AGR13, banks can use their lending activities to help agribusinesses transition toward sustainable production models.

³⁹ AGR13, together with Rabobank Brazil and Bank Santander, invested in such an investment vehicle for the soy sector.

Most AGR13 projects were found to be developmentally additional. The sources of development additionality are the following:

- **In Brazil, most AGR13 investments accelerate sustainable agriculture, land rehabilitation, and Forest Code compliance.** Interviews with AGR13 end-clients in Brazil indicated that in the absence of the Rabobank Brazil / AGR13 finance, the sustainability projects would still have been implemented – but to a lesser degree, at a slower pace, and perhaps with less sustainability (e.g., no ESAP implemented). Consequently, replication effects on their other farms would also have taken more time. Development additionality is also visible in forest protection, as in the counterfactual, some AGR13 end-clients (e.g., the smaller Renova Pasto clients and those in the structured soy loan) may have opted to exploit their legal rights to convert forest into farmland. Likewise, end-clients would have been much less likely to restore nature (APPs and LRs) in the absence of AGR13.
- **The SLL with the African commodity trader helps the company go beyond business as usual.** A number of transaction KPIs were formulated that distinguish the company from others in the sector. This is particularly true for forest restoration (which is not usually done by trading companies), sustainable agriculture, and extension services to large numbers of smallholder farmers, including women. The SLL also has the important effect of setting internal tasks and bringing on board all staff, including those who might be less sustainability-minded.
- **The macadamia producer in Malawi can scale its sustainable production.** This is an extension of financial additionality: by raising the loan, the sustainable investment can be expedited. Production practices are not changed due to AGR13. However, with the support of TA, the company is exploring options to obtain sustainable certification. In terms of livelihoods, the company offers employment, but AGR13 missed an opportunity to discuss living wages (which the company does not currently pay). This has now been included in the ESAP. The company has plans to reforest unused and degraded land, which would be a source of development additionality.
- **AGR13 is also additional for the PFIs.** By introducing sustainability thinking and tools (KPIs and ESAPs), AGR13 influences the sustainability agenda and practices of PFIs in a manner that other guarantee funds would not have. In the consortium finance projects – one in Brazil and one in Africa – this effect also extends to other FIs that are not in direct partnership with AGR13.
- **AGR13 also culturally influences its clients.** The KPIs and ESAPs, supported through TA, are instrumental in keeping the investees on track toward their desired development goals and may contribute to a shift in mindset among staff. The commodity trader in Africa, for example, already operated according to E&S standards, but with the AGR13-supported SLL, advances a few more steps on the sustainability scale.

The projects in Nicaragua and India, however, score low on development additionality. The goal of the Nicaragua project is to maintain impact but not yet expand it (and to allow AGR13 to test out this partner). No additional requirements regarding sustainable land use practices, forest protection and reforestation, sustainable and climate-smart agriculture, or even rural livelihoods were set. In India, the entry point is support to rural livelihoods (farmer incomes), with a focus on women – which MFIs already did (and is therefore not additional) – and, in the second instance, the development of climate-smart agriculture (CSA) services in MFIs (which MFIs had not previously offered). The monitoring visit, however, revealed significant obstacles to bring this about, not least that MFIs are not structured to promote such knowledge and services. At present, the AGR13 guarantee does not play a different developmental role than any other guarantee (to HSBC or MFIs) might have.

So far, AGR13 has been supporting companies that already operate at high levels of sustainability, rather than those that fall short in this respect. The review of projects in Brazil reveals that most clients were already promoting sustainable production methods and forest protection, often being sector leaders. The same can be said for the commodity trader in Africa. Essentially, AGR13 is supporting them to do what they would have done anyway, but possibly a bit faster and on a larger scale. This has led the evaluators to call (in the 2023 evaluation report) for a more

proactive approach and to seek partners and end-clients that need to progress in sustainability most. The partnership with HSBC bank, for example, is an opportunity to advance sustainability in India, as neither the bank, nor MFIs, nor end-borrowers have much understanding or experience in climate-smart agriculture. This, however, also reduces the chances for success, as the monitoring revealed. The learning curve for these partners is long, and results are far from assured.

4.4 Efficiency

Efficiency is the extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way. "Economic" refers to the conversion of inputs (funds, expertise, natural resources, time, etc.) into outputs, outcomes, and impacts, in the most cost-effective way possible, as compared to feasible alternatives in the context. "Timely" delivery refers to delivery within the intended timeframe, or a timeframe reasonably adjusted to the demands of the evolving context. This may include assessing operational efficiency (how well the intervention was managed).

The operational efficiency of AGR13 is strong, but operational costs have been disproportionate to the fund's capital and portfolio. Reporting and monitoring systems are appropriate, but there are opportunities for refining KPI measurement and ensuring that observed results are used for learning and steering decisions.

4.4.1 Operational efficiency

EQ13 – How efficient are the AGR13 operations in terms of "value for money" and timeliness? ⁴⁰

The overall setup of AGR13, working through PFIs, is efficient. AGR13 sets itself apart from like-minded financiers, such as DFIs and &Green, in that it works through locally based financial institutions with an interest in sustainable finance. In contrast to others, AGR13 itself does not need to seek out (end) borrowers or carry out credit analysis and deal structuring itself (although it must actively search for partner FIs). AGR13 leverages the work of PFIs, supplemented by its own due diligence, pre-investment E&S TA, and ESAP development.⁴¹ The same applies to credit and impact monitoring, both of which usually go through the PFIs. This is efficient in terms of timelines and cost, as long as the objectives of AGR13 and PFIs are aligned. The local presence of IDH offices has helped in this respect, as local knowledge is available to AGR13. AGR13 could eventually leverage its guarantee fund, which direct lenders cannot do.⁴²

PFIs and end-clients consider decision processes and documentary requirements in AGR13 to be adequate. The process of acquiring and approving deals is described in the AGR13 Investment Policy and Operational Manual. Transactions are initially identified by PFIs, then shared with AGR13. The decision process in AGR13 requires that the

⁴⁰ This chapter focuses on assessing operational efficiency and, to some extent, output efficiency (the relationship between inputs and outputs). Given the early stage of the results, outcome efficiency (the relationship between inputs and outcomes, referred to as "value for money") cannot be determined at this time.

⁴¹ Rabobank Brazil shares most analyses with AGR13, but not its risk rating model. AGR13 has its own risk rating model.

⁴² In the core AGR13 financial projections, USD 150 mln in capital would enable USD 300 mln in guarantees (hence leaving half unfunded), and in turn would leverage up to USD 1 bln in private finance. So far, however, lacking an investment-grade rating, AGR13 has had to post its guarantees as cash collateral with PFIs and has consequently not been able to leverage its guarantee capital.

project passes through the Investment Committee twice. In between, a local consultant undertakes due diligence and possibly pre-investment TA, which helps to define ambitious but achievable KPIs, and may also result in an Environmental and Social Action Plan (ESAP) to remedy any E&S risks uncovered. Initially, it took a lot of time to put together an AGR13 project due to extensive E&S and documentary requirements by AGR13. These processes have since been streamlined. Compared to regular procedures, Rabobank Brazil representatives and end-clients now estimate that AGR13 may add some 2-3 months to the decision process, which all of them found acceptable. PFIs and end-clients perceive AGR13 to be quick and hassle-free – much faster than DFIs, for example – as well as flexible with regard to loan amounts, able to do both large and small deals, and low on conditionalities. It helps that AGR13 is often involved in the early stages of the transaction. None of the companies interviewed deemed the AGR13 requirements and paperwork, both for the initial application and for reporting, particularly cumbersome or time-consuming.

There are two other aspects in the nature of the fund that positively affect timeliness. First, it is helpful that many AGR13 end-clients are already accustomed to working with impact-oriented investors and, in some cases, have the necessary documentation readily available from previous projects. Second, AGR13 is typically involved at an early stage of the financing process, rather than being brought in only after the PFI is engaged, which also facilitates alignment. The first advantage does not generally apply to smaller end-clients. However, for those cases, AGR13 has developed standardised Delegated Authority (DA) products – initially for cattle, and soon also for soy.

The division of tasks in AGR13 is clear. The overall governance of AGR13 (e.g., St AGR13, Fund Manager, Investment Advisor, Investment Committee, Steering Committee, E&S Panel, TA Advisor) is heavy, but not unusual for this type of fund that aspires to grow manifold beyond its current volume. Apart from the Investment Team doing the daily work, oversight roles are played by the Fund Managers, and to a lesser extent UNEP and IDH. Interviews showed that all are well engaged and aware of AGR13's operations. UNEP sits on the Steering Committee, is part of the E&S Panel, has a role in the additionality assessment at the IC1 stage, and facilitates knowledge exchange. FMO, which was initially closely involved in setting up AGR13, currently sits on the Steering Committee, but so far has not opted to invest in the fund, nor sought an AGR13 guarantee for any of its projects (as there was no need).⁴³ IDH also sits on the Steering Committee, but no longer on the E&S Panel. There are also informal exchanges with IDH funds (IDH Farmfit and &Green). The Fund Managers sitting on the IC were well-informed and may spend one or two days per week on AGR13. There is an internal division of roles, with FOUNT supporting investments and Cardano Development looking at operations and fundraising.⁴⁴

It is not efficient for AGR13 to cover many countries, as there is a large startup cost in every new country. It was found that the initial work of entering a new country (e.g., Malawi, India) and getting to know new partners, their requirements, legal and tax environments, and exchange rate systems, tends to be time- and resource-consuming. The AGR13 team – being small – is easily overwhelmed, while legal and advisory fees accumulate. Nor is staff in the PFIs necessarily experienced in establishing guarantee structures with international partners. Once a first deal is done, however, the next follows more easily. A more effective strategy is to deepen existing relationships and build momentum as they mature – adding new countries and partners gradually, one at a time. AGR13 has now adopted a more structured and strategic approach to business development, developing global PFI partnerships (such as Rabobank) and expanding across multiple countries for long-term financial scalability and sustainability.

⁴³ However, FMO investing in AGR13 is now being discussed.

⁴⁴ FOUNT is responsible for deal analysis, execution and monitoring, financial analysis, deal structuring, guarantee pricing, E&S assessment and monitoring. Cardano Development is responsible for the Fund's risk/pricing policy, capital adequacy policy, and application of principles in specific transactions, as well as middle- and back-office functions, and financial and non-financial reporting.

The AGR13 operating expenses are high in relation to the fund's present volume. As noted earlier in this report, the current AGR13 portfolio (USD 113 mln cumulatively, of which USD 90 mln outstanding) is far smaller than the volume the initial fund projections had expected by now (namely USD 313 mln). Each annual plan has been followed by a large underperformance of fund targets. Yet, the governance and management structure remains as if the fund has reached maturity. Due to outsized management and governance costs, the fund had cumulatively lost USD 6 mln by 2023, or 17% of the nominal fund value – more in inflation-adjusted terms.^{45,46} Although AGR13 claims to have turned a minor profit in 2024, it is hard to see how and when the past losses can be recovered. AGR13 needs to be frugal in its management and oversight structure, in particular with regard to the large number of people involved in various oversight and advisory roles, which is a significant expense.

4.4.2 Appropriateness of Monitoring and Reporting Framework

EQ14 – *To what extent are the reporting and monitoring systems appropriate to steer decisions? Moreover, are methodologies for assessing and calculating the quantitative outcomes adequate and sufficient?*

AGR13 provides quarterly and annual progress reports to its funding partners (MFA, Rabobank, and GEF).

The monitoring and reporting process was presented in Chapter 2.4. Apart from the 12 KPIs mentioned, AGR13 also reports on a number of output indicators, such as the number of end-clients, financing and guarantee amounts, beneficiaries by gender, results of TAF, etc.⁴⁷ For GEF, AGR13 also needs to complete several reporting templates.⁴⁸ The TA facility has helped AGR13 to develop an impact monitoring methodology and supports (some) end-clients in conducting benchmark assessments and determining ESAP requirements.

The KPI definitions are adequate. Most KPIs are defined and measured through commonly applied metrics, such as hectares of land under sustainable management (KPI 1, 2, 3, 5, 6) and yields for agricultural productivity (KPI 7).⁴⁹ These metrics are also applied by the Ministry in its FNS Result Based Management (RBM). GHG emissions are modelled using the FAO Ex-Act v9.3.1 Carbon Tool, for want of anything better (KPI 4 and 8). As AGR13 has done little work in rural livelihoods, its approach to KPI setting cannot be confirmed. In a new ToC that has undergone wide consultations and is expected to be adopted shortly, AGR13 revised the KPIs. There are now (proposed) sixteen deal-level indicators and five fund-level indicators, which aggregate the underlying transactions. The fund-level indicators are at the AGR13 outcome level. There are no impact (goal-level) indicators. While the overall KPI system is adequate, the evaluators observed that in some investments the KPIs are unambitious (e.g., to maintain an existing situation) or absent (India).

Monitoring is based on client self-reporting. AGR13 end-clients provide reports on both financial and impact (investment) performance. Financial reporting includes the financial metrics and (audited) financial reports that the PFIs would normally request – depending on the loan type and use. The impact monitoring process through KPIs was described in Chapter 2.4. To a large extent, impact metrics (the KPIs and ESAPs) come from self-reporting by the end-client, which is visually verified by PFIs' relationship managers and technical staff, who make regular visits, and less frequently by AGR13 as well. Clients are also asked to send photographs of progress made. As self-reporting

⁴⁵ Source: AGR13 annual financial report. Reportedly, the result in 2024 was nil, hence cumulated losses unchanged.

⁴⁶ According to the CBI, the cumulative consumer inflation 2020 to 2023 was 18.3%, and 23.3% by 2024.

⁴⁷ AGR13 project results monitoring plan.

⁴⁸ GEF proposal appendix IV.

⁴⁹ However, as observed in Chapter 4.1, AGR13 has not operationalised the indicator 'ha land under sustainable management'. Normal practice would be to compare current land use to a best-practice benchmark and then determine if it is (sufficiently) sustainable, or not.

and on-site visits by the PFIs and AGR13 may not fully capture all results, AGR13 always has the option of hiring a consultant to verify results claimed by end-clients. Regarding forest protection and land rehabilitation, which are core to all projects in Brazil, AGR13 uses the services of 52Impact. This external consultant analyses the remote sensing maps produced by MapBiomas, compared to baseline, also looking for deforestation alerts. This is done for all AGR13 projects in Brazil. The AGR13 2023 impact report shows that land improvement is indeed visible, but it is quite difficult to interpret such data conclusively. Longer timelines would be needed to reach firm conclusions. As noted earlier, GHG emissions are modelled using the FAO Ex-ACT v9.3.1 Carbon Tool.

Visits to AGR13 clients suggest that they take KPI monitoring seriously. One end-client visited by the evaluation team had transformed the AGR13 KPIs into monthly targets, sending monthly progress reports with KPI tables and graphs to the PFI. Several others had incorporated the KPIs into their internal reporting systems.

The AGR13 result monitoring is efficient. The evaluative conclusion is that KPI monitoring is adequate and efficient. The strength of the KPI method is that indicators are standardised – hence comparable – that there are not too many, and that they are not complicated, although some end-clients and PFIs may see it differently. Setting KPIs helps focus the minds of end-clients, PFIs and AGR13, reminding them of the purpose of the project. It is true that end-clients could provide false information, but by combining the efforts of visiting technical experts (from PFIs) and remote sensing data, AGR13 has the means to verify and triangulate data. If necessary, AGR13 – perhaps with the support of TAF – could mobilise an external consultant to go out and check.

However, the definition and measurement of some KPIs could be improved. The previous evaluation (SEO, 2019) highlighted that the KPIs with respect to “improving rural livelihoods” were rather vague at the time. This is still the case. It does not help that AGR13 has had few projects with meaningful rural livelihoods components, and thus has not accumulated experience. AGR13 has also not developed the practice of baseline setting. KPI10 refers to indirect beneficiaries, which is difficult to measure. KPI12 on gender has also proved hard to use. As noted above, in some projects there are opportunities to improve the ambition level of KPIs, their definition, as well as to refine their measurement – so as to ensure that KPIs provide incentives (to end-clients) to reach impact and clarify what that impact would be. It would also make it easier to use observed results for learning and steering decisions. It is acknowledged, however, that the ESAPs complement the KPIs in this respect.

AGR13’s monitoring has not identified any issues that would have warranted intervention.

4.5 Coherence

Coherence is the extent to which AGR13 offers complementarity, harmonisation, and coordination with other development initiatives – be they from governments, private sector, or donors. It is the extent to which AGR13 is adding value while avoiding duplication of effort (external coherence). This criterion also looks at the synergies and interlinkages within AGR13, e.g., the extent to which respective products reinforce each other (internal coherence).

AGR13 aligns with the Ministry's policy objectives regarding climate change, sustainable agriculture, and ecologically sound food systems. While there is overlap between AGR13 and other funds in terms of thematic focus and types of instruments, AGR13 distinguishes itself through its delivery mechanism via PFIs. This makes it complementary to – but not yet necessarily synergistic with – other initiatives.

EQ15 - How does AGR13 fit into the Ministry's (IGG) overall FNS ToC and climate change objectives in particular? How is it complementary and/or synergistic to other initiatives supported by the Ministry in a broader sense? **(Internal coherence)**

EQ16a - To what extent is AGR13 complementary to other (blended) finance initiatives combating deforestation and promoting sustainable land use? **(External coherence)**

EQ16b - To what extent does AGR13 add value to other (blended) finance initiatives combating deforestation and promoting sustainable land use? **(External coherence)**

4.5.1 The MFA Policy Framework

The MFA policy references most relevant to AGR13 are the following:

- Letter to Parliament, "International contribution to forest protection and forest rehabilitation" (2020), the timing of which coincided with the grant decision to AGR13
- The Netherlands Global Climate Strategy (2022)

The IGG Climate Group does not work under the Food and Nutrition Security ToC (2020) and the corresponding result framework.

International contribution to forest protection and forest rehabilitation (2020)

AGR13 is aligned with broader IGG policies. The Inclusive Green Growth Directorate (IGG) of the MFA is dedicated to ensuring the well-being of all, regardless of their socioeconomic status, gender, or age, including the protection and sustainable use of natural resources. This is underscored in the letter to Parliament on "International contribution to forest protection and forest rehabilitation" of 9 March 2020. In this letter, IGG describes the significance of sustainable forest management, with particular emphasis on the integral role of agriculture in achieving this goal (as agriculture is the main source of deforestation). The policy letter outlines three important goals: 1) halting deforestation and forest degradation by 2030, 2) increasing the world forest area by 3 percent by 2030, and 3) mobilising the European Union (EU). These goals mirror the objectives of AGR13.

More recent (2025) government policy, however, places reduced emphasis on climate change and forest protection. The latest Dutch policy is focused on trade rather than the environment. However, the Netherlands, being among the top importers of tropical commodities, has a trade-oriented MFA policy that aligns with the need to preserve the environments from which such products originate. The MFA is also increasingly focused on protecting biodiversity, as tropical forests are more than just carbon sinks (they hold 80 percent of biodiversity). AGR13 has started to reflect on outcome metrics related to biodiversity.

The Netherlands Global Climate Strategy (2022)

The Netherlands' Global Climate Strategy is particularly relevant to AGR13. Specifically for climate change, the Dutch government developed the Netherlands' Global Climate Strategy (2022), which is the policy framework guiding the work of the IGG Climate Group. This is also the most suitable policy reference for AGR13. The Global Climate Strategy distinguishes four areas of MFA intervention: 1) adaptation, 2) loss and damage, 3) mitigation, and 4) finance. AGR13 aligns with the last two areas.

AGR13 supports the global transition to a net-zero, circular economy by 2050. In line with the "mitigation" component of the Global Climate Strategy, AGR13 works to halt deforestation in tropical rainforest regions and aids the preservation of biodiversity. In some investments, AGR13 supports restoration of APPs and LR, while in others it compels companies to preserve forests above the legal requirements (Brazil). AGR13 also helps to create deforestation-free value chains. Circular/regenerative production is supported in several projects. Indeed, while the core angle in the Global Climate Strategy is forest protection, this directly links with sustainable agriculture, as agriculture is a major driver of deforestation. The link with rural livelihoods is more indirect, in that poverty drives deforestation, while destroyed ecosystems drive poverty.

AGR13 mobilises private finance for climate action and adaptation. In line with the "finance" component of the Global Climate Strategy, AGR13 enables the private sector to invest in sustainable land use and forest preservation, while gradually mainstreaming such products and services, including integrating assessment of climate risks, reporting on them, and integrating them into broader policy.

Livelihoods

The mandatory inclusion of rural livelihoods in AGR13 is programmatically incoherent. While the inclusion of rural livelihoods into AGR13 projects – initially mandatory – broadly aligns with programmes undertaken by those parts of IGG that work under the FNS ToC, it is less compatible with the policy aims of the IGG Climate Group, as articulated at the beginning of this section. The Netherlands' Global Climate Strategy (2022) aims at mitigating and adapting to the effects of climate change. While doing so will have obvious effects on rural livelihoods, this does not mean that programmes undertaken under this banner need to include direct actions related to farmer training or incomes. This is why AGR13 investments in Brazil struggled to include meaningful livelihoods components. Conversely, investments in Nicaragua and India with a strong livelihoods focus appear weak on the core AGR13 sustainability mandate and have no forest protection components.

4.5.2 Other initiatives

There are multiple global funds that provide finance to promote sustainable agriculture, rural livelihoods, and/or climate action. Examples include IDH Farmfit,⁵⁰ the Dutch Fund for Climate and Development (DFCD), the Green Climate Fund (GCF), and &Green.⁵¹ Further examples are the Land Degradation Neutrality Fund, Mirova's Sustainable Land Fund, and the Mobilising Finance for Forest programme (which the Dutch government now also contributes to). In addition, most international DFIs have sub-programmes for sustainable agriculture.⁵² These funds and DFIs offer a wide assortment of financing types, including loans, equity, grants, and in some cases guarantees, in favour of businesses and farmers in all shapes and sizes. Nearly all of them provide TA and are active in Least Developed Countries (LDCs). Many of these initiatives are also (co-)funded by the Dutch government. The focus of all of these initiatives is on the protection of forests, sustainable agriculture, and/or improving rural livelihoods.

Several of these global funds have a broader scope than AGR13. This is because they are more generally focused on climate mitigation and adaptation, where sustainable land use and forest protection are only subcategories. Also, AGR13's focus on countries with deforestation risks leads to a narrower country selection (though India has few such risks). AGR13 has a similar fund size and indicative private investment as IDH Farmfit, DFCD, and &Green, whereas GCF is much larger. GCF also plays a broader role than AGR13 by supporting developing countries in combating climate change and promoting low-emission, climate-resilient development across various sectors, including agriculture.

There are also many small niche funds focused on sustainable agriculture, which tend to have a narrower scope. Examples are found among various impact investors. In addition, there are many agriculture investment funds, including Africa Agriculture and Trade Investment Fund (AATIF), AgDevCo, Injaro Agricultural Capital Holdings, African Agricultural Capital (AAC), just to name a few among many. All of these initiatives target a specific sector or geography (mainly Africa), providing direct loans or equity capital, but not guarantees to the financial sector. These may or may not insist on sustainable production practices.

In terms of thematic focus and type of instruments, there is overlap between AGR13 and other funds. Among all funds reviewed, &Green is most similar to AGR13, with both funds sharing a specific focus on sustainable agriculture and combating climate change, using several instruments including guarantees and TA.⁵³ There is also some overlap between AGR13 and IDH Farmfit, as both share the goal of de-risking sustainable agricultural business models. However, Farmfit's core mission centres around the livelihoods of smallholder farmers, while AGR13 has a climate focus and can indirectly support both large- and small-scale farmers, provided there are appropriate channels (e.g., aggregators or cooperatives). DFCD pursues some similar but also some distinct objectives, focusing more than AGR13 on climate adaptation. To some extent, DFIs also operate in this market, but typically with larger ticket sizes than AGR13 does.

AGR13 distinguishes itself by working solely with financial institutions, which are its clients. All global funds mentioned above share a common objective of mitigating risks to encourage private investors, thereby expanding financing options for underserved sectors. However, AGR13's unique approach involves exclusively providing credit enhancements, facilitating private lenders to engage in sustainable agriculture. In contrast, other funds adopt a more diversified approach, extending direct financial support in the form of debt, equity or grants. While all funds have

⁵⁰ IDH Farmfit is also part of the AGR13 Fund partnership.

⁵¹ The evaluation report for 2020-2022 includes a more comprehensive list.

⁵² IDH Farmfit, AGR13 and GCF are all co-financed by the Dutch government.

⁵³ @Green was initially launched by IDH, but is an independent entity now. IDH does, however, manage the TA.

the capacity to act as guarantors, they focus on direct financial support to companies. IDH Farmfit does serve as a guarantor as well, but is also a provider of liquidity at the same time. Similarly, both &Green and DFCD currently finance private companies directly. In Brazil, there is some overlap with the Dutch Conserv programme.⁵⁴ However, its approach differs, as Conserv pays farmers for each hectare of native vegetation preserved beyond what is mandated by the Forest Code, and this on an annual basis. AGR13 does more to ensure long-term sustainability by supporting investments that permanently convert production into sustainable agriculture.

AGR13's model capitalises on the established structures of financial institutions. This approach is not only unique and efficient, but also serves as an illustration of leveraging existing resources. AGR13 operates without the necessity of a physical on-site presence or the extensive undertaking of full project and financial risk analyses, thanks to its ability to rely on the groundwork done by PFIs.

In terms of deal size, AGR13's transactions fall between the scale of &Green, which conducts large deals, and IDH Farmfit, which primarily caters to smallholder farmers. IDH Farmfit reaches smallholders through intermediary SMEs and service providers, or occasionally via nucleus farms. AGR13 could also work through intermediaries, aggregators, or MFIs, which AGR13 did in China, Nicaragua, and Africa, and in one case in Brazil. The Renova Pasto programme – so far not very successful due to a lack of clients – was an attempt to reach smaller farms through a standardised portfolio approach. In contrast to AGR13, DFIs are typically in a segment above USD 10 mln per transaction.

AGR13 can help bridge the gap between subsidies and financial assistance from DFIs. AGR13 engages in relatively modest transactions, typically within the range of USD 2-10 mln, below the level habitually served by DFIs and above the various niche funds from impact investors or development grants. As per the most recent annual report, this is also where AGR13 sees its added value. In this context, AGR13's role is complementary to DFIs, as it assists end-clients in scaling up to a level that attracts the interest of DFIs (like FMO).

AGR13 can support consortium financing by DFIs like FMO. The transaction with a commodity trader in Africa is one example. The support to establish a structured loan for the soy sector in Brazil is also an example of fruitful collaboration among multiple financiers, albeit not with DFIs. These are the first examples of AGR13 being synergetic with other development initiatives.

⁵⁴ <https://conserv.org.br/en/>

5 Lessons learned and recommendations

Based on the lessons learned from this evaluation, this chapter draws conclusions about AGR13's strengths, weaknesses, bottlenecks, and opportunities. It also offers forward-looking recommendations for AGR13 and the MFA.

EQ17 - What are the strengths and weaknesses of AGR13? Are there any bottlenecks and shortcomings requiring action? Is AGR13 sufficiently innovative? What are the risks to MFA?

EQ18 - What are the main lessons learned from AGR13? To what extent are these learnings effectively shared with others in the field and how could they be integrated in future blended finance initiatives supported by MFA?

Since AGR13 is a novel instrument for the MFA, learning has been a key part of the evaluation and monitoring project. Traditionally, Dutch development cooperation has been about grant-making rather than establishing revolving investment funds. While the MFA has gained experience with revolving funds for SME development (e.g., FMO-Massif, DGGF, instruments at NL Invest), as well as debt, equity, and – to a lesser extent – guarantee funds, a credit enhancement instrument for the private sector to promote sustainable land use, protect the forest, and enhance rural livelihoods is new. This is even true in an international context, with AGR13 being unique. Also, AGR13, like any investment fund, presents the Ministry with financial risk, as all capital may be lost. In addition, AGR13 may create market distortions in the financial sector, while the fund's conduct and partner selection may pose reputational risks to the Dutch government, even if the MFA is not involved in governance. The fundamental question has always been why the Dutch government should intervene in the private sector, which is why the additionality question was prominent in all stages of AGR13.

The learning process of AGR13 is dynamic and progressive. This final evaluation report takes stock of the lessons learned during the first five years of fund operations. This can inform the MFA's future programming of interventions in sustainable land use and forest protection, including the use of other blended finance initiatives similar to AGR13.

5.1 Strengths

The evaluation revealed the following strengths in the AGR13 business model:

- **Working through PFIs is the strength.** The AGR13 model of enhancing credit operations of existing financial intermediaries reaches the stated objectives and is efficient, as it leverages PFIs' operational capacities and capital. This is an advantage compared to alternative approaches, including direct lending (e.g., &Green, DFIs) or providing grants (e.g., GCF). AGR13 does not need to be on the ground (because PFIs are), nor conduct a full project and financial (risk) analysis, as it can draw on partners' work. That all investees were previously known clients of these PFIs also simplifies deal origination.
- **AGR13 is not a (potential) competitor to its partners.** Other guarantee providers, such as DFIs or many of the funds mentioned in section 4.5.2, can themselves act as lender or financiers. A partner bank may be distrustful of their intentions. This is not the case for AGR13, as it is in a symbiotic relationship with the PFI.
- **The AGR13 product assortment is strong, yet underutilised.** AGR13 has a comprehensive product assortment, permitting several levels of risk coverage, up to first-loss guarantees and subordinated loans. The riskier instruments have not been deployed, however, as PFIs have proposed relatively low-risk transactions. Likewise, AGR13 has a comprehensive suite of TA opportunities that is increasingly used in support of end-clients and portfolio development.

AGRI3 could move up the risk ladder. In its five years of existence, AGR13 has not incurred any losses, although some end-clients have been on the watch list. This is because AGR13 worked with risk-averse PFIs. Rabobank and HSBC, for example, typically serve solid and mature agribusinesses. Consequently, AGR13 has also been investing conservatively. Although there have been a few cases of AGR13 accepting more risk (e.g., more than 50 percent risk in *pari passu* guarantees, or taking five years of risk in a ten-year maturity extension), on the whole the current AGR13 portfolio is low-risk. This is the main reason why the evaluation found financial and development additionality to be modest, or even low in some cases. By moving up the innovation and risk ladder, AGR13 could increase its financial and development additionality, in line with its mandate and risk tolerance.⁵⁵ Interviews (in Brazil) suggest that there is scope and demand for AGR13 to operate at higher levels of risk (e.g., early-stage businesses in biological production). This may imply the need to onboard different types of PFIs, including those serving smaller ventures and less proven business models.

Recommendation 1: *Increase AGR13's financial and development additionality by seeking more innovative and likely more risky projects, for which it already possesses the appropriate instruments.*

The evaluators recognise the operational and commercial challenges of this recommendation and see it as an aspiration rather than a task to be immediately fulfilled. AGR13 is in the process of reviewing its Risk Management Framework, including a new credit rating process, which may enable AGR13 to take on higher-risk transactions responsibly.

5.2 Weaknesses

The evaluation revealed the following weaknesses in the AGR13 business model:

- **While a strength, reliance on PFIs (alone) is also a weakness.** AGR13 is beholden to the willingness and (risk) policies of its PFIs, which may not move at the same speed as AGR13 would like them to. AGR13 has sometimes met resistance from PFIs to elements of proposed KPIs and ESAPs, for example. Also, the company-wide no-deforestation clause is neither fully embraced by end-clients, nor by Rabobank Brazil, its branch offices in particular. This has held back the roll-out of the Renova Pasto product.⁵⁶ Furthermore, although AGR13 does its own market reconnaissance (e.g., sector studies, direct client visits), in the end AGR13 depends on deal origination by PFIs. As noted above, the current AGR13 portfolio consists of “safe bets” and, in the case of Brazil, of companies that are among the national champions in their respective sectors. PFIs have not proposed to AGR13 any truly innovative, unproven, and risky propositions (and AGR13 did not have to decline any), which one may argue fit into AGR13's mandate too.
- **There are few sustainable banks out there.** When AGR13 was conceived, it was assumed that there would be sufficient Rabo-like banks interested and willing to invest in sustainable agriculture and forest protection. This assumption has not been confirmed, as it has cost AGR13 considerable effort to develop partner relationships. Where (local and international) banks in developing countries do finance agriculture, it is mainly the trade and processing sectors. Primary agriculture is often the prerogative of (state-owned) agricultural development banks, but these do not require credit enhancements. Only few local and international banks, whether private or public, have made significant progress in developing sustainable agriculture products. While HSBC in India is committed to contributing to reduced carbon emissions, the bank is only taking the first steps to do so. The same is true for Bank Santander in Brazil (a partner in the structured soy loan) and others.

⁵⁵ Needless to say, risk pricing would need to be commensurate to maintain the financial viability of the fund.

⁵⁶ The company-wide no-deforestation clause had to be relaxed in the structured soy loan.

- **AGRI3's association with Rabobank has held the fund back.** The strong connection of AGR13 with Rabobank as its founder and core partner has made some other PFIs wary, not fully recognising the independent position of AGR13's management.
- **The (initial) focus on both sustainability and livelihoods objectives has been a weakness in AGR13's intervention logic.** Initially, each AGR13 project had to contribute to sustainable land use or forest protection (or both) and to rural livelihoods. This dual requirement was neither programmatically coherent nor respected, and was relaxed after the 2023 evaluation to apply at the portfolio level only. However, this has now resulted in, for example, the HSBC MFI programme, which is strong on livelihoods but possibly weak on sustainability. The MFA and embassies already have many instruments and projects in support of rural communities and livelihoods, so there is no need for AGR13 to do the same.
- **AGRI3 has not been an effective instrument to pursue gender objectives.** While not all projects may have scope for gender inclusion, in Brazil it was barely attempted. The orientation of AGR13 (and its partners) towards relatively large-scale agribusinesses is difficult to align with gender aims.
- **The small size and lack of an investment-grade rating affect financial feasibility.** AGR13 was conceived as a fund that could leverage its capital, thereby issuing guarantees that exceed its capital. However, lacking sufficient size and an investment-grade rating, AGR13 has been compelled to place the countervalue of its guarantees on (interest-bearing) deposit at PFIs. This makes it impossible to leverage the capital, negatively affecting the financial return per unit of capital (ROE).
- **Monitoring of TA projects after their completion remains limited.** As a result, the broader impact and value-added of the TA facility remain largely unmeasured.

Recommendation 2: *Although rural livelihoods may be an outcome in the AGR13 ToC, the fund should not select projects solely because of this aim.*

The actions supported by AGR13 are likely to benefit rural livelihoods as a result of improved natural systems, sustainable agriculture, or income and employment opportunities. These benefits may follow from such projects and may be considered by the AGR13 Investment Committee. They should, however, not be the sole reason to undertake such projects.

Recommendation 3: *AGR13 should reinforce gender analysis at the due diligence (DD) and environmental and social (E&S) stages to more strongly incorporate actions intended to contribute to gender equality.*

This involves sensitising both PFIs and end-clients on gender inclusion, without deviating from commercial logic and practicality within the context of those investments.

Recommendation 4: *Set up a monitoring system for tracking TA outcomes after completion of the TA project.*

Since TA projects typically take place during the pre-investment phase or at the start of the investment period, the client might be able to include these outcomes in their regular reporting. However, outcomes that materialise after the investment period are more difficult to track.

5.3 Bottlenecks/Threats

AGR13 is faced with bottlenecks in its expansion. The evaluation revealed that AGR13's development has been much slower than initially anticipated. Yet, in order to be sustainable, AGR13 must reach a higher volume. Partly linked to the above weaknesses, some of the bottlenecks in AGR13's upscaling are the following:

- **Lack of commercial and political interest in sustainable agriculture or forest protection.** The AGR13 intervention logic is to help agribusinesses (and banks) transition to sustainable agriculture and forest protection. However, outside Brazil, few countries (and their governments, farms, or banks) prioritise this as a core objective.⁵⁷ The government in India is keenly aware of the consequences of global warming but resists taking any global commitment toward reducing GHG emissions. In Nicaragua, there is interest in livelihoods-related projects, but merging this with sustainability is not a national or commercial priority. Sustainable land use and forest protection will only become a priority for businesses when the market demands it and policy supports this. Indeed, markets are now moving in that direction, with the new EU regulation on deforestation-free products concentrating minds. Therefore, this current demand bottleneck may grow into an opportunity, with AGR13 among the first to be able to respond, as it has the instruments ready for deployment.
- **Limited but growing interest from banks in sustainable agricultural finance.** On the whole, in most international and local banks, sustainability has been a marketing term with little substance. The commitment from top management is limited, and even less so at the branch level. In addition, and specifically in the African market, banks have little exposure to primary agriculture – and where they do, it is mainly short-term trade related finance. Banks rarely provide investment-related agricultural finance, and where they do E&S risk considerations are not typically included. However, as mentioned above, markets are moving in sustainable directions, which AGR13 could exploit. This involves seeking new partners and implementation modalities. The structured loan (SLL) with an African trader was a first example. It helps banks in the consortium gain experience in sustainable finance.
- **AGR13 conditionalities.** AGR13 applies strong E&S standards that not all PFIs and end-clients find palatable. A case in point is the company-wide no-deforestation clause (for the duration of the loan), which is impeding the roll-out of the standardised Renova Pasto product in Brazil. In the structured soy loan in Brazil, this AGR13 condition had to be relaxed.
- **Lack of fund absorption by AGR13.** AGR13 is significantly behind on its fund deployment compared to the initial planning, and the same is true for the TAF. This hampers AGR13 in its fundraising efforts, which is a necessary step towards sustainability. AGR13 estimates that the fund needs to grow threefold to reach a path to sustainability.
- **Accumulated losses.** Due to the slow start of AGR13 – and linked to the above – AGR13 has cumulatively lost 17 percent of the MFA-granted capital (more in real terms when adjusted for inflation). This adds to the fundraising challenges, as well as the need for an investment-grade rating that would allow the fund to leverage its guarantees (and eliminate the need for posting cash collateral).

Recommendation 5: *The MFA and AGR13 should recognise the limits in the market's capacity to absorb AGR13's services. Financial and business projections should be developed that are realistic in light of past experience.*

In this context, AGR13 has recently decided to start serving the entire value chain, not just agriculture. Concretely, the pipeline now includes natural climate solutions, large-scale value chain financing, agribusiness SME portfolio guarantees, and corporate finance transactions, involving a broad range of PFIs.

⁵⁷ And even within Brazil there is strong local resistance in the business and political establishment.

Recommendation 6: *AGRI3 should take measures to curtail its costs, as the fund is depleting too rapidly. Specifically, there is a need to review the role and composition of the various committees.*

As AGRI3 has reached its liquidity capacity, it is now working with Rabobank to agree on terms to introduce higher leverage (as each SBLC from Rabobank currently requires 70% cash collateral), which would improve the fund's economics.

5.4 Opportunities

The evaluation revealed several opportunities for AGRI3:

- **There are significant market opportunities in Brazil.** The market in Brazil is particularly relevant to AGRI3, as there are millions of hectares of degraded pasture and farmland in need of recovery, which is explicitly recognised by both government and agribusinesses. There is also increasing awareness that forests need protection, and a growing number of financiers showing interest in sustainable finance. Although AGRI3 must manage country and currency risks – and therefore diversify its portfolio by geographies (and currencies) – it may continue to prioritise Brazil, as results (from the point of view of IGG Climate Group) can be achieved. The competitive landscape in Brazil also offers opportunities for AGRI3 to diversify beyond Rabobank Brazil as the PFI of choice. AGRI3 has a unique set of credit enhancements that would be relevant to many FIs.
- **Partnerships with impact investors, while not initially targeted by AGRI3, can offer opportunities to increase AGRI3's impact.** The pilot project with Oikocredit in Nicaragua had limited additionality, but it showed how such new partners can be onboarded and how their existing operations in rural livelihoods could be leveraged to achieve sustainability objectives. Efforts should be made to increase AGRI3's development additionality by incorporating sustainability elements (including through TA).
- **Partnerships with trade companies.** The experiences in Brazil (structured soy loan) and Africa (trade company) show how small- and medium-sized producers can be reached through a trade intermediary. This model offers great opportunity for AGRI3. This indirect model is also relevant, taking into account that outside Brazil there are few agricultural companies of sufficient scale for AGRI3 to engage with directly in a cost-effective manner.
- **As noted above, AGRI3 could move up the risk ladder,** supporting more innovative and risky transactions. This would enhance financial and development additionality (see Recommendation 1). Needless to say, risk pricing would need to be commensurate, as AGRI3's financial feasibility objectives remain unchanged.
- **TA can support more transactions pre- and post-investment.** Over the past two years, the TAF has raised its profile. In most new transactions, the TAF was involved. Nevertheless, there are ample opportunities to use TA more actively to support deal origination and enhance development impact post-investment. This requires relationship managers in PFIs to better understand how TA can alleviate constraints, expedite sustainable practices, and ultimately make the client a better banking partner as well.
- **TA can support EUDR compliance, as well as broader shifts toward sustainable agriculture.** In-depth review of AGRI3 investments revealed that agribusinesses are aware of the EU Regulation on deforestation-free products but do not know how to go about it (e.g., proof documents, traceability). This presents an opening for AGRI3 to offer TA that is broad and not necessarily geared to a single AGRI3 end-client (e.g., for a group of companies or even sector-wide). On a more general note, the market is moving in the direction of sustainable and deforestation-free agriculture, which is precisely the market niche AGRI3 operates in.
- **AGRI3 can enhance demonstration and replication effects.** AGRI3 end-clients are innovative to some extent but could do more to demonstrate their innovations. In Brazil, this has been notably lacking, with most agribusinesses declining to organise events for less-well-informed farmers in their communities. Likewise,

successful AGRI3 interventions can be replicated in other countries. Examples include the structured loans in Brazil and Africa.

Recommendation 7: *While geographical diversification has merits, prioritise countries where the greatest impact can be achieved (quickly). This puts Brazil at the top of the list, although country and currency risk limits should still be respected.*

Recommendation 8: *Encourage AGRI3 to explore partnerships outside of traditional banks, including impact investors in commodity finance, trade companies, and others.*

This is not only an opportunity to expand and diversify, but also a way to increase AGRI3's development additionality, given that such impact investors often already have E&S requirements in place, but rarely finance the associated sustainable investments. These channels are also likely to benefit smallholder farmers and, by extension, rural livelihoods.

Recommendation 9: *Identify TA opportunities that affect multiple AGRI3 end-clients, such as complying with the EUDR or implementing actions for carbon sequestration actions, and develop sector-level TA accordingly. In this context, TAF may partner with other TA initiatives in this domain.*

This recommendation could result in various knowledge development events being incorporated into farmer field days that AGRI3 end-clients are expected to host, or be systematised in best practice manuals.

Recommendation 10: *Broaden AGRI3's impact by more strongly incentivising end-borrowers to demonstrate and disseminate innovative practices, while providing assurances that proprietary technologies are protected.*

The TAF could support this work, for example by offering broader perspective and technical content (beyond the demonstration farm) and by developing a manual of sustainable best practices in the respective sectors.

5.5 Sharing

In the context of learning, lessons learned must be systematised, documented, and shared with a wider audience of sustainability practitioners. This is a key task of both AGRI3 and IDH, as well as UNEP. AGRI3 aims to facilitate practical guides and knowledge-sharing events with financial institutions, with the potential to partner with large corporate supplier engagement programmes. AGRI3 also participates in global initiatives like Finance for Biodiversity and the Climate Policy Initiative. However, the AGRI3 projects that are part of learning and knowledge sharing are mostly centred around sector studies, focused on sharing knowledge with other fund managers and investors. AGRI3 has been less active in sharing the lessons learned from the projects in its portfolio. As observed above, according to their loan covenants, AGRI3 end-clients are expected to undertake knowledge events, chiefly through field days, although their proprietary technologies must be protected. This does happen, but AGRI3 end-clients do not usually give it priority. As was recommended above, AGRI3 TA could join forces with lead farmers to enhance the messages and practices disseminated during these field days, beyond the practices on display at the farm. The TAF could also be mobilised to develop best practice manuals, in cattle and soy, for example. It could also be used to develop publications that sensitise other banks in the AGRI3 programme countries to sustainable land use and forest protection, and the means of financially supporting such investments.

6 Conclusions

This chapter presents the answers to the evaluation questions and recommendations in tabular form.

6.1 Summary of answers to evaluation questions

Table 6.1 The final evaluation concludes the following regarding the performance of AGR13

Revised EQ and clarification	Findings
EQ1 - What has been the <u>development impact</u> of AGR13 in the first five years, compared to the ToC and against its results framework? This includes any positive/negative, (un)intended effects observed on top of the KPIs or fund objectives.	While AGR13 did not reach the targets of the Ministry's grant decision by end-2024, the evaluation provided evidence of impact in the areas of sustainable land use, notably recovery of degraded lands, and on regenerative/circular agriculture. AGR13 projects also contributed to protecting and sometimes recovering natural ecosystems. The (expected) impact on rural livelihoods was found to be limited due to the focus on large agribusinesses in Brazil. Nevertheless, more recent AGR13 projects in India and Africa have the potential to impact rural livelihoods.
EQ2a - How did/do AGR13 farmer(s) (aggregates) perform in terms of <u>sustainable land use, forest protection, and reforestation</u> ?	AGR13's results in the area of forest protection and restoration are strong. Several AGR13 end-clients (in Brazil) invested in APP and LR restoration. A similar case was observed in Africa, where a commodity trader financed through an SLL, which is uncommon in this business. AGR13 end-clients also rehabilitated degraded and eroded pasturelands with AGR13 funding. This includes setting up integrated crop-livestock systems.
EQ2b - How did/do AGR13 farmer(s) (aggregates) perform in terms of <u>sustainable & climate-smart agriculture</u> ? What has been AGR13's contribution to this observed change (if any)?	AGR13 has contributed to setting up circular and regenerative production models in Brazil. Core themes include transitioning to circular production systems, replacing chemical with organic fertilisers, and promoting energy conservation. AGR13 projects in Africa and India aim to do this too, but there are challenges in setting up climate-smart agriculture for smallholders in India through MFIs. MFIs are not structured to undertake this work.
EQ3 - To what extent is AGR13 reaching farmers as the priority beneficiaries / target group, and contributing to <u>rural livelihoods</u> ?	In the Brazilian projects, all of which involve large family businesses, contributions to rural livelihoods have been limited to employee training, community actions, and occasional field days for neighbouring producers. No direct effects on rural incomes due to AGR13's interventions were recorded. The projects in China, India, Nicaragua, and Africa are expected to have more substantial effects on smallholder incomes. However, in most of these cases, the sustainability benefits are limited or absent.
EQ4 - To what extent does AGR13 promote <u>gender equality</u> ?	None of the AGR13 projects in Brazil had an explicit gender component or gender-related KPIs. AGR13's contributions to gender equality in Brazil are likely negligible. The projects in Nicaragua and China did involve women as cooperative members, but no explicit gender empowerment actions were undertaken. More recent projects in Africa and India, however, included large numbers of women as target beneficiaries (income, training).
EQ5 - To what extent has AGR13 <u>catalysed</u> private finance: <ul style="list-style-type: none"> • <i>Ex-ante</i> induced financial institutions to finance sustainable agriculture <u>with</u> AGR13 support? • <i>Ex-post</i> mobilisation of finance in <u>the same client without</u> AGR13, following 	AGR13 catalysed USD 262 mln in commercial finance, with USD 113 mln in AGR13 guarantees – a leverage ratio of 2.3 – to twenty-five projects. This is less than half of the initial fund projections and also significantly less than the annual fund updates in annual plans. Nevertheless, AGR13 leveraged substantial private finance. Without AGR13, the committed loans would have had lower amounts, shorter maturities and shorter grace periods, if they had been made at all.

improved client performance and demonstrating the business case?	None of the PFIs made any follow-up loans to the same clients without AGR13. At Rabobank Brazil, the same maturity constraints (7 years max) were still in place by the time of writing this report.
<p>EQ6 - To what extent has AGR13, through its <u>demonstration effect</u>, induced partner and non-partner banks to engage in (more) sustainable agriculture finance to <u>other clients</u>, where they hitherto did not? See also EQ16b</p> <p><i>As noted above, this is <u>not</u> an outcome or objective in the ToC, but it is in the ToR and BEMO.</i></p>	<p>Banks worldwide are increasingly open to financing sustainable agriculture and committing to forest protection. However, a strong demonstration effect of AGR13 is unlikely, given other contributing factors, such as demands from pressure groups and (bank) shareholders, (local) government regulations and their enforcement, and changing market demand, including restrictions on produce that can be linked to deforestation.</p> <p>AGR13 projects do, however, have a demonstration effect on the staff of PFIs, who may face internal resistance to some extent. The use of KPIs and ESAPs has contributed to PFIs' understanding of sustainability. However, as of end-2024, PFIs had not begun to make AGR13-like loans without AGR13, reflecting unchanged corporate maturity constraints and risk policies.</p> <p>Few AGR13 end-clients demonstrated sustainable production practices to other farmers. There was only limited sharing of practices by AGR13 and its end-clients through field days, publications, or events.</p>
<p>EQ7 - Are the AGR13 <u>products</u> suitable to reach the intended development purpose and induce financial institutions to embrace sustainable agriculture?</p> <ul style="list-style-type: none"> • Pari passu risk participation • Tenor extension • Maturity subordination • Subordinated guarantee • First loss risk participation 	<p>AGR13 has a sufficiently broad set of credit enhancement instruments that can cover a variety of credit risks. Stakeholders and end-clients have not asked for other products.</p> <p>However, as of end-2024, AGR13 had mostly supported investments in solid companies that were not particularly risky. The only exception was a mezzanine tranche in the structured soy loan, which was relatively risky and subordinated to the banks.</p> <p>AGR13 does have suitable instruments for higher risk ventures (e.g., first-loss guarantees, subordinated loans), but these had not yet been used.</p>
<p>EQ8 - To what extent is AGR13 responding to <u>beneficiary</u> needs:</p> <ul style="list-style-type: none"> • Do national authorities consider AGR13's objectives as priorities for the country? • Do farmer networks, farms, employees, and suppliers consider AGR13's objectives as priorities for them? • Has AGR13's service delivery been flexible to the (changing) demands of its clients? 	<p>In Brazil, AGR13 is aligned with national development priorities, including the need to recover degraded pasturelands and protect forest. This is less clear in the other countries, where policies are either under development or opaque (India). In Brazil and Africa, AGR13 meets the needs of a sub-set of farmers who want to invest in sustainable production. In Nicaragua, however, the Oikocredit loan only covers working capital needs, and not the capital investments that would also be required. In India, the focus on climate-smart agriculture was initiated by AGR13 and was not demand-led. That said, the environmental challenges faced by smallholders and society at large in India do make this a relevant area for investment.</p> <p>A need was identified in all countries to comply with international regulations on sustainable production, in particular the new EU Regulation on Deforestation-free Products (EUDR). Many producers were found to be unsure how to comply with this regulation, which presents an opportunity for AGR13 to offer targeted TA on this matter.</p>
<p>EQ9 - To what extent does the Technical Assistance Facility (TAF):</p> <ul style="list-style-type: none"> • Enhance AGR13's service delivery and make it more effective? • Strengthen the capacities of AGR13's clients? 	<p>Monitoring of TA projects after completion remains limited, making it difficult to assess their effectiveness and impact at the portfolio level. Case studies indicate that TA has had limited success in strengthening the capacities of AGR13's end-clients. However, since 2023, IDH has made progress in increasing the visibility of the TA facility and enhancing its potential for impact.</p>
EQ10 - Does the assumption in AGR13's Theory of Change, that impact can be delivered through commercial financiers, hold?	The assumption that impact can be delivered through commercial financiers was found to hold for sustainable land use (which is a core impact goal in the FNS ToC), as well as for forest protection. However, there is less evidence to suggest that this holds for AGR13's impact on rural livelihoods.
EQ11 - Financial additionality: To what extent would the transaction <u>not</u> have come true in the absence of AGR13 (neither the partner bank nor another bank would	AGR13's financial additionality has been modest. In the counterfactual scenario of AGR13 not participating, nearly all end-clients would have obtained funding, but it would have been less well-structured to support sustainable investment – often with shorter maturities and possibly in lower amounts.

have financed the deals), or it would have been at less suitable conditions?	
EQ12 - Development additionality: To what extent would, in the absence of AGR13, the observed development results, chiefly sustainable land use practices, forest protection and reforestation, sustainable and climate-smart agriculture, rural livelihoods, (not) have been achieved?	<p>AGR13's development additionality has been modest. Most AGR13 end-clients were already undertaking sustainable investments, but AGR13 helped expedite the process. In the absence of AGR13, the same results would likely have been achieved eventually. However, expediting work that was already planned also accelerates the replication of similar efforts on other farms within the same company, as well as potential demonstration effects.</p> <p>AGR13 is additional on the PFIs. By introducing sustainability thinking and tools (such as KPIs and ESAPs), AGR13 influences the sustainability agenda and practices of PFIs in a way that other guarantee funds would not have done. In the consortium finance projects – one in Brazil and one in Africa – this effect also extended to other FIs that are not in direct partnership with AGR13.</p> <p>AGR13 has taken a somewhat passive stance, often supporting companies that already operate at high levels of sustainability. This led the evaluators to call (in the 2023 evaluation report) for a more proactive approach, seeking partners and end-clients that are in greater need of progressing toward sustainability.</p>
EQ13 - How efficient are the AGR13 operations in terms of "value for money" and timeliness?	<p>The AGR13 model of working through PFIs is efficient, as AGR13 can leverage end-client development and financial analysis already conducted by PFIs. AGR13 then adds its own E&S appraisal and risk modelling. The same applies to monitoring. Decision-making processes and documentary requirements are considered acceptable and do not significantly prolong the structuring of the transaction.</p> <p>The management and oversight structure of AGR13 is typical for this type of fund, but is misaligned with its current small size. The cost of management and governance is eroding the nominal fund value – even more so when accounting for inflation-adjusted capital.</p>
EQ14 - To what extent are the reporting and monitoring systems appropriate to steer decisions? Moreover, are methodologies for assessing and calculating the quantitative outcomes adequate and sufficient?	<p>The monitoring system combines data collected via the PFIs, end-client self-reporting, and data collected or analysed by AGR13 consultants. This approach is pragmatic and efficient. The KPIs are standardised, which supports aggregation and focus. KPI definitions largely mirror the Ministry's practice. However, the KPIs on livelihoods and gender are somewhat vague and difficult to operationalise. Moreover, in some cases, KPIs could be more ambitious in order to encourage impact.</p>
EQ15 - How does AGR13 fit into the Ministry's (IGG) overall FNS ToC and climate change objectives in particular? How is it complementary and/or synergistic to other initiatives supported by the Ministry in a broader sense?	<p>AGR13 aligns with the Ministry's Global Climate Strategy, given its strong focus on forest protection and on sustainable agriculture to prevent deforestation.</p> <p>The mandatory inclusion of livelihoods objectives in AGR13 is not coherent with the IGG policy brief.</p>
EQ16a - To what extent is AGR13 <u>complementary</u> to other (blended) finance initiatives combating deforestation and promoting sustainable land use?	<p>While there is overlap between AGR13 and other funds in terms of thematic focus and types of instruments, AGR13 distinguishes itself through its delivery mechanism via PFIs. AGR13 plays a complementary role, particularly in relation to Development Finance Institutions (DFIs), by aiding end-clients in reaching a scale that can attract the attention of DFIs. This role holds promise in a financial landscape where concessional loans and subsidies diminish when agribusinesses reach scale, but DFIs are not yet able to engage. AGR13 helps to fill this gap.</p>
EQ16b - To what extent does AGR13 <u>add value</u> to <i>other</i> (blended) finance initiatives combating deforestation and promoting sustainable land use?	<p>AGR13 sets itself apart through its exclusive collaboration with financial institutions, effectively harnessing their established infrastructures. In a recent example, however, AGR13 leveraged both commercial and development financial institutions, by acting as a cornerstone investor, specifically covering the risks of local banks in a funding consortium in Africa. The same approach was used in Brazil, supporting a structured loan for medium-scale soy producers.</p>
EQ17 - What are the strengths and weaknesses of AGR13? Are there any bottlenecks and shortcomings requiring action? Is AGR13 sufficiently innovative? What are the risks to MFA?	<p>The main strengths of AGR13 are that it operates through PFIs and its broad product assortment. However, working through PFIs is also a limitation, as AGR13 cannot choose its own end-clients and must move at the same (often slow) pace as its PFIs.</p>

	<p>The evaluation team found that there are few sustainable banks in the market, and that national policies are also slow to embrace concerns around forest protection and sustainable agriculture. This helps explain the slow progress of AGR13. However, markets are moving, presenting opportunities to AGR13. AGR13's small size, combined with historical losses, hinders its ability to reach financial sustainability and attract new investors.</p>
<p>EQ18 - What are the main lessons learned from AGR13? To what extent are these learnings effectively shared with others in the field and how could they be integrated in future blended finance initiatives supported by MFA?</p>	<p>AGR13 has generated important lessons, as articulated in this report. These must be systematised, documented, and shared with a wider audience of sustainability practitioners. This is a key task of AGR13, IDH, and UNEP. However, learning and knowledge sharing has largely been centred around sector studies, aimed at sharing knowledge with other fund managers and investors. AGR13 has been less active in sharing the lessons learned from projects within its portfolio. Additionally, AGR13 end-clients have not actively participated in knowledge events, such as field days.</p> <p>The TAF could be mobilised to develop best practice manuals – for example, in cattle and soy. It could also be used to develop publications that raise awareness among other banks in AGR13 programme countries about sustainable land use, forest protection, and ways to finance such investments.</p>

6.2 Summary of recommendations

Table 6.2 The evaluation team recommends the following to improve the performance of AGR13

#	Recommendation	Evaluation Criterion
1	Increase AGR13's financial and development additionality by seeking more innovative and potentially riskier projects, for which it has the appropriate instruments.	Additionality, Effectiveness, Impact
2	Although rural livelihoods may be an outcome in the AGR13 ToC, the fund should not select projects solely on the basis of this objective.	Effectiveness, Impact, Coherence
3	AGR13 should reinforce gender analysis at the due diligence (DD) and environmental and social (E&S) stages, to more deliberately incorporate actions aimed at advancing gender equality.	Effectiveness, Impact, Coherence
4	Establish a monitoring system to track TA outcomes after completion of the TA project.	Effectiveness, Impact, Efficiency
5	The MFA and AGR13 should recognise the limits of the market's capacity to absorb AGR13 services. Financial and business projections should be made that are realistic in light of past experiences.	Efficiency
6	AGR13 should take measures to curtail its costs, as the fund is depleting too rapidly. In particular, there is a need to review the role and composition of the various committees.	Efficiency
7	While geographical diversification has value, priority should be given to countries where the greatest impact can be achieved (quickly). This puts Brazil at the top of the list.	Effectiveness, Impact
8	Encourage AGR13 to explore partnerships beyond traditional banks, which may include impact investors in commodity finance, trade companies, and similar actors.	Additionality, effectiveness
9	Identify TA opportunities that benefit multiple AGR13 end-clients – such as compliance with EUDR or implementing carbon sequestration measure – and develop sector-level TA accordingly.	Effectiveness, Impact
10	Broaden AGR13's impact by more strongly incentivising end-borrowers to demonstrate and disseminate innovative practices, while giving them assurances that proprietary technologies are protected.	Impact



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