



# FEED THE FUTURE

The U.S. Government's Global Hunger & Food Security Initiative

## TOOLS FOR ENABLING AGRICULTURAL FINANCE

### PAY FOR PERFORMANCE INCENTIVE TOOL

#### What is it?

It is an incentive grant/subsidy aimed at increasing financing and investment into the agriculture sector, specifically, the maize, rice and soy (MRS) value chains.

#### When and why to use it

The tool was introduced to incentivize two key actors in the financial space to stimulate and increase their interest in agriculture finance. The actors are:

- **Financial Institutions (FIs) – Objective was to increase the FIs interest in agriculture lending and address challenges that inhibits lending to this sector through the use of the USAID FinGAP ‘pay-for-performance’ incentive grants.**
- **Business Advisory Service Providers (BAS Providers) – Objective was to subsidize the cost of business advisory services offered agribusinesses to enable them prepare documentations required to become “Finance ready” for the FIs.**

#### How to apply it

1. **Determination of grants/subsidy objective, target beneficiaries and implementation period**
2. **Identification of Participating Financial Institution and Business Advisory Service Providers**
3. **Determination of use of grants/subsidy and related cost sharing mechanism**
4. **Determination of milestone and grant/subsidy draw down mechanism**
5. **Monitoring and Evaluation**
6. **Modification**

#### Key lessons learned and tips for applying the tool

- **Banks understanding of the agriculture sector and agri-financing is key**
- **Use of value chain approach to agriculture finance help mitigates risk**

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