



*Terms of Reference*

## **Expert in funding mechanisms to support responsible innovation in Africa (NKE3.18, Cat I)**

*Assignment*

### **Funding mechanisms for responsible innovation to contribute to the transformation of agrifood systems in Africa: Making options for DeSIRA projects explicit**

#### **1. Context and background of the assignment**

The [DeSIRA Initiative](#), funded by the European Commission (DG INTPA) seeks to enhance an inclusive, sustainable and climate-relevant transformation of rural areas and agri-food systems, by linking agricultural innovation with research and education for developmental impacts at scale. It supports actions in low- and middle-income countries (LMICs) to strengthen agriculture and food systems resilience, the relevance of the national and regional innovation systems, and the coherence and efficiency of their agricultural public research and extension services related to climate change adaptation.

[DeSIRA-LIFT](#) is a service project (June 2021 – May 2025) to the European Commission (EC), Directorate General for International Partnerships (DG INTPA) with the main objective to enhance the impact of the DeSIRA Initiative by providing (on-demand) services to DeSIRA project holders and partners. DeSIRA-LIFT includes three service areas aligned to the three DeSIRA Pillars: Service Area 1 supports country-led DeSIRA projects to enhance their impacts on climate-oriented innovation systems in line with more sustainable food system transitions. Service Area 2 supports the Comprehensive Africa Agriculture Development Programme (CAADP) ex-pillar IV organizations in their Agricultural Knowledge and Innovation Systems (AKIS) related roles. Service Area 3 supports policy makers on themes related to agricultural research for development (AR4D) and innovation policies and programming.

#### **2. Rationale of the assignment**

There is a global agreement on the difficulties faced by agricultural and food systems, such as food and nutrition insecurity, inequality, the necessity for job creation, climate change, loss of biodiversity, and the high demand for resources. Additionally, there is increased shared understanding of what food system outcomes need to entail to achieve SDGs and what innovation gaps still exist.

Innovation involves the introduction and implementation of a new idea or concept within an economic and social context. It could be at farm level with new agricultural or management practices, at value chain level with new processing or marketing methods, at organizational level addressing the way organizations deliver support services to farmers or innovators and cooperate with other organizations, at territorial or landscape level with new natural resources management practices, or at policy level with new rules, agreements and/or norms. The innovation could be supported by *individual actors* acting as a champion (young or new entrepreneurs, start-ups, emerging firms or businesses) or through *collective innovation* based on multi-stakeholder approaches (even if objectives and outcomes may not yet be clearly defined).

Consensus concerning the processes of innovation and the types of innovations that should be encouraged, does not exist. This is because innovations can have varying effects, either positive or negative, depending on the dimension (economic, social, environmental) or the perspective of the stakeholders involved (civil society, private or public sector, academia). Ensuring that innovation is **responsible**<sup>1</sup>, and oriented

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<sup>1</sup> European Commission (2011). Horizon 2020 – the framework programme for research and innovation. Brussels

towards sustainable development, fairness, and inclusivity, is a crucial concern for achieving (a) green and equitable agri-food systems transformation(s).

The type of support provided varies depending on the stage of innovation. Four phases could be emphasized: 1) the ideation phase (generation and evaluation of ideas), 2) the prototyping, piloting or testing phase to make necessary improvements, 3) development phase to test and adapt in real conditions the innovation (which includes bringing the innovation to the market), 4) the generalization phase bringing the innovation at scale including ongoing, adaptation, as well as 'embedding' of the innovation. Between these phases *continuous feedback loops* exist.

In order to support innovation at the different phases, specific services are required (see box 1).

Responsible Innovation (RI) is a concept that has gained increasing attention in the scientific community in recent years. According to the European Commission (2011) RI entails "taking into account the societal, ethical, and environmental implications of research and innovation in order to ensure that their outcomes are desirable and sustainable". RI recognizes, therefore, that innovation should not only focus on technological progress and economic growth but also consider broader societal implications and address potential risks and ethical considerations.

RI could be assessed with *environmental criteria* such as addressing climate change, biodiversity loss, soil health, water security, etc.; *social criteria* like inclusivity (small farmers, SMEs, urban marginalised communities, etc.) and gender; and *economic criteria* like job creation, living income, etc.

This study focuses in detail on one of these services "the '*diversified funding mechanisms*'".

**Box 1. Supportive innovation services**

To overcome existing barriers, four generic services are considered key to support responsible innovation:
<b>1. <i>Networking, facilitation and brokering</i></b>
Networking, facilitation, and brokerage are essential in all stages of the innovation process. Coordination among innovation actors is necessary for innovation to succeed by consolidating informal or formal networks of actors. There is need of specific services to facilitate this coordination and exchanges to produce knowledge and drive actions.
<b>2. <i>Strengthening actors' capacities to innovate</i></b>
Innovation actors are the driving force behind transformative change. Therefore, providing key services to strengthen their ability to innovate at various levels (individual, organizational, and institutional levels), is crucial. These services may include <i>technical</i> and <i>functional</i> capacities building to enhance their innovation capacities.
<b>3. <i>Knowledge for action</i></b>
Because <i>new</i> knowledge generation for action is an important condition of innovation, there is a need to use and valorize both indigenous or local knowledge as well as scientific knowledge. In this sense research, whether applied or fundamental, could play a key role in contributing to the innovation process.
<b>4. <i>Diversified funding mechanisms</i></b>
A variety of funding mechanisms is required due to the varying financial requirements of different phases of innovation. For instance, seed money may be necessary for testing an idea, conducting feasibility studies or developing a proof of concept; risk capital may be required for prototyping and experimentation; and additional risk capital funding, loans or financial guarantees may be needed for scaling up. To determine the appropriate cost-sharing mechanisms and incentives between public and private stakeholders, factors such as the phase of innovation, the level of underlying risk, and the distinction between public and private good production must be taken into consideration.

**Funding mechanisms for Responsible Innovation: current state of affairs**

There is a wide range of interventions that aim to support innovation through various funding mechanisms. The specific intervention or *funding mechanism* used depends on various factors such as the theme being addressed, the level of coverage (i.e., country, region, or global), the target recipient of support (e.g., type of entrepreneur, collective innovation, support for services like incubators or accelerators, etc.), the phase of innovation being supported, the type of funding (e.g., seed, award, grant, equity, debt, etc.),

the type of additional support (e.g., technical assistance, brokering, etc.), the size of the initiative (i.e., total budget, number of projects), and the origin of the funding for the initiative (i.e., public or private donors, philanthropy, etc.).

Some key features of these interventions are:

- Many funding mechanisms to support innovation are not linked to a sector (health, agriculture, etc.). However, funding mechanisms for the agricultural sector in Africa (production, processing, trading or service provision) need to be *specific* due to the often small size of firms (farms, processing units, etc.) and the high risks for investors.
- Many funding mechanisms support innovation at the earlier phases (idea phase, development, piloting or testing phase) mainly through R&I projects or at the production phase with loans and guarantees. However, there is still a missing '*middle*' often with difficulties to provide 'smaller' funding amounts (or: 'tickets') to small- and medium-sized firms, making it difficult for the vast majority of small-scale actors to access funds (e.g., for SMEs or Farmers' Organisations). Their financial investment needs are often too large for microfinance, but too small -and seen as too risky- for the formal banking sector.
- Funding mechanisms include a diversity of support services often for (i) individual innovation (entrepreneurs, start-up, emerging businesses) as well as (ii) support services to strengthen the innovation ecosystems (incubators, accelerators). There are less opportunities to support *collective innovation*.
- The institutional sustainability of interventions to fund innovations are questioned as the funds are often provided by the international cooperation community (donors), which is a particularly sensitive issue in Africa.

#### *Funding mechanisms for innovation promoted by the DeSIRA initiative*

The DeSIRA initiative was launched at the 2017 One Planet Summit with the objective to contribute to climate-relevant, productive and sustainable transformation of agriculture and food systems in low and middle-income countries. DeSIRA aims at supporting research and innovation projects (currently around 70 in number) in Africa, Asia, Latin America and strengthening research capacities and research governance involving key actors at national, regional, continental and global levels. First activities started in mid-2019. The large majority of projects support innovation based on multistakeholder approaches including the co-creation of technologies; services or new organization modalities in value chains and in region/territories; capacity strengthening and policy dialogue. Some projects have an objective to scale innovations: either scaling out (i.e., doing more of the same things, e.g., increasing the number of end users with a focus on geographical duplication and adaptation), scaling up (i.e., doing things better, e.g., impacting institutions, laws and policy) or scaling deep (i.e., doing different things, with a focus on scaling innovation capacities). However, the limited resources and the timeline of the projects may limit this ambition. The actors involved in DeSIRA projects may therefore have the objective to access other sources of funding to scale their innovations. As there are several possible approaches to support innovation scaling (it depends on the purpose of the scaling, the maturity of the process, the capacities of actors to engage, the available resources) DeSIRA LIFT (SA1) is providing support to DeSIRA projects to strengthen their capacities to manage innovation projects towards impacts. Specific support is provided by DeSIRA LIFT to develop an exit strategy before the end of the project. This study will specifically complement that intervention by providing more information on:

- (i) funding mechanisms supported by **national or regional African organizations or governments**; and
- (ii) access to finance for **responsible innovation** (including **collective innovation**) by e.g., farmer organizations (FOs), SMEs, Civil Society Organisations (CSOs).

### **3. Beneficiary of the assignment**

The main beneficiaries of this study are DG INTPA (F3) and the DeSIRA projects.

The findings from this study will be used for:

- informing of and engaging with on-going DeSIRA projects, e.g., to enrich their exit strategies, with different and complementary modalities to fund their innovations at scale;
- informing future DeSIRA+ projects (and stakeholders), e.g., to assess the opportunity to co-fund project activities using other innovative funding mechanisms to enhance sustaining of their innovations.

The findings from this study should therefore be of interest to a wide range of stakeholders in the DeSIRA community and beyond.

#### **4. Scope of the assignment**

##### **Objective**

The objective of the study is to characterize the diversity of mechanisms *to fund agricultural innovation in Africa at different phases of the innovation process* and to support DeSIRA projects in identifying relevant funding mechanism to scale their innovations.

##### **Scope and methods**

The study will include three phases.

##### **PHASE 1: TYPOLOGY OF EXISTING FUNDING MECHANISMS**

The first phase will produce a comprehensive typology of existing national and regional funding mechanisms *in Africa and in other continents to support the scaling of innovation*

The typology is suggested to take into account the following:

- Funding origin (public or private donors, philanthropy, etc.);
- Purpose of funding (including the innovation domains);
- Target audience (direct or indirect such as financing of innovation support services);
- Format or type (grants, awards, subvention, etc.), including the sustainability dimension;
- Innovation phase (seed funding, experimentation funds, etc.);
- Diversity of procedure to access the funds (selection criteria, evaluation rules);
- the rules of Intellectual Property Rights applied to the innovation products;
- Integration of the funding mechanisms with national innovation policies, including research policies, agricultural policies, rural advisory policies, sectoral policies, etc.

The typology will be developed as follows:

- Preparing a first draft based on a literature review;
- Enriching the draft typology based on interviews, discussions and collection of examples (e.g., from the DeSIRA community).

##### **PHASE 2: COLLECTING DESIRA PROJECTS' NEEDS**

The second phase is dedicated to the assessment of DeSIRA projects' willingness to scale their innovation and their associated needs for funding.

In collaboration with the SA1 core team, the consultant will share the results of phase 1 and will assist in raising awareness among DeSIRA projects about the opportunities to scale their innovations through various types of funding mechanisms. The consultant will prepare and implement a process to help the projects to express their needs.

Between 15 to 20 'expressions of needs' are to be collected.

##### **PHASE 3: SELECTION AND SUPPORT**

In collaboration with SA1's core team, a limited number of projects (between 5 and 10) will be selected to benefit from a tailor-made support, which includes identifying which funding mechanisms best suit the projects' needs and recommending which strategy could best be followed to access funds. The strategy will be co-developed with key national or regional organisations that can play a leveraging role in that process.

The selection of projects should allow a good representation of a diversity of innovation scaling processes (scaling up, scaling out, scaling deep) *and* innovation domains.

## 5. Results of the assignment

The study needs to result in the following outputs:

- A typology of funding mechanisms for agricultural innovation;
- 15 - 20 projects have expressed the need for funding to scale their innovations;
- 5 - 10 projects are equipped with a funding strategy;
- A policy brief to summarize the main elements of the study (typology, funding needs to scale innovations; examples of strategies to access relevant funding in different innovation domains).

## 6. Deliverables

Deliverables for the study include:

- A short inception report (size and format will be discussed with DeSIRA-LIFT team) to introduce the specific methodology for the study;
- A draft report for phase 1;
- A final report for phase 1 (20 - 25 pages, format will be discussed with DeSIRA-LIFT team);
- A description of the needs of 15 - 20 projects to scale their innovations;
- A description of the recommended funding strategy for 5 to 10 projects;
- Presentation (PowerPoint) to be used to share results
- Policy brief (to be specified with DG INTPA and the DeSIRA-LIFT team) including key take-aways of the study

## 7. Organisation and duration

The total duration of the study, includes a maximum of 65 expert days spread over 9 to 10 months, starting in February 2024 (see timeline below for specific details).

*Overview of tasks and days*

<i>Inception phase: prepare the approach and methodology for the study</i> Product: inception report	5
Conduct a literature review for a typology of funding mechanisms supporting innovation and guidance meetings with SA1's core team Product: draft typology of funding mechanisms	8
Adapt the draft typology, in discussion with DeSIRA projects and DeSIRA implementers (focus groups, interviews, data collection) Product: final report and consolidated typology	8
Support to the expression of projects' needs (15-20)	10
Support to the development of tailor-made strategies to access funds, for 5-10 projects 1 strategy per project	20
Writing of a policy brief and key take-aways	5
Participate in coordination meetings with DeSIRA LIFT and SA1's core team in particular	5
Contribute to (a) webinars to present key take aways	4
<b>TOTAL DAYS</b>	<b>65</b>

A team of experts of DeSIRA-LIFT will support the study. In addition, DeSIRA-LIFT will liaise with relevant DeSIRA projects already addressing certain funding mechanisms (e.g., the TAP-AIS project). Strong coordination is needed with SA1 DeSIRA LIFT.

The expert will report to DeSIRA LIFT and INTPA. An independent advisory group may be set up to monitor study progress.

The assignment will be home-based and includes a desk review.

*Timeline:*

- February – March, 2024: Inception phase and phase 1 (see section 4)\*
- April – May, 2024: Phase 2 (see section 4)\*
- June – November, 2024: Phase 3 (see section 4)\*
- December, 2024: Key take-aways and preparation of policy brief\*

*\*March – December, 2024: Participation in meetings and contribution to webinars*

## **8. Required qualifications and experience**

The expert will have:

### Qualifications and skills

At least MSc/MA-level in a discipline related to Agriculture, Food and Nutrition Security, Agronomy, Rural Development, International Development, Sociology, or, in its absence, equivalent professional experience.

### General professional experience

At least 12 years' professional experience in areas directly relevant to international development, innovation with a social science perspective, knowledge and innovation systems, or likewise.

### Specific professional experience

- At least 5 years' professional experience in areas directly relevant to agriculture in an international setting, including knowledge of funding mechanisms / access to finance in sub-Saharan Africa.
- Experience in applied research in agricultural finance and development in Low- and Middle Income Countries, preferably in Africa.
- Experience working in consultation with professional organizations (farmer organizations, NGOs, private companies, research centres, etc.) and/or international organizations and / or multi-stakeholder processes.
- Understanding of financial concepts (financial analysis, budgeting, forecasting, and financial modelling) will help in assessing the financial viability and potential risks associated with funding mechanisms.
- An understanding of how business models are developed in Africa's agricultural sector, enhancing the ability to assess the viability of specific funding mechanisms, will be an advantage.
- Familiarity with project management methodologies and tools is important to effectively identify and gather lessons learnt and assess the appropriate funding mechanism to support responsible innovation.
- A thorough knowledge of the funding landscape, including government grants, loans, venture capital, angel investment, crowdfunding platforms, and other alternative funding sources, is essential.
- Understanding requirements, application processes, and evaluation criteria of various funding mechanisms will be beneficial.
- Awareness of legal and regulatory frameworks related to funding mechanisms is a pre.

### Soft skills

- Ability to work in a team and in a multicultural context
- Motivation, self-direction and pro-activeness
- Methodological rigour, priority management and organisational skills
- Excellent writing and oral presentation skills in English.
- Working knowledge in French is an advantage.