



ACT Fund: Unlocking smallholder farmer potential through regenerative agriculture

At the CFC we believe regenerative agriculture has the potential to be transformative for smallholder farmers. We want to support them to access the tools, resources and expertise they need to adopt regenerative techniques through our ACT Fund, which invests in agri-SMEs that work with smallholders.

That's why we've put inclusive regenerative agriculture (IRA) at the heart of ACT Fund's impact strategy. By prioritising inclusivity our aim is to make sure smallholders in some of the world's poorest regions truly experience the environmental and social benefits of regenerative farming.

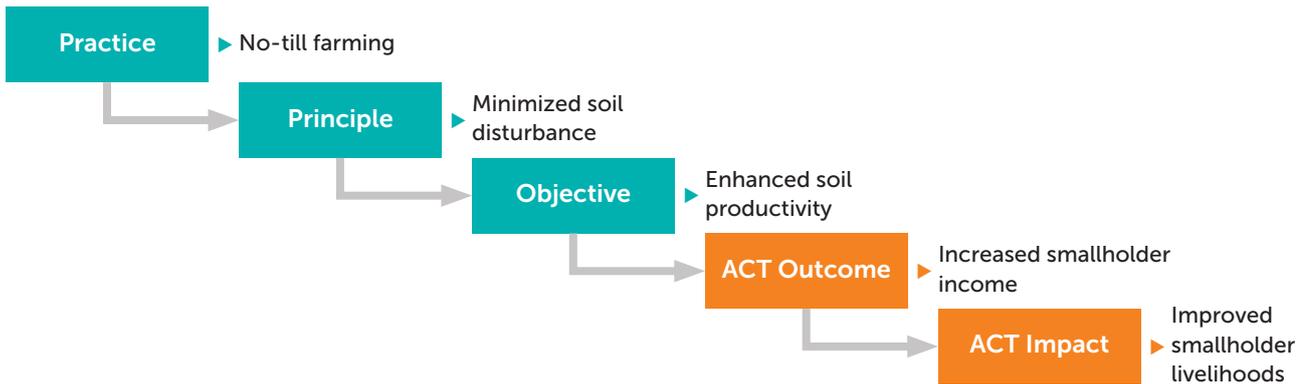
Fusing inclusive with regenerative

We're reshaping regenerative agriculture by enhancing its traditional theory of change (ToC) framework to meet the key challenges smallholders face today.

Regenerative agriculture initiatives usually follow a hierarchy consisting of: **objectives** such as enhanced soil productivity; **principles** designed to drive those objectives, such as minimized soil disturbance; and agricultural **practices**, such as no-till farming, that achieve the principles.

Our ACT Fund ToC takes this a step further to fully and inclusively incorporate the smallholder farmer, by adding **outcomes** and **targets**, as the diagram below shows.

Inclusive regenerative agriculture hierarchy of practices, principles, objectives, ACT outcomes, and ACT impacts, illustrated by how no-till farming leads to improved smallholder livelihood



This is one of the first times investment in regenerative agriculture has been approached from the perspective of the economic and environmental wellbeing of smallholder farmers. This includes a focus on advancing gender equality by bringing down the extra barriers to prosperity women smallholders often face.

It is an approach that has informed the four core objectives of our ACT Fund impact strategy:

- 1 Increased smallholder farmer incomes** – boost food security and reduce poverty
- 2 Climate change mitigation** – support smallholders to use low and no emission methods
- 3 Climate change adaptation** – enable smallholders to thrive in volatile climates
- 4 Enhanced biodiversity** – counter biodiversity loss and enrich soils

In this framework different practices may work through more than one principle and contribute to more than one objective. But collectively our strategy objectives address the interlinked challenges of poverty, climate change and biodiversity loss, while restoring the productive capacity of agricultural systems.

ACT Fund's role in driving inclusive regenerative agriculture

The ACT Fund promotes inclusive regenerative agriculture by providing two critical services to agri-SMEs: loan financing and technical assistance (TA).

Financing drives the growth and diversification of ACT investees, enabling them to positively impact more smallholders. While TA expertise supports businesses and the smallholders they work with to implement IRA techniques effectively.

Our Technical Assistance support has two main purposes:

Enhance impact – typically TA is directly tied to the rollout of IRA practices among smallholders, with the aim of contributing to one or more of the core objectives of the ACT Fund impact strategy.

For example, by improving the quality or reach of training efforts or the application of suitable inputs.

Business development – in cases when we are targeting

businesses that already deliver IRA impacts, the TA may strengthen the business case to increase the resilience and the reach of the existing regenerative activities.

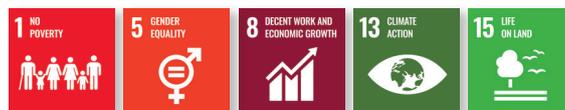
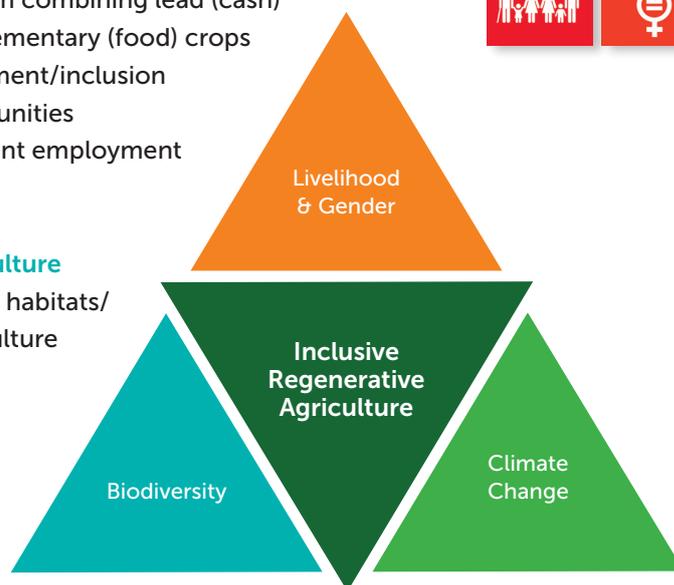
How inclusive regenerative agricultural practices interact with ACT's core objectives

Increased smallholder farmer incomes

- Diversification from combining lead (cash) crops with complementary (food) crops
- Female empowerment/inclusion
- indigenous communities
- Inclusive and decent employment

Biodiversity positive agriculture

- No conversion of natural habitats/ deforestation-free agriculture
- Biodiversity enhancing multi-cropping
- Agroforestry and shade-tree agriculture



Climate change resilience: adaptation and mitigation

- Rotational and multi-cropping systems combining food and cash crops
- Mulching, cover crops and conservative tilling
- Minimal/no chemical inputs
- Habitat conservation practices
- Living soils
- Shade tree inclusion

From practices to impact: illustrating how ACT Fund's finance and TA connect to impact

The below table provides examples of how specific regenerative agriculture practices have the potential to generate positive impacts when implemented with attention to local conditions. More information on IRA practices and associated impacts found in our full IRA position paper.

	Minimum and no-till farming	Cover cropping	Crop rotation and intercropping	Agroforestry
Improved livelihood (higher yield and farming incomes)	Improved soil health and water retention lead to increased yields	Improved soil health from less erosion/run off, improved nutrient cycling, water retention	Improved soil health and less pest and diseases combined with more diverse income and food systems	Improved soil fertility combined with more diversified income and food systems
Climate Change Adaptation (more resilience to overcome climate change)	Reduced heat-stress improves soil health and crop resilience	Reduced vulnerability to erosion from extreme rainfall and improved water retention during drought	Improved (more resilient) plant health from increase in 'living organisms in soils' and improved resistance against pests resulting from climate change	Better water regulation leads to drought resistance and overall improved resilience against weather shocks
Climate Change mitigation (more carbon sequestration reduces GHG emissions)	Carbon sequestration through increased Soil Organic Carbon (SOC)	Effective cover leads to lower emissions from the soil and requires less nitrogen fertilizer usage	Rotation reduces organic carbon decomposition and intercropping increases carbon storage above- and below-ground	Increased carbon storage above and below-ground leading to more carbon sequestration
Positive biodiversity effects (interaction between increased biodiversity and natural ecosystem services such as natural pest control)	Countering traditional tillage, these practices maintain a biological diverse soil and plant ecosystem	Providing a natural habitat for various organisms, providing a conducive environment for a diverse range of organisms	Rotation disrupts pest and disease cycles leading to improved soil biodiversity and the wider ecosystem feeding off these soils while intercropping leads to the increased presence of insects (such as bees)	Integrating trees leads to an increase in non-cultivated animals and plants.





Measuring the success of inclusive regenerative agriculture

The ability to measure performance is crucial to any investment. We have developed a robust methodology to help us do this in the smallholder context.

Our approach to monitoring, evaluation and learning (MEL) is designed to overcome the challenge of working with thousands of individual plots each applying specific tailored IRA solutions and experiencing impact unevenly. Crucially, it balances measuring impact with the costs and practicalities of carrying out monitoring for our investees and smallholders.

One key metric is the promotion of practices. Activities such as training, providing inputs and supporting agri-SMEs into premium markets, generate quantitative and factual key performance indicators (KPIs) that are relatively straightforward to measure.

By monitoring how many smallholders have received the skills and resources to implement IRA we can extrapolate the reach and impact of development interventions. This is supplemented by targeted plot-level

quantitative analysis, which is too costly for investees to carry out at large scale but establishes a link between certain impact-level objectives and underlying practices. For instance, plot-level sampling and analysis of soil organic matter can demonstrate that practices have led to healthier, more productive soils, which has in turn increased incomes.

A stepping stone to sustainable and equitable food systems

Hopefully this has given you a glimpse of the potential of inclusive regenerative agriculture to achieve ACT Fund's core objectives: increased smallholder farmer incomes, climate change mitigation, climate change adaptation, and enhanced biodiversity. As well as our ability to consistently measure the impact of our investments using our proven MEL approach.

By enabling smallholder farmers to pursue regenerative practices, tailored to their needs and challenges, we can drive economic, social and environmental progress. That's why we're committed to building our ACT Fund investments around the inclusive regenerative agriculture concept.

If you'd like to read more about our approach to IRA within ACT Fund, please get in touch with us to receive the full position paper.

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