UNLEASHING THE CATALYTIC POWER OF DONOR FINANCING TO ACHIEVE SDG 2

Draft Findings & Recommendations of the Enquiry on Sustainable Finance in Agri-Food Systems

Commissioned by:
the Global Donor Platform for Rural Development (GDPRD)

Global Donor Platform for Rural Development

Conducted by:
the Shamba Centre for Food & Climate

SHAMBA CENTRE for food & climate

WHAT IS THE ENQUIRY'S CORE MESSAGE?

If donors and development finance institutions take higher risks with their grants and lending, every dollar has the potential to mobilize four dollars in commercial finance. When this happens, agri-food SMEs will have more financing, domestic lenders will participate, and markets will deliver affordable borrowing rates.

This is the catalytic power of aid.

BIGGEST OPPORTUNITY IS THE MISSING MIDDLE

Most financing is going to cash crops destined for export rather than food crops meant for domestic consumption.

Volume of lending by value chain in USD millions, 2013-2022

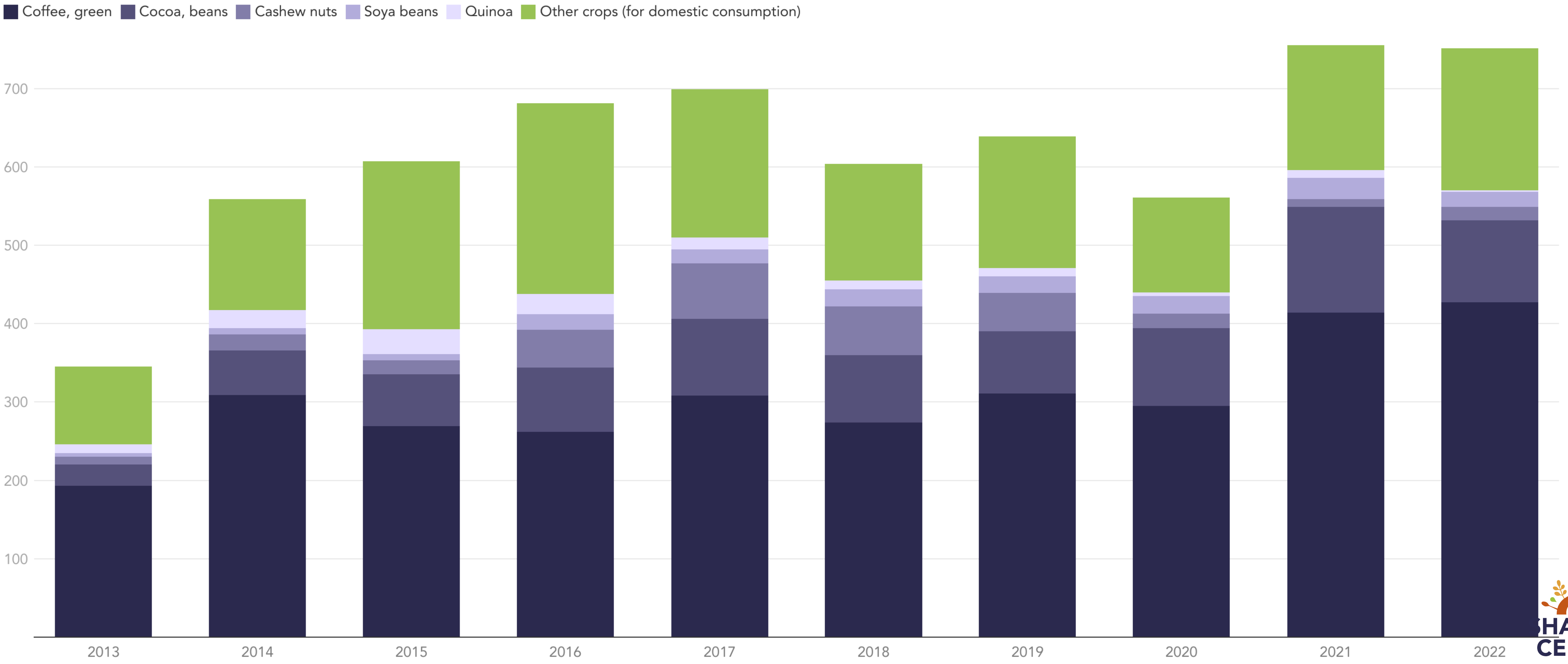

Chart: Lysiane Lefebvre • Source: CSAF Open Data Portal

DEVELOPMENT FINANCE INSTITUTIONS (DFI) MUST BUILD EXPERTISE AND RISK APPETITE OF DOMESTIC LENDERS

- **DFI’s and donors must provide incentives and technical assistance to domestic lenders.**
- DFIs’ prudential rules and governance structures discourage them from excessive risk-taking.

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MOST STAKEHOLDERS SUPPORT A MULTI-DONOR WORKING GROUP AND KNOWLEDGE HUB FOR EXPERIENCE SHARING

> There is value in 'aggregating' due diligence, co-financing and experience on blended finance and pay-for-performance financing. This will help us scale blended financing more quickly
>
> *- Donor agency*

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