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)

Conducted by:
the Shamba Centre for Food & Climate
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.
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

- Coffee, green
- Cocoa, beans
- Cashew nuts
- Soya beans
- Quinoa
- Other crops (for domestic consumption)

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.
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