



## **GDPRD Miniseries for IFAD Podcast Farms. Food. Future.**

### **Andrea Zinn**

Director, Council on Smallholder Agricultural Finance (CSAF) and Senior Manager Aceli Americas, Aceli Africa

#### **Michelle Tang/GDPRD Secretariat: What are the issues that keep you up at night?**

**Andrea Zinn/CSAF/Aceli:** I would say the most burning issue that keeps me up at night is the climate. Of course, it's very applicable to my work and drives a lot of what I do especially when I'm working at the cooperative level or talking to farmers.

What I'm seeing is that it just feels so urgent to me and at the same time, for many other populations around the world, it feels like it's more of a slow burn.

I am sitting here in Rome right now, the weather is beautiful. It's great to visit as a tourist on business. But I'm also concerned. It should be cold right now and it's not.

#### **Michelle: You mention Rome and you are here for the Donor Platform's Annual Assembly which celebrated the Platform's 20 years. It was a moment to pause and reflect on 20 years of rural development and aid effectiveness. What have been the major shifts and what has truly made a difference?**

**Andrea:** I have been working in the development sector for about 10 years. So half of that time. But I've seen a lot of shifts during that time as well. What resonates the most is that especially in the agriculture sector, it's very clear that donors alone cannot effect enough change in order to achieve our goals around rural development and climate. It's very clear that the private sector needs to step in.

When it comes to agriculture finance, there's so many risks, which people are very well aware of, and high transaction costs—so what we see is that most private investors are facing trade-offs where it is more profitable with higher returns and less risk to invest in other sectors.

That's where there's a need for donor coordination with the private sector and we've seen many success stories: When donors have stepped in to make financing to the agriculture sector more effective, more realistic, and more affordable for investors to cover their own costs and their own risks, is when we can actually see how that financing can be used to create impact at the agriculture SME level at the cooperative level and then ultimately for farmer livelihoods and positive environmental performance.

**Michelle: Looking at the next 20 years, what do you think needs to happen to truly make a difference in rural communities and tackle food insecurity? What do you think is a key ingredient in getting donors to coordinate better and with tangible results?**

**Andrea:** What I've seen as really effective around donor coordination is having donors buy into a model that works. There's a lot of donor projects where donors come in with a very specific idea of what they want done and a specific funding timeline which has a horizon. And at the end of the day, it is difficult to have a very effective project if it only has a two-year or three-year or even a five-year timeline.

And we've been fortunate to work through some cooperative agreements where the donors buy into our model at Aceli and that allows other donors to also opt in. And then what we can do is create a larger pool of funds that can be used with very targeted, coordinated efforts.

We're also aligning around data. Sometimes donors have different metrics and it's hard to coordinate across those donors. You're collecting so many different metrics that have very similar meanings, but they're not calculating quite the same way, so they're not comparable— and we spend more time collecting data compared to building evidence. When you want effective blended finance models to work, they are proof of concept and they can be then folded into the enabling environment. An effective blended finance model ideally would be folded into the national policy. We've seen that when we've had more donor coordination, we can build more evidence with the long-term goal of actually affecting policy.

**Michelle: What do you think it's the ingredient to really scale this up so that we can move from billions to trillions.**

**Andrea:** We often see with blended finance that the metric that is always advertised is the leverage ratio—for every donor dollar they've been able to mobilise X amount of capital. Sometimes the average ratio of the sector is 4; at Aceli we've achieved 12 or 10 depending on the year, but we have some questions about whether that is the most effective way to measure impact. We need to continue researching and evaluating and building evidence around what are the best ways to measure the effectiveness of donor capital, to measure impact, and to steer that in a way that's most effective for the environment and for livelihoods, whether those are farmers or workers.

One of the ways that we do that is at Aceli is we measure how much of the capital mobilised goes to new borrowers—so, creating those new borrowing relationships. That's one indicator of additionality, additionality is hard to measure and I wouldn't say that [indicator] alone is enough, but it's one way that we're going beyond the leverage ratio to measure our impact.

I would love to see other blended finance models also go beyond their leverage ratios to really ask what's most valuable. Sometimes they're methods where you're changing your model to bring the leverage ratio down but reach more agriculture SMEs. I think that that's one of the ways where we can dig a little bit deeper as a sector.

**Michelle: At CSAF, you see the importance of cooperatives and SMEs in development and it's essential to fund these organisations. How can donors help remove the risks that lenders see when it comes to financing these agri-food SMEs?**

**Andrea:** First, it's really important to reiterate that agricultural SMEs and cooperatives are the key to strong communities. They have the opportunity to employ women, youth, and indigenous people. They are often sometimes the only licit economy in their rural community, depending on where they

are. And they also have the linkages to smallholder farmers, which also means that they can influence climate resilient activities with their farmers and promote those climate objectives.

How can donors step in and help remove some of that risk? The investors who are trying to finance these organisations are facing very high transaction costs, high risk, and also there is not a strong addressable demand. So when I talk about addressable demand, I'm talking about that pipeline of agriculture SMEs who are actually ready to receive financing. They have their financial statements in place, they have their legal documents in place, and they have a strong management team that can manage a loan. Sometimes we see work around technical assistance, but it's disconnected from that financing component and I think agriculture SMEs need stronger operations teams to be able to manage their finance, manage their cash flows, and be able to take on that debt or equity. Donors can play a part in financing the technical assistance.

There's also space for them to create innovative risk sharing mechanisms (guarantees or first loss) to defray some of the risk for investors— whether those are impact investors like CSAF or domestic investors as well, they are also struggling to find SMEs that meet their collateral requirements. That's really a place where donors can step in and share in that risk-taking, knowing that these SMEs are otherwise underserved and are able to create much more impact when they have access to adequate and affordable financing.

**Michelle: Thanks for also addressing the missing middle.**

**Now one last question. How did you become passionate about the work that you're doing?**

**Andrea:** I actually studied business, so I didn't think I was going to go into agriculture.

I always was passionate about development, but I wasn't sure at first what path within development I would take. I will credit my parents for always being strong environmentalists.

When it came to a time where I needed to specialize within development, agriculture came to me and I had a great manager who helped build my career and helped me thrive and supported me.

Since then, I fell in love with agriculture and I haven't wanted to leave since.

I think a lot of people share that story, that once you start working in agriculture, you realize how urgent and necessary it is and how much work there is to do so. That's what has kept me to stay.