



Thematic Working Group Sustainable/Blended Finance Meeting minutes

Participants

Group Members

- **Brian Milder**, *Aceli/ASLC*
- **Claude Torre**, *AFD*
- **Farhat Kunmi-Olayiwola**, *AFEX*
- **Aliyu Muhammad**, *AFEX*
- **Ify Umunna**, *AFEX*
- **Eda Dokle**, *ASLC/CSAF*
- **Andrea Zinn**, *CSAF/Aceli*
- **Radio Save**, *FCDO*
- **Oluwadara Adekunle**, *GAC*
- **Philip Van der Celen**, *GAISP*
- **Peter Umunay**, *GEF*
- **Tuleen Alkhoffash**, *IFAD (Co-Chair)*
- **Franziska Salzer**, *KfW*
- **Sebastian Duquet**, *Mirova*
- **Agnes Janszen**, *Netherlands*
- **Johannes Borchert**, *One Acre Fund*
- **Tim Diphooorn**, *One Acre Fund*
- **Clemence Michelsen**, *One Acre Fund*
- **Agnes Johan**, *Rabobank*
- **Sasha Zoueva**, *Rockefeller Foundation*
- **Nadia Martinez**, *SAFIN*
- **Peter Beez**, *SDC*
- **Bruce Campbell**, *SDC*
- **Kamal El Harty**, *Shamba Centre for Food and Climate*
- **Songbae Lee**, *USAID (Co-Chair)*
- **Aderayo Sanusi**, *USAID*
- **Sabine Desczka**, *Wageningen University*

GDPRD Secretariat

- **Maurizio Navarra**
- **Michelle Tang**
- **Alessandro Cordova**
- **Monique Amar**
- **Sierra Berardelli**

Agenda

ISSUE	ITEM	DETAILS
1.	Welcome and Introduction	GDPRD Secretariat
2.	Terms of Reference and Work Plan	Co-Chairs
3.	Presentation of draft Catalytic Capital Framework	Agri-SME Learning Collective
4.	AOB and closing	Co-Chairs

Key Highlights/Issues

1. Welcome and Introduction

- Oluwadara Adekunle (GAC); Peter Beez (SDC); Johannes Borchert, Clemence Michelsen, Tim Diphorn (One Acre Fund); Eda Dokle (ASLC/CSAF); Sebastian Duquet (Mirova); Farhat Kunmi-Olayiwola, Aliyu Muhammad, Ify Umunna (AFEX); Songbae Lee, Aderayo Sanusi (USAID); Radio Save (FCDO); Claude Torre (AFD); Philip Van der Celen (GAFSP) and Sasha Zoueva (Rockefeller Foundation) joined the call for the first time.
- Songbae Lee (USAID) and Tuleen Alkhoffash (IFAD) have been officially nominated as Co-Chairs of the working group until July 2026. Sabine Desczka (Wageningen University and Research) will also support the work of the Co-Chairs and the Group as Academic Advisor
- A new [Technical Note](#) was recently published, presenting the detailed research, findings and recommendations from the enquiry into sustainable finance in agrifood systems conducted in 2023 by the Platform and the Shamba Centre for Food & Climate. **[Maurizio Navarra]**

2. Terms of Reference and Work Plan

PURPOSE OF SECTION:

For the Group to discuss and endorse the draft Terms of Reference.

ISSUES DISCUSSED:

- The inaugural meeting in April 2024 set the working group's objectives, which are: increasing transparency, developing benchmarks, and building evidence to improve decision-making and more effective allocation of donor dollars. Members agreed that the group must have a results-driven agenda over an initial two-year timeline, with the goal of helping donors and investors mitigate risk and enhance returns.
- Members identified **four focus areas** which have been highlighted in the Terms of Reference:
 - Facilitate conversations and agree on a concrete framework for data for donors and decision-making processes (e.g., on data harmonization, including breaking down silos on existing data and harmonizing taxonomies, modelling and consistent integrated M&E, and benchmarking and data sharing to understand impact and additionality of investment);
 - Conduct deep dives into specific topics (e.g., decision-making processes, risk appetite and influencing investors to better position food security) to bridge the knowledge gap between donors and partners;
 - Host events such as webinars or roundtables (for project information sharing and to present key reports on blended finance/impact investment);
 - Establish a regular communication channel with the DFI Working Group on Blended Concessional Finance for Private Sector Projects. **[IFAD, Maurizio Navarra, USAID]**

Discussion and Q&A:

- This working group should also aim to strengthen local institutional capacity, to ensure that financial inclusion for rural development can be achieved at the national level. **[AFD]**
- In addition to the DFI Working Group, the group should consider regular communication with other blended finance working groups, such as the OECD, the World Economic Forum, and the upcoming Columbia Business School blended finance initiative. **[Mirova]**

- This will be considered. The reason the DFI group is highlighted is to communicate with MDBs and better understand their frameworks and measurements. **[IFAD]**
- There are a number of other actors in this space that the TWG could collaborate with, such as: the G7 PDB/DFI Collaborative on Sustainable Food Systems (being developed by the current Italian G7 Presidency), the [Agri-PDB Platform](#) (hosted by IFAD), and the [Adaptation and Resilience Investors Collaborative](#). **[KfW]**
 - There is also the [Donor Committee on Enterprise Development \(DCED\)](#), which works on the connections between market system development, blended finance, and private sector engagement. It is more broadly focused on private sector engagement and is not specialized on agri-SMEs. **[SDC, USAID]**
- How will the agendas of the TWG meetings be decided? **[GAFSP]**
 - The agenda is set by the Co-Chairs and is always open to additions by members. **[IFAD, Maurizio Navarra, USAID]**

ACTION POINTS:

- Members to provide feedback and suggestions to the draft Terms of Reference by **July 17, 2024**.
- The Co-Chairs and Secretariat will develop the first annual Work Plan of the group, which will be sent to members via email.

3. Presentation of draft Catalytic Capital Framework

PURPOSE OF SECTION:

Brian Milder, Founder and CEO of Aceli Africa & Agri-SME Learning Collective (ASLC) Steering Committee Member and Eda Dokle, ASLC Coordinator & CSAF Data & Learning Manager presented the draft Catalytic Capital Framework, which the Co-Chairs are proposing to develop a potential common framework and impact assessment methodology for blended finance in ARD.

ISSUES DISCUSSED:

- **The Council on Smallholder Agricultural Finance** (CSAF) was formed in 2012 by seven social impact lenders to build an inclusive and sustainable financial market for agricultural SMEs. CSAF has now grown to 19 members that collectively deploy about US\$700 million annually, investing in total around US\$7 billion into 7 million smallholder farmers across Sub Saharan Africa, Latin America and Southeast Asia over the last 11 years. CSAF members focus on sharing knowledge, developing lending principles, and enhancing capacity in areas like gender and climate, with information shared through publications and an [open data portal](#).
- Around 2017, CSAF members began discussing the challenges of high risks and low returns in agricultural SME lending and specifically the lack of agri-SME access to finance in Sub Saharan Africa and East Africa. This led to the formation of **Aceli Africa**, launched in 2020 in East Africa, to incentivize lenders to finance agri-SMEs by sharing risks and improving returns. Soon after, Aceli Africa and Dalberg Advisors gathered data from 35 lenders on over 22,000 agri-SME loans, totaling \$4.5 billion of transactions, and concluded that agri-SME lending is less profitable than alternatives. Therefore, Aceli developed an incentive mechanism to unlock private capital, support SMEs and reward and compensate lenders for the positive social and environmental impact created by serving SMEs. The mechanism pools donor funds to offer portfolio-level first loss and origination incentives. With this mechanism, Aceli has supported 2,000 SMEs with \$200 million in lending, by working with 40 commercial banks, non-banks and social impact lenders. Aceli aims to scale up this model in the coming

years and unlock \$1.5 billion by 2030, benefiting businesses aggregating around 4 million farmers and workers.

- In 2023, CSAF commissioned an [Evidence Review for Agricultural SME Finance](#), finding that there are virtually no peer reviewed academic evaluations of agri-SME interventions and very few rigorous third party evaluations assessing the effect of donor funded initiatives on the increasing access to finance for Agri SMEs. The lack of rigorous research, standardized definitions and methodologies leads to ambiguity and inconsistency in how capital additionality and impact related to catalytic capital are assessed by different actors. As a result, it is difficult for providers of catalytic capital to determine how to allocate limited resources or measure the performance of intermediaries receiving catalytic capital. In response, in recent months, CSAF, Aceli, a group of practitioners, donors, and research organizations have formed the **Agri-SME Learning Collective (ASLC)**, with the aim of filling gaps in the evidence base to improve funding flows and policies related to agri-SME finance. The ASLC comprises 20 members, including sector networks (like AMEA, SAFIN, and CSAF), donors, research organizations and others and has three workstreams on catalytic capital, technical assistance and business development, and environment and livelihoods.
- Through its workstreams, the ASLC drafted the **Catalytic Capital Framework** to develop harmonized standards and benchmarks of the uses of catalytic capital across different archetypes (e.g., guarantee mechanisms, first loss for a fund, and incentive facilities), to understand how much catalytic capital is needed and what reporting metrics and evaluation approaches will ensure accountability and contribute to sector evidence and learning.
- The framework has three main categories: capital additionality, impact and context:
 - Capital additionality is assessed at two levels: from capital providers to intermediaries, focusing on factors like capital mobilization and impact orientation; and from intermediaries to agri-SMEs, assessing the ability to unlock capital and generate impact.
 - Impact is divided into subcategories including (1) agri-SMEs (to assess impact through targets including enterprise growth), (2) livelihoods: farmers and workers (to assess impact regarding change in returns and stability and resilience) and (3) thematic (to be used differently depending on stakeholders to assess food sufficiency and security, environment and climate).
 - Context includes country/region economy, political stability and climate vulnerability, using both narrative elements and indices for benchmarking.
- The framework's first version has defined categories and subcategories, with ongoing work on assessing impact through scoring ranges, metrics, and indicators. Testing the framework has resulted in various results, revealed data gaps and raised questions, leading to refinements in the assessment and indicators. **[ASLC]**
- USAID, as a member of the ASLC, is particularly interested in the catalytic capital workstream due to its Financing Agri-SMEs in Africa (FASA) initiative, a first loss fund of funds for investment in African agriculture. The draft Catalytic Capital Framework is being integrated into the FASA learning agenda and USAID is applying the framework across its agricultural finance portfolio. **[USAID]**

Discussion and Q&A:

- The notion that the social lenders are not economically viable on their own aligns with Rabobank's research on non-performing loans. Perhaps enlarging the pool to include data and reference points from other organizations would be useful to gather more diverse inputs. **[Rabobank]**

- Yes, it will be critical to gather data from diverse viewpoints. An analysis of risk and return should be paired with an analysis of farmer choice, market access, and impact, for a well-rounded view. **[ASLC]**
- Why is gender not included in the thematic areas? **[GAFSP]**
 - Gender wasn't highlighted in the presentation and should be communicated more clearly as it's one of the thematic focus areas of the framework (e.g., sex-disaggregated data for SME entrepreneurs, smallholder farmers, and enterprise employees). It was made clear during testing that using various fields can be nuanced, so we are working to understand how to both standardize and provide context where appropriate. **[ASLC]**
- Is there differentiation between local and export food markets? By assessing risk and profitability to improve commercial returns, there might be a drift toward export markets. **[FCDO]**
 - Indeed, when blended finance is mobilized, it is critical to examine exactly where it is going. For example, it is necessary to examine where funds go to export value chains or to food crops, and to larger or smaller businesses. **[ASLC]**
- It would be interesting to hear more about how the data collected with Dalberg was used to understand how to sufficiently incentivize banks. Why are local banks still interested in lending to the agricultural sector despite the fact that the returns on these loans are lower than those from treasury bonds? **[Shamba Centre]**
 - The data is still highly imperfect, especially since we have information from many different sources, but we've seen that with sales incentives, lender return profitability has gone from 3.5% to 6%. Some banks are government-owned, and are thus incentivized to lend to improve the food and agriculture systems of their countries. Other banks have realized that agri-SMEs in rural areas are underserved, and are addressing the gap. Overall, banks are aware of the positive ripple effects. **[Acelij]**
- Using sector and system change to measure impact (e.g., assessing whether the local finance sector is changing) may be important to include. As a critique, minimal concessionality may not be the best concept, as increasing investment beyond the minimum can be worth the social impact created. **[SDC]**
 - Both of these are things we aspire to include in the framework, which is why there is a subcomponent about the demonstration effect. **[ASLC]**
- How will data be captured for non-performing loans and restructuring? There is a high probability of defaults in LICs, so concessionality and grant equivalent calculations will change. **[IFAD]**
 - This has not yet been included but it will be considered. **[ASLC]**
- Donor investments often occur on a 3 – 5-year basis, whereas system change takes much longer; for example, at least 10 years for climate change. As well, agri-SMEs are either circular or integrate other value streams, so there are no linear lines of inputs and outcomes. How will these two complications be measured and addressed? **[Wageningen University]**
 - We are considering the time horizon issue, and building the evidence base is the first step to establishing a long-term outlook. We have working on including an example on how to reflect sector change and impact within the framework. **[ASLC]**
- It's quite difficult to have a robust analysis on environment and climate. Renewable energy is easier than other sustainable practices such as agroforestry. **[AFD]**
- It would be beneficial to reference the GIIN's impact performance benchmarks, as they conducted a similar exercise for agriculture (amongst other sectors) a few years ago. **[KfW]**

- The GIIN's work was referenced when drafting the Framework. **[ASLC]**
- How is innovation addressed in the framework and how does this include climate, biodiversity and the environment? The regional context is also important to address. **[GEF]**
- Focus on food crops is very important but will add another layer of complexity as it will require local currency funding, which is often a challenge for impact funds. **[Rabobank]**

ACTION POINT:

- All members are invited to provide feedback on the framework. Once feedback has been incorporated, a new version will be circulated, and members will be invited to test the framework.

4. AOB and Closing

ISSUES DISCUSSED:

- The next meeting will be scheduled in September/October 2024; date and time to be announced in due course.
- The group will consider a hybrid meeting towards the end of the year, potentially alongside the GDPRD's 2024 Annual General Assembly in Rome in November or the [Building Bridges 2024](#) in Geneva in December.