



Title of coalition:
PUBLIC DEVELOPMENT BANKS COALITION
Main objective of the coalition:
<p>The 2020 Finance in Common Summit (FICS) underscored the importance of Public Development Banks (PDBs) and the need to help them scale up financing to support inclusive and sustainable agriculture and food systems transformation. Indeed, PDBs have the potential to become a leading conduit for the financing flows towards strategic areas for incomes and employment generation, including finance for smallholder farmers and agri-SMEs, as well as gender-inclusive finance.</p> <p>In the lead-up to the FICS, IFAD convened a ‘cluster’ of public development banks with a mandate in agriculture and rural development (mainly agri-banks). Cluster members submitted a joint statement to the Summit and continued to meet during the year on a bi-monthly basis. The proposed PDB Platform is an outcome of this Working Group and coalition. The PDB Coalition seeks to scale up PDB financing by identifying and characterising good practices, improving their governance and skills, and offering support for greater financing.</p> <p>The Coalition will also aim to provide tools and build capacity of PDBs to measure the social and environmental impacts of their investments. The Coalition and its Platform will seek also to influence global policy processes to promote greater inclusive and sustainable agriculture financing. It is fully aligned with the Paris COP21, SDGs, and 2030 Agenda.</p>
Science based evidence to prioritize this coalition (scientific references):
<p>PDBs currently account for nearly two-thirds of formal financing for agriculture and they can play a critical role in the transformation of food systems. While climate change implies increasing challenges and new risks, it also opens new possibilities for production, consumption, and living. In this perspective, finance is considered by the 2021 Food System Summit as a cross cutting-lever of change (Action Tracks United Nations, https://www.un.org/en/food-systems-summit/action-tracks).</p> <p>Among others, Viganò (2021)¹, reviews the main scientific evidence to highlight the “role of Finance and Public Development Banks in promoting sustainable agriculture around the World” (will be presented during the FICS) and underscores the potential role they can play and the importance of addressing the well documented weaknesses they have historically faced to catalyze greater financing.</p>
Mechanisms of implementation (Global to National levels):
<p>The Coalition is focusing on inclusive and green food systems financing, and is open to members who share this vision and ambition, regarding in particular climate change issues, and strengthening valuable existing initiatives. It builds on a group of PDBs (national, regional, international) with strong national presence.</p> <p>The Platform will provide a space to build partnerships and help to share knowledge and accelerate learning among the PDBs. With improved skills and capacities in member banks, it will pro-actively support the PDBs to systematically increase their participation in inclusive and sustainable rural finance. An implementation workplan, with inputs from different PDBs member of the FIC Working Group, is in initial stages and the launch of the PDB Platform will be formalized in the 2nd edition of the Finance in Common Summit. The current thinking is for the Platform to focus on three, self-reinforcing pillars: (i) a Technical Assistance pillar designed to help banks build their capacity to effectively tackle their key operational and governance challenges, including better assessment and monitoring of risks and development impacts, by matching technical assistance needs with providers, leveraging instruments such as South-South and Triangular Cooperation; (ii) a Communication and Learning pillar to effectively spread best practices between the PDBs, ensuring that the planned increased volume of rural financing by PDBs is targeted to better projects using sustainable banking methodologies and (iii) a Leveraging PDB agricultural Financing pillar, to support – based on demand - the participating PDBs design their rural outreach strategies, obtain advice or how to optimize balance sheet resources for greater lending to agriculture.</p>



As the PDBs Coalition is based on a demand driven approach, it will discuss in a second round of development the interest and feasibility of working on inclusive and climate financing and biodiversity issues.

Strategic partners (members, private sector, civil society, academia):

The Casa Depositi I Prestiti, the Agence Francaise de Development, and IFAD are strongly involved. Building on an existing cluster of public development banks, we call on member states, private sector organizations, academia and research institutions, civil society and national, regional and international, including Multilateral Development Banks (MDBs), to join the Coalition of Action to unlock the Power of Public Development Banks (PDB) to mobilize green and inclusive investments that can transform food systems at scale across the world. More than 70 PDBs specialised in Agriculture are identified. IFAD is responsible for the coordination and animation of this Agricultural Cluster. During FICS1, a joint Declaration of PDBs was signed by 10 associations of PDBs and 6 multilateral, and 3 partners including IFAD. Next steps will be to design a Global multi-donor facility to finance Technical assistance to PDBs, and a digital platform for knowledge sharing and impact assessment. Links with the Private sector will have to be developed.

Monitoring and Evaluation (clear quantifiable indicators and targets linked to SDGs)

The PDB Platform aims to support PDBs in developing and modelling the use of solid metrics and methodologies, adopting digital solutions across their business operations, and delivering a suite of financial services and products to different types of clients in food systems – including women, youth, SMEs and smallholders. The PDBs coalition is committed to integrating and measuring performance against SDGs and the stated objectives of the initiative.

ⁱ Carrol et al. (2012) estimate an annual smallholder income of 170-570 US\$ with only 10% of smallholders involved in export value chains (2012).

ⁱ “The ‘bankability’ of smallholder farmer households and agricultural SMEs is a fundamental precondition to private sector participation—and that bankability is affected by a plethora of demand-side factors” Shakhovskoy et al. (2020).

ⁱ For an overview of the underlying literature on the role of development banks, see, among others Xu et al. (2019) and Ocampo and Ortega (2020). Ocampo and Ortega notice that even in the period of the “conceptual rejection of national development banks”, the World Bank did not interrupt to use them in several sectors.

ⁱ Xu et al. (2019) list a number of newly established development finance institutions in developed and developing countries in the last ten years and underline the higher emphasis on them by policy makers.