

Finance in Common

The second global summit of all Public Development Banks

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Leveraging PDBs to achieve Inclusive and Green Food system transformation: a multi-stakeholder perspective

The Finance in Common Summit 2021 (FiCS2021) will mark the official launching the PDBs for Sustainable Food Systems Platform which is an outcome of the work and discussions of the Finance in Common's Working Group and Coalition over the past year. Focused on improving the financing of sustainable agriculture and food systems, the Platform aims to deliver adapted services, a demand driven approach to its member Public Development Banks (PDBs) seeking to scale up their investment and support to promote inclusive and sustainable agriculture and food systems. Foreseen services to be offered by the Platform include Technical assistance, Knowledge sharing including peer to peer learning, support to innovative initiatives, tools to measure the social and environmental impacts of the investments and better assess risks.

LAUNCH OF THE A PUBLIC DEVELOPMENT BANK PLATFORM FOR GREEN AND INCLUSIVE FOOD SYSTEMS

Preamble

The first edition of the Finance in Common Summit (Paris, 10-12 November 2020, FiCAS2020) recognized the critical role of Public Development Banks in financing and supporting investments that contribute to the realization of the Agenda 2030 and the Paris Agreement across all sectors

PDBs already accounted for almost two-thirds of formal financing in agriculture and they can contribute to cover the financial gaps of economic sectors which are not supported enough by the commercial banks. With their current annual investments of nearly US\$ 1.4 trillion and their public development mandate, the PDBs would be ideally placed to direct the world's financial systems to address the inequities and inefficiencies of our food systems more effectively and sustainably. To do that, most of the PDBs have to reform themselves to be able to play their assumed leading role in this process.

The International Fund for Agricultural Development (IFAD) convened an "Agriculture Cluster" of PDBs seeking to scale up *financing of sustainable agriculture and food systems* in different regions of the world. As a contribution to the FiCS2020, the members of the PDB Agriculture Cluster signed a common declaration in which they decided to meet together as a working group and affirm their collective commitment to increase their contribution to investment towards inclusive and sustainable agriculture and food systems.

The PDBs Working group gathered regularly since its formation in November 2020. Thematic sessions took place on the following: "Accessing climate and green finance", "Issuing ESG-aligned investment products to mobilise finance from capital markets for agriculture", "Financial Products for climate adaptation and mitigation; managing climate-related risks in PDB agricultural portfolios".

Additionally, as part of the Food Systems Summit process, in March 2021, IFAD and Asian Development Bank co-hosted an independent dialogue with focus on PDBs and food systems. A main outcome of the dialogue was a need to establishing an organizing mechanism to share best practices, provide technical assistance, and develop standard shared metrics for tracking PDBs support to SDG2. As a follow up to these processes, IFAD announced the establishment of a Platform at the pre-UNFSS in July.

The UN Food System Summit (23 September 2021) underlined the critical role of finance in transforming food systems and **encouraged the formation of a coalition of all partners to ground the development of a robust PDB Platform for Green and Inclusive Food Systems**, to contribute closing the existing US\$300-350billion annual financial gap to transform food systems, mainly to finance sustainable agriculture and environmental improvements in the value chains.

RECOMMENDATIONS AND COMMITMENTS

The PDBs and their main partners (Farmers organizations, smallholder's enterprises, Public and Private organizations, Civil society organizations) are committed to accelerate progress on the ground, and have decided to launch a Platform to deliver services to member PDBs supporting them to achieve the vision and objectives articulated in the declaration of the "Agriculture Cluster" of PDBs during FiCS2020. The Platform will be focusing on inclusive and green food systems financing. The Platform will also support the PDBs to improve their general operations and address the fundamental issue of governance and good practices that have been hampered their capacity to deliver more and better financing to support inclusive and green food systems.

PDBs have the potential to:

- **Develop climate risk management** and lending strategies;
- **Support and Incentivize smallholder and agri-value chain enterprises** with priority to local/national and regional value chains based on agroecology and other sustainable production methods; climate adaptation investments with accessible and sustainable sources of finance, more resilient livelihoods while transforming food systems;
- **Innovate new products and services** addressing smallholder and agri value chain enterprise climate challenges (in collaboration with research organizations, telecommunication and technology companies etc.);
- **Strengthen International climate finance value chains** by attracting, wholesale and on-lending capital in the climate finance space; and
- **Pioneer the traceability of green and inclusive financing**, enabling accountability on concessional resources and paving the way for the regulations needed to transform food systems.

In view of the above, the members of the Platform for green and inclusive food systems and other signatories to this document affirm:

- The **Platform is focusing on inclusive and green food systems financing**, and is **open to all partners who share this vision and ambition**.
- Public Development Banks operating in agriculture and food systems are diverse in terms of capital base, country context, mandate, and instruments. The **services proposed by the Platform and roles envisaged for different members will reflect such differences**; for

example, some of the PDBs members will act as a source of expertise for smaller and less developed members depending on the issues.

- The Platform will be anchored to support National Pathways to transform food systems and will seek to accelerate country level results and progress to achieve SDGs. It builds on the field presence of its member PDBs (national, regional, international) and partners and operates in a way that promotes transparency and access to information and data for all stakeholders.
- The Platform will provide a space to build partnerships and help **share knowledge and experience to accelerate learning** among the PDBs. With improved skills and capacities in member PDBs, they will be better positioned to increase their investments promoting inclusive, climate-friendly agriculture investments and sustainable food systems.
- The Platform will seek to promote greater synergies and coordination between the existing financing already deployed by its members. It will also seek to mobilize additional financing and de-risking tools to help member PDBs scale up their investments.
- Increased finance to smallholder farmers will not function without the **implementation of appropriate policies and conducive regulatory frameworks that would alleviate the key real economy constraints** that continue to particularly adversely affect underserved groups such as smallholder farmers, women, youth and indigenous people in many developing countries. This linkage needs particular attention when designing realistic strategies and action plans for the new IFAD-led PDB Platform.
- **Governance** and the related quality of funding and investment affect profitability and sustainability of interventions. The Platform will work to better align PDBs mandate and objectives with the requirements of financial sustainability, through good governance practices.
- The PDBs members of the Platform will act, in their respective countries, on the **dissemination of relevant information** from the Platform, and are expected to **advocate with their governments** for adapted incentive policies in favor of sustainable and climate-friendly agriculture and food systems. Their efforts will be complemented by other partners of the Platform.

Work on the detailed design of the Platform has started and a progress report summarizing the main achievements, results delivered and lessons learnt is planned at the occasion of the third edition of the Finance in Common Summit in 2022.

List of expected signatories (as at 19 October 2021):

- Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Fideicomisos Instituidos en Relación con la Agricultura (FIRA)
- Development Bank of Solomon Islands (DBSI)
- Agricultural Development Fund (ADF), Afghanistan
- International Fund for Agricultural Development (IFAD)
- Development Bank of Rwanda
- Development Bank of Samoa
- Bank for Agriculture and Agriculture Cooperatives (Thailand)
- Asociacion Latinoamericana de Instituciones Financieras para el Desarrollo (ALIDE)

- Agence Française de Développement (AFD)
- Cassa Depositi e Prestiti (CDP)
- The German Public Development Bank (KfW)
- Agricultural Development Bank of China

The other signatories to be included in the following days

Appendix 1 – 3 pillars for the Platform

The PDB Platform for Green and Inclusive Food Systems is envisioned as **dynamic mechanism for accelerated learning, innovation, mobilization and deployment of capital and services**, designed to promote investments at scale for sustainable food system transformation.

By 2025, the Platform aims to be:

- a space for learning and sharing about high development impact innovative development finance practices in food systems;
- a facilitator of capacity building for improved governance, financial management, product development and service delivery for PDBs with portfolios in food and agriculture;
- a PBD interlocutor for emerging and existing initiatives, networks and coalitions of private investors with assets in food and agriculture;
- a broker of collaborative investments, including co-financing and cooperation among participating PDBs and with other financial institutions, as well as of innovative partnerships (including blended finance) with private investors, aligned to national food system transformation plans; and
- an influencer of global policy processes, raising awareness of the required real economy policy reforms in smallholder agriculture in developing economies and sharing best rural finance practices to unlock funding from and through PDBs, thereby contributing to creating an enabling environment for investments in inclusive and sustainable food systems transformation.

By 2030, the Platform aims to have:

- supported the alignment of the portfolios and business models of all participating PDBs to the 2030 Agenda and the objectives of the Paris Agreement, with specific, coordinated metrics of alignment;
- facilitated a substantial increase of the overall volume of finance deployed by participating PDBs towards investment in sustainable food systems, with specific targets for gender lens investing, green credit, agri-SME lending and smallholder outreach;
- leveraged a substantial increase in PDB private finance, with specific targets for mobilization and transparent reporting.

The overarching objective of the Platform is to strengthen the capacity of national, regional and international PDBs to better direct and leverage additional financing for sustainable and inclusive outcomes in food systems.

As a starting point, the initiative foresees the development of the current Working Group into a more robust forum of PDBs exclusively dedicated to green/climate and inclusive food system investments. 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.

To support the reaching of its objectives, the Platform will rely on three integrated and self-reinforcing pillars as follows:

- (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. Moreover, innovation in terms of adapted financial products will be encouraged and supported by the Platform.

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.

Appendix 2 – Action Plan

The PDBs Working group will continue to meet regularly (every second month starting in November 2021) to shape the platform: membership, governance, management, funding opportunities, along with the services outlined in Appendix 1.

The design and implementation of the Platform will progress in stages taking into account (i) the differentiated interests and mandates of PDBs (including regional and national banks associations and wider organizations) currently involved in the Working Group and/or to be engaged in the Platform, (ii) the possible synergies and complementarities with existing agricultural finance and PDB initiatives to avoid duplications, (iii) the evolution of the 2021 United Nations Food System Summit (UNFSS) process and its outcome, (v) the evolution of the Finance in Common Summit Initiative, and (iv) the resources availability for the initiative.

Strategic next steps and notional timeline following FiCS2021

- **IFAD will continue convening the PDB Working Group with focus on sustainable food systems.** The WG will be convened every second month until FiCS2022 in November to share best practices and advance the development of the Platform (November 2021, January, March, May, July, September 2022).
- **PDBs engagement** at COP26 (Event on PDBs access to climate finance for adaptation, 4 November, Glasgow), the N4G Summit (7-8 December, Tokyo), Climate Adaptation Summit (January 2022), IFAD's 2022 Governing Council (February 2022), COP28 (7-18 November 2022).
- **Operational Framework proposal for the Platform:** The proposal will be developed by IFAD in consultation with the PDB WG. A first draft will be ready to be shared with the signatory of the FiCS2021 Declaration in March 2022. An advanced draft will be discussed at the PDB WG in May 2022. The final Operational Framework will be adopted at the Platform first meeting at FiCS22.
- **The Platform is operational and holds its first official meeting at FiCS 2022**