



Global Donor Platform
for Rural Development



European Commission

High Level Forum, 2 February 2017

Rural Transformation – building blocks for the road to 2030

Opening remarks:

Framing international cooperation of the Future - the emerging consensus of EU Member States

Roberto Ridolfi

Director, Sustainable Growth and Development (Directorate C), DG DEVCO, European Commission

Key observations

- The 2030 Agenda for Sustainable Development expresses the international community's response to global challenges
- The EU Consensus on Development constitutes the common response framework of the EU and its Member States to the 2030 Agenda. Following the Global Strategy on Foreign and Security Policy the Consensus is currently under revision by the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions.

The emerging EU consensus:

- recognizes the primary responsibility of the development partners to implement agenda 2030 while indicating EUs readiness to lead worldwide in the implementation of the SDGs goals,
- repositions **development policy in the context of overall EU external action** (Global Strategy on Foreign and Security Policy) while building on common **values and principles** (democracy, rule of law etc.)
- keeps poverty eradication at the centre of its interventions (in accordance to the Lisbon treaty: while adapting EU priorities and tools to agenda 2030.
- builds around the '5 Ps' of the 2030 Agenda: People, Planet, Prosperity, Peace and Partnership systematically addressing the interlinkages by integrate the economic, social and environmental dimensions in a balanced manner.
- Enhances support and financial assistance to LDCs and fragile countries, underlining the inter-linkages between development, security, humanitarian assistance and migration.



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	<p><u>Implementation will be supported by:</u></p> <ul style="list-style-type: none"> • Mobilisation of domestic resources and private investments in conjunction with sound public policies; • Concessional assistance to the poorest and most fragile partners (collective commitment to the 0.7% target) and strong partnerships based on trade, innovation and knowledge exchange with Middle Income Countries; • EU-level coordinated approaches: high level political dialogue, joint programming and joint actions ; • Strengthened approach to comprehensive systems for knowledge management, monitoring and impact measurement • Prioritisation of gender, youth, sustainable energy and climate action, investment, migration and mobility as key drivers to sustainable transformation; • Rallying the private sector around growth- and employment-related SDGs; • European External Investment Plan (EEIP) leveraging investments in Africa and neighbourhood countries and develop effective partnerships on trade, domestic resource mobilisation and good governance; • Agriculture Financing initiative - AGRIFI initiative aims to attract private investment in agriculture and agri-business sectors; <p><u>Concluding remarks</u></p> <ul style="list-style-type: none"> • Achieving the SDGs will essentially be the result of the efforts undertaken by national systems and private sector actors – ODA's role will mainly be to support these processes and actions in an efficient and effective way; • Preserving policy coherence will be about ensuring coherence and consistency between SDGs objectives, approaches and partnerships – in particular with the private sector. Important challenges lie ahead in terms of effectively managing the cross-sector dimensions and mainstreaming the equality 'agenda' while pursuing potentially conflicting targets; • Achieving the SDGs will not only substantially increase the demand for development financing, but considerably increase the stakes in terms of capacity development and effective partnership approaches in times of increased complexity;
	<p>75% of the world's poor are rural and most are involved in farming.</p>



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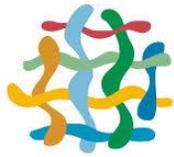


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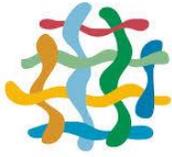
<p>Dealing with complexity: Agenda 2030 and ARD support strategies of the International Finance Institutions from a Bretton Woods institutional perspective</p> <p>Christopher Brett Global Engagements, Agriculture and Food Global Practice, World Bank</p>	<p>In the 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability. Some major trends which offer opportunities for agriculture are</p> <ul style="list-style-type: none">• Demand for agricultural products• Agriculture drives jobs & incomes of poor• Structural changes and public policies• Partnerships & innovations <p>WBG Support to Agricultural Finance through reforming public policies, strengthening institutions and developing products</p> <p>Climate Financing</p> <p>WBG has committed to increase climate financing from the current 21% of the Bank Group's portfolio, to 28% by 2020 -> an increase of several billion p.a. for climate projects</p> <p>Creative new financial structure with IDA-18:</p> <p>A key element of the financing package is a proposal to raise funds through capital markets against IDA's equity, enabling IDA to provide clients with billions of dollars in additional resources.</p> <p>Global Crisis Response Platform:</p> <p>Helps to fill the gap providing concessional finance for and ensuring a coordinated international response to future refugee crises in Middle-income countries, wherever they occur.</p> <p>Returnable Capital Fund (RCF) for the CGIAR System:</p> <p>Capital will be invested into a new RCF Trust Fund managed by the World Bank. Donors collectively contribute equity capital to an open-ended fund invested in the capital markets. This fund invests in stocks, bonds and other securities.</p> <p>Conclusion</p> <p>Trends shaping food systems of 2030 offer opportunities for agriculture, however there are tremendous financing needs for each segment of the value chain, including for the smallholder segment. New paradigm for financing food systems and agriculture is of</p>
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	<p>utmost importance. In particular, innovative financing solutions will be needed for leveraging additional public and private finance.</p>
<p>PANEL 1 <i>New development directions for ARD in 2030</i></p>	
<p>Agenda 2030 and new development directions for ARD in 2030 – what programmatic, institutional and policy changes will take place?</p> <p>1. Stefan Schmitz, Deputy Director-General Federal Ministry for Economic Development and Cooperation (BMZ), Germany</p> <p>2. Laura Frigenti Director Italian Agency for Development Cooperation (IADC)</p> <p>3. Michel Gagnon Director Food Security Global Issues and Development, Global Affairs Canada</p>	<p>This panel was designed to debate the profound changes in directions of development cooperation inviting Stefan Schmitz to present the BMZ initiative <i>One World – No Hunger</i> and its programmatic implications, Laura Frigenti to discuss the implications of Italy’s new development cooperation agency and new policy priorities as well as Michel Gagnon presenting the changing development focus of Canada.</p> <p><u>Key messages informing the debate:</u></p> <p>Stefan Schmitz</p> <ul style="list-style-type: none"> • Especially those development programmes are successful which follow a broad approach - linking multiple sectors and contribute to the achievement of several SDGs • Regarding rural development, we see that it is crucial to closely link rural areas to urban areas, to bridge the rural-urban divide, create rural jobs and enable prosperous rural futures • From the experience of the German One World - No Hunger initiative of BMZ, we know that programmes have to engage at multiple levels (local, sub-national and national) to influence policy decisions at national, regional and international levels and to be ultimately effective. <p>Laura Frigenti</p> <ul style="list-style-type: none"> • Food and nutrition security is more than just agricultural growth • Better opportunities and living conditions and reduction of the divide with urban societies are key in rural transformation • ODA should continue to catalyse the broader policy dialogue



	<p>and investments, putting Agenda 2030 into practice.</p> <p>Michel Gagnon</p> <ul style="list-style-type: none"> • Agriculture is multifunctional and can drive economic, environmental and social development goals • Food Systems are complex and require strategic partnerships, innovative investments and leadership to achieve system-level change • Flexible approaches and tools are needed to expand project level gains into long-term transformation
<p>PANEL 2 <i>Trade and Value Chains for Inclusive Rural Transformation</i></p>	
<p>Change in direction for development effectiveness - Enhanced trade and value chains as drivers of inclusive and sustainable rural transformation in 2030?</p> <p>1. Evan Rogerson Director, Agriculture and Commodities Division World Trade Organization (WTO)</p> <p>2. Julie Delforce Assistant Secretary Agricultural and Food Branch Department of Foreign Affairs and Trade (DFAT), Australia</p> <p>3. Marcel Vernooij Management Team of the Sustainable Economic Development Department Ministry of Foreign Affairs, Netherlands</p>	<p>Trade and inclusive market access as a motor for sustainable rural development is the key message for an increasing number of donor agencies. Rural transformation is greatly driven by economic factors shown by massive migration and urbanisation.</p> <p>Major donor support has been granted through various channels banded by “Aid for Trade Initiative and reported on by OECD.</p> <p>Trade support for development effectiveness needs to be better understood, because it is not only (or even solely) about negotiating ‘development cooperation’ chapters in trade agreements.</p> <p><u>Key messages underpinning the debate</u></p> <p>Evan Rogerson</p> <ul style="list-style-type: none"> • Agriculture's contribution to development and growth is still limited by restrictions and distortions in world agricultural trade. There is a need to actively pursue outstanding agricultural trade reform agenda • Trade in food products offers a way for developing countries to increase incomes and boost economic development. Need to strengthen SPS capacity to access markets and ensure consumer confidence in international trade.

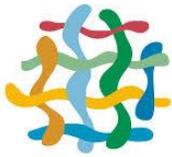


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	<ul style="list-style-type: none"> • Trade transaction costs are especially high in the agriculture sector. Reducing costs and removing red tape is expected to benefit developing countries in enhancing their participation in agriculture value chains. <p>Julie Delforce</p> <p>Speaking from a future perspective of 2030, in order to achieve positive rural transformation:</p> <ul style="list-style-type: none"> • Aid for trade is about helping developing countries address their internal constraints to trade, increase the benefits of trade opportunities and spread those benefits. • Agriculture should be recognised as a major component of aid-for-trade; a key driver of economic growth and poverty reduction – and a sector where trade and development interests intersect prominently • Stronger donor-private sector collaboration should be sought to achieve mutually-beneficial objectives in agriculture (and other productive sectors). <p>Marcel Vernooij</p> <ul style="list-style-type: none"> • It is time to change and invest in inclusive business and innovative alliances between farmers and consumers • Efficient agricultural value chains are essential to achieve food security for all • Urbanization and climate change make better use of natural resources and increasing agricultural trade imperative to achieve food security
<p>PANEL 3 <i>New financing instruments and Agenda 2030</i></p>	
<p>New financing instruments and Agenda 2030 – what do the banks offer operationally in 2030?</p>	<p>This panel was set up to present and discuss the new operational modalities of bilateral and regional banks and an international finance institution in terms of new priorities in financial management, new approaches and financial products offered in developing countries for clients in agriculture and agri-business at</p>



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<p>1. Josephine Nyokabi-Mwangi Manager Agriculture and Agro-Industry Department, African Development Bank (AfDB)</p> <p>2. Michael Hamp, Inclusive Rural Finance Services, International Fund for Agricultural Development (IFAD)</p> <p>3. Thomas Duve Director, Southern Africa and Regional Funds, KfW Development Bank (KfW)</p> <p>4. Marie-Cécile Thirion Research Officer Economic and Social Research Unit Agence Française de Développement (AFD)</p>	<p>any stage of the value-chain development. Where does the financial world stand in 2030 in support of development in least developed countries and the growing number of middle income countries?</p> <p><u>Key messages from the debate:</u></p> <p>Josephine Nyokabi-Mwangi</p> <ul style="list-style-type: none">• African can feed itself and turn agriculture into a sources of wealth• African Agricultural Transformation will only succeed if Governments enabled but Private Sector led• Growth and opportunities in the agriculture sector is constrained by limited access to capital, and will require introducing new and extending proven financing products; <p>Michael Hamp</p> <ul style="list-style-type: none">• <u>Financing models</u>: The bulk of investments in agriculture and rural development comes from farmers and other rural businesses, sourced domestically and, in some cases, from remittances from abroad or from family members who have migrated to urban areas.• <u>Risk mitigation models</u>: Although financing models are designed to minimize the risk of default, various risk mitigation models may be a useful complement to transfer key risks to markets by insurance products or emerging health, production and weather insurance products .• <u>Distribution models</u>: Information and communications technologies (ICT) application in the financial sector has a potential for the most transformative innovation in financial services since the emergence of microfinance. <p>Thomas Duve</p> <ul style="list-style-type: none">• Even for addressable demand, there is a significant gap in the supply of agri-finance; more private capital must be crowded in – even 2030, as needs grow
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	<ul style="list-style-type: none"> • Blended finance using ODA has tremendous potential to catalyze much needed private investment in agriculture by shifting the risk return threshold • Complexity of crop life-cycle and agricultural seasonality require a range of financial products based on radical standardization, specialized institutions and scale • KfW has used a blended finance approach to set up a variety of funds serving smallholder agricultural working with SME, cooperatives/ producer organisations, processors/traders/ input providers and large agri-entrepreneurs and agribusinesses as well as banks in developing countries; <p>Marie Cécile Thirion</p> <ul style="list-style-type: none"> • To improve/increase agriculture financing work with: i) professional national banks (private or public); ii) reduce risk for banks and producers/agri-SMEs; iii) reinforce the capacities of banks and to producers/agri-SMEs • Financial products for producers and agri-SMEs should be diverse and adapted taking into account the diversity of value chains and the diversity of operators and support measures (subsidies, guaranty and/or insurance schemes,; • As development partners, propose smart blending of grants and loans to support adapted loan offers to the producers/SMEs
<p>SYNTHESIS OF THE DAY</p>	
<p>Synthesis of high-level session Alexander Jones Director ad interim of the South-South and Resource Mobilization, FAO</p>	<p>Synthesis:</p> <p>Opening remarks by Roberto Ridolfi</p> <ul style="list-style-type: none"> • Addis substantially modified the development paradigm – funding now has to focus on a combination of ODA, domestic resource mobilization and investment. • ODA is irreplaceable, especially in a humanitarian crisis context, but even reaching the 0.7% target will not be enough - ODA creates enabling factors but does not directly trigger economic development and jobs



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- Investments must be sustainable and produce jobs
- Migration is good, but forced migration is bad. This is the biggest single problem we are facing
- Partners are working towards a common Px5 goal, (peace, prosperity, people, partnership, and planet).

Christopher Brett / World Bank

- The role of trade finance is often overlooked, it is difficult for traders to bring products to market
- The World Bank has different figures for what it would take to eradicate hunger by 2030 than those discussed in this forum
- Important COP 21 realization that agriculture is a big part of both the problem and the solution
- Global Concessional Financing Facility - part of Global Crisis Reponse Platform - gap filling concessional finance
- There are still major data gaps with a big one on urban food data

Panel discussion on Agenda 2030 and new development directions for ARD in 2030

- ODA should continue to catalyze policy dialogue and investments
- The current development model has major problems, massive inflows into urban areas do not generate desired development outcomes
- Rural development needs to be approached in a holistic way to improve living conditions in rural areas
- A lot of the current polarization around migrations is around misinformation
- People do not live in sectors, they live in places; there is a need to closely link rural and urban areas if we are going to create rural jobs and enable prosperous rural futures
- There is a need for physical linkages, but also for social and cultural linkages
- Youth will only remain in rural areas if they do not feel left



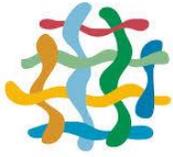
	<p>behind culturally, materially and economically</p> <ul style="list-style-type: none">• Flexible approaches are needed to expand project level gains into long term transformation• Food systems are complex, they require strategic partnerships and innovative investments• There is a lot of public negativity around multilateralism, we need to be aware of increased public scrutiny• There is a need to move away from the dichotomy of rural-urban definitions as bipolar, there is a missing middle that shapes the reality of rural populations economically and socially <p>Panel 2 - changes in direction for development effectiveness</p> <ul style="list-style-type: none">• Agriculture and rural development will only be sustainable if they are part of a broader development framework• There is a critical need to pursue the outstanding agriculture trade reform agenda• There is a need to strengthen capacity to access markets and ensure consumer confidence in international trade - trade transaction costs are especially high in the agriculture sector• Agricultural products are still subject to much higher tariffs than manufactured goods (around 70%)• There is a need to look at macro picture – the Trade Facilitation Agreement is almost there, still 2 signatories away from ratification• Aid for Trade is important in helping developing countries address their internal constraints to trade• There is an increasing intersection of trade and development. Pursuing international trade reform can lead to important development outcomes.• We need more diversity in farm to fork models, and a chance to move away from less product variety and monoculture. Big can be beautiful, but there is room for more diversity and closer farm-farmer linkages.• There is scope to look at food loss in the value chains more equitable and find cost effective solution to increase food availability• Urbanization can be a driving force for agriculture development
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and food security.

PANEL 3 - New financing instruments and Agenda 2030

- Over 2010-15 the net interest income of the largest banks fell by 100 billion dollars, but we may be at the turning point.
- There is modest but steady growth in impact investments, but they are still a tiny part of investment portfolios
- There is a huge financing need, but it cannot be met just by the banks, there is still a need for ODA to play a catalytic role.
- Blended financing combining ODA and investment has huge potential to catalyze private investments
- The Africa agriculture transformation will only succeed if it is enabled by governments but led by the private sector through policies, infrastructure and regulations
- Growth and opportunity in the agriculture sector are constrained by limited capital access. There is a need to introduce de-risking tools to facilitate rural credit
- There is still a major information gap around magnitude of demand and supply of ARD financing.
- The bulk of agriculture investments still comes from farmers and other rural business, remittances, and local business
- Agriculture investments are still following a low risk paradigm - the cocoa and coffee problem
- We have risk mitigation models, but need tools to transfer risks to markets through insurance products
- The information and communications technologies financial sector applications has massive potential for transformative innovation
- There is generally a very low return on investment in agriculture, accompanied by high risks, which are almost borne by the producers (except for export value chain)
- It is good to be innovative but let's also look at key constraints
- Work with national actors, they generally have rational explanations for not going to rural areas
- Do not be dogmatic on issues of subsidy to interest rates on financing



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