

11 December 2017

## Back to office report

### Traveller

*Christian Mersmann*

### Date

*27 – 30 November 2017*

### Destination

*Rome*

### Purpose and expectations

*SAFIN meetings, FAO and IFAD work stream discussions*

### Mailing list

*Website, e-Update*

### Persons met/participants

*Juan Lopez, FEDERCASSE; Ntiokam Divine, Climate-smart Agriculture Youth Network; Olav Kjørven, EatForum; Jamie Anderson, World Bank CGAP; Arindom Datta, RABO Bank India, Saleh Usman Gashua, SG, AFRACA; Tanja Havemann, CLARMONDIAL; Hedwig Sievertsen, AGRA; Alexander Jones and team, FAO; Michael Clarke, FAO; Ida Christensen, FAO; Ilaria Firmian and Torben Nilsson, IFAD;*

## Content

SAFIN (*Smallholder and Agri-food SME Finance and Investment Network*) held its first workshop and second working meeting at FAO on 27 – 28 November 2017. The presentations of the workshop on 27 November 2017 will be uploaded shortly on the Platform's webpage. The Highlights of the working meeting and list of confirmed participants of the working meeting is attached.

### **SAFIN Workshop on 27 November 2017:**

“Understanding, channelling, mapping “demand” for finance for investments by agri-food and rural SMEs” was the title of the workshop. Noteworthy to say that SAFIN is approaching the issues related to finance for smallholder and SMEs by “bankable demands” rather than the conventional “needs assessment” which normally gives a wrong decision on actual investment opportunities.

All presentations of the day can be found under the link at the end of this report. The day was divided into:

1. Bankable and non-bankable demand for finance – information channels, assessment tools and meeting the demand on the supply side
2. Institutional settings and communication between demand and supply of financial services
3. Assessing, tracking and mapping demand and supply – data gaps and knowledge and related tools and assessment models
4. Governance models – assessment and quality control, institutional interaction and establishment of demand-driven approaches

Highly informative session with detailed presentations of interesting examples from Asia, Latin America and Africa which work in meeting the demand and in advising farming communities and SMEs on profitable investments.



Key learning points of the day will be provided shortly by the workshop report. One major outcome was that the risk mitigation or risk reduction and risk management remains high on the agenda of the network as despite the positive approach of bankable demands for financial services, the institutional and administrative costs as well as the absence of collaterals of small-scale farmers and SMEs pose a continuous problem in providing the necessary financial services. The role of donor agencies and IFIs was briefly raised, but could not be tackled during the meeting. One model of blended finance of ODA and private investment (equity, bonds etc.) was Finance in Motion, a Germany-based company working with German ODA through KfW. This issue is to be pursued.

A second outcome was that ODA provisions for small-holder and SME finance at concessional terms below credit market prices does mostly not reach the farming communities and the SMEs with the preferential conditions, but intermediary banks and financial services providers do not get an interest rate cap, but ad interest rates often up to the normal lending prices up to 30% and more while they receive the funds for disbursement as low as 2%. This issues remains in the list of hot topics of SAFIN.

### **Second SAFIN Working meeting on 28 November 2017**

The working meeting was dedicated to the finalisation of work stream programmes/plans for 2018 and beyond up to 2020. It was enriched by some presentations on *“The long-term Case of Blended Finance”* by Investisseurs and Partenaires and *“Smallholder and SME Investment Finance (SIF) Fund”* by IFAD.

The work programme of SAFIN comprises of 5 works streams:

1. Innovation – models for delivery;
2. Mobilizing finance – principles, standards and practical guidelines for implementation of blended finance initiatives connecting public finance and private sector investments;
3. Alignment of investments – country-level “investment prospectuses” (assessment of supply and demand) by a template provided by Tanja Havemann, CLARMONDIAL;
4. Global policy engagement – elaboration of a SAFIN policy narrative and tracking the “state of the world of smallholder and rural SME finance”
5. Knowledge agenda coordination – website, dialogue with research, biennial SAFIN conferences and side events at major conferences (not discussed during the working meeting;

Two to three activities under the aforementioned work streams were discussed in the broader sense with regard to information exchange on the various topics rather than working on concrete formulations to finalise the activities for at least 2018. The report of the working meeting will give details for orientation.

For the Platform, the work streams on mobilizing finance and innovations are the most crucial one. The latter is advancing the learning on innovative finance and deliver models which is highly relevant for Platform members with regard to the changing financing architecture for ARD. The former is providing a dialogue with development finance providers such as the entire membership of the Platform. Additionally, the work stream is building knowledge base on the details on “blended finance” which was also subject at the AGA in January 2017 in Brussels during the High-level Forum.

In general, the SAFIN membership is highly relevant to the work of the Platform on development finance and innovative financing instruments as part of the Platform’s Strategic Initiative *“Agenda 2030 for Rural Transformation”*. Additionally, the Platform secretariat has requested the GIZ Policy Project *“Sustainable Development Finance and Donor Landscape”* to accept the secretariat as a member of the Green Finance Task Team.



### **Bilateral meetings:**

1. **FAO:** The newly appointed Director of the FAO Climate and Environment Division (CBC), Alexander Jones discussed the revised version of the Climate-Smart Source Book of FAO.

The Platform secretariat requested FAO's views on the differences between sustainable agricultural practices and related programmes and those of climate-smart agriculture. For the less informed audience, the clarification of these differences would be of great interest as to understand what elements to add to initiatives which move from AG sustainability to climate-smart or climate resilient agriculture. What impact would this have on the cost-benefit analysis of the farming system in more general terms? Besides the main differences, Bruce Campbell of CCAFS twittered on 29. November 2017 "Many practices can be CSA somewhere, but none are likely CSA everywhere (Rosenstock and [@lamannaca](#)), thus context and prioritisation is crucial". How economically viable can such prioritisation be?

Inter alia, IFAD with its Adaptation Small-holder Agriculture Programme (ASAP) Phase I would have an important contribution to make. This clarification would in particular be important for the upcoming new projects and programmes suggested to the Green Climate Fund, the GEF, the World Bank and other supporters of climate-smart or climate resilient agriculture. Alexander Jones will look into this issue and discuss further. The attached IFAD paper on "CSA – what is different?" gives a few arguments and technical aspects in this regard.

With regard to COP23 and the decision on „issues related to agriculture“, the Platform published a short webstory on 17. November 2017. It was suggested to FAO to publish prior and after each Bonn Climate Talks in May/June and COPs in November/December brief notes on what was to be expected and what was achieved as FAO had done in the past. These notes were short and informative for the interested public.

2. **FAO:** The briefing of Ida Christensen, alternate focal point of FAO for the Platform was held. The update included the preparations of the AGA in which FAO is involved through Peter Wobst, Decent Rural Employment (DRE) Team. Additionally, the SAFIN initiative hosted by IFAD is meeting with great interest of the FAO Investment Centre (TCI) in view of new projects under the blended finance approach. Further discussion with the Director of TCI, Mohamed Manssouri and the Strategic Programme 4 „enabling inclusive and efficient agricultural and food systems“ (Jamie Morrison in the lead, David Neven as one of the senior staff working on Rural Finance and value chains) are upcoming induced by SAFIN.

3. **IFAD:** meeting with Ilaria Firmian and Torben Nilsson on follow-up of the COP23 decision on „issues related to agriculture“. Outcome is to propose to the co-chairs of the Platform to organise a brief discussion process until the deadline of 31 March 2018 set by the decision to receive inputs from UNFCCC Parties and observers on elements/topics of discussion between the Subsidiary Body on Academic and Technical Advice (SBSTA) and the Subsidiary Body for Implementation. This would give all members and partners an opportunity to engage in a physical meeting in Rome at IFAD on 27. February 2018 (tentatively proposed date) and virtual discussions to finalise the submission to the UNFCCC secretariat., while the Platform work on NDC finance would continue in parallel.

### **Agreements and next steps**

1. continuation of engagement with SAFIN and sharing of results of Platform analysis of ODA flows and innovative finance;
2. Platform engagement in Green Finance Task Force of GIZ



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3. follow-up with FAO on differences between climate-resilient / climate-smart agriculture and sustainable farming systems as well as briefing notes on UNFCCC COP/Bonn Climate Talks outcomes
4. organisation of discussion process on submission of donor agencies and IFIs to UNFCCC on issues related to agriculture as called for by the recent COP23 decision

## Links, annexes

COP23 decision on „issues related to agriculture

<http://unfccc.int/resource/docs/2017/sbsta/eng/l24a01.pdf>

Platform Webstory on COP23 decision on „issues related to agriculture“

<https://www.donorplatform.org/news-climate-change/cop23-requests-subsidiary-bodies-to-act-on-agriculture.html>

Strategic Programme No. 4: enabling inclusive and efficient agricultural and food systems

<http://www.fao.org/about/what-we-do/so4/en/>

Highlights of working meeting and list of participants

[https://www.donorplatform.org/files/content/Media/Agenda\\_2030/Latest/SAFIN/HighlightsSecondMeeting\\_SAFIN.pdf](https://www.donorplatform.org/files/content/Media/Agenda_2030/Latest/SAFIN/HighlightsSecondMeeting_SAFIN.pdf)

[https://www.donorplatform.org/files/content/Media/Agenda\\_2030/Latest/SAFIN/SAFINsummaryworkshop.pdf](https://www.donorplatform.org/files/content/Media/Agenda_2030/Latest/SAFIN/SAFINsummaryworkshop.pdf)

**IFAD Paper “CSA – what is different?”**

[www.donorplatform.org/files/content/Media/Agenda\\_2030/Latest/SAFIN/IFAD\\_CSA.pdf](http://www.donorplatform.org/files/content/Media/Agenda_2030/Latest/SAFIN/IFAD_CSA.pdf)