



# Minutes TWG Finance Meeting

## Participants

### Group Members

- **Tuleen Alkhoffash**, IFAD
- **Ammad Bahalim**, Gates Foundation
- **Ayodeji Balogun**, AFEX
- **Nury Barreto**, Incofin
- **Bruce Campbell**, Switzerland
- **Sabine Desczka**, Wageningen University
- **Sonia Essobmadje**, UNECA
- **Kamal El Harty**, Shamba Centre for Food and Climate
- **Chris Isaac**, AgDevCo
- **Agnes Janszen**, Netherlands
- **Agnes Johan**, Rabobank
- **Michael Marais**, The Blended Capital Group
- **Nadia Martinez**, SAFIN
- **Laura O Mecagni**, GAFSP
- **Brian Milder**, Aceli
- **Fabrizio Moscatelli**, Gates Foundation
- **Aliyu Muhammad**, AFEX Africa
- **Oshani Perera**, Shamba Centre for Food and Climate
- **Elisa Pettinati**, Italy
- **Franziska Salzer**, KfW
- **Michelle Sewnarain**
- **Susie Shuford**, FMO
- **Carin Smaller**, Shamba Centre for Food and Climate
- **Peter Umunay**, GEF
- **Christopher Wayne**, Acumen
- **Andrea Zinn**, CSAF/Aceli Africa

### GDPRD Secretariat

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

## Agenda

ISSUE	ITEM	DETAILS
1.	Welcome and Introduction	GDPRD Secretariat
2.	Keynote	Chris Isaac, AgDevCo
3.	Terms of Reference and Work Plan	All
4.	AOB and closing	Secretariat

# Key Highlights/Issues

## 1. Welcome and Introduction

### PURPOSE OF SECTION:

*The Secretariat welcomed members to the inaugural meeting of the Multi-donor Working Group on Sustainable/ Blended Finance and presented the rationale of the group.*

### ISSUES DISCUSSED:

- In 2023, the GDPRD and the Shamba Centre for Food and Climate undertook an enquiry, “[Unleashing the Catalytic Power of Donor Financing to Achieve SDG2](#)”, which investigated how donors, philanthropic organizations, public funds and blended capital funds can make their funding act as an incentive for achieving SDG 2. The enquiry contains four findings:
  - Blended finance can make the **biggest contribution to SDG 2 by focusing on the missing middle**: agrifood SMEs seeking finance of between US\$50,000 and US\$2 million;
  - **Every dollar of concessional finance can mobilize four dollars of commercial finance**; however, whether those four dollars deliver a sustainable development impact will determine if blended finance can bring not only financial additionality but also development additionality;
  - **DFIs are governed by rules that discourage them from taking risks** to provide finance that would otherwise not be available from commercial lenders;
  - **More research and data on the performance of agrifood SME loans** that originate from donors are a prerequisite for making ODA catalytic.
- Each of the key findings also generated a series of attributed recommendations. Following the launch of the enquiry, numerous stakeholders voiced strong support for recommendation 2.4: *Donors and the wider blended finance community can expand the pool of blended finance by sharing data, reducing transaction costs and collaborating on cofinancing through **the creation of a multi-donor working group, supported by a sustainable finance knowledge hub, to share data, save time and collaborate on cofinancing.***
- Recommendation 4: *Donors should create a data repository on the performance of agrifood SME loans*, also garnered significant attention from stakeholders. After the research was released, several interviewees explained that this repository is not an easy option to pursue, in practice, due to several reasons, including confidentiality agreements. Rightfully, the clear message remains that donors require further data and information for decision-making, and the working group may conceptualize other tools to meet this need.
- Participants voiced a strong need to share knowledge, experiences, governance and mechanisms, advocate for increased blended finance transactions and more commercial finance in agriculture and rural development, work together on mechanisms that reduce costs, and improve information availability and quality data. Therefore, the working group’s objectives are to **(1) promote data and knowledge exchange; (2) explore co-financing and blended financing opportunities; and (3) conceptualize tools to improve donor decision-making, including data repositories.**
- Although the working group is hosted by the Donor Platform and therefore will receive full organizational and logistic support from the Secretariat, it will work independently from the GDPRD and its Board. While the GDPRD Board has allocated financial resources for the initial year of the group (which may be used to conduct studies, host in-person meetings, etc.), the group will be financially self-sustaining. **[Maurizio Navarra]**

## 2. Keynote

### PURPOSE OF SECTION:

*Chris Isaac, Chief Investment Officer of AgDevCo, delivered a keynote address on “Blended Finance: Why Now’s the Time to Double Down”. Keynote text attached in the email message.*

### ISSUES DISCUSSED:

- Blended finance is a relatively new but popular term, describing ways of bringing together donor funding and private sector resources to help deliver the SDGs.
- The OECD guidelines dictate that blended finance should: (1) have development as the core goal, (2) have clearly defined development benefits and expected results, and (3) be based on high corporate governance and social and environmental standards.
- The high expectations of blended finance have not led to a significant impact in closing the investment gap, but not because it does not work. Rather, because mobilizing private capital from donor funding is a process that will take time; donors must have patience and realistic expectations.
- There is an over USD\$2.5 trillion investment gap in meeting the SDGs, and directing assets (e.g., pension funds) to developing countries would greatly assist in closing this gap. However, the returns on SDG-related investments are too low relative to the risk, and few investments meet the minimum size requirements for global pools of private capital. Blended finance is, therefore, when concessional capital is used by the public or philanthropic sector to de-risk investments, essentially subsidizing the private sector.
- Some examples of successful cases from AgDevCo’s portfolio were presented (see attached keynote remarks)
- There are three main suggestions for improving and supporting blended finance going forward:
  - (1) Avoid fixating on the leverage ratio in the short term; the goal should be to pave the way for viable companies and wider industry development so that private investments follow.
  - (2) Current levels of ODA toward blended finance are too low to incite real change; fear of over-subsidising or insisting on unrealistically high leverage ratios will starve the blended capital market of the funding it needs to scale.
  - (3) It is essential to remain ambitious in this field, focusing on catalysing longer-term change by building investable companies and de-risking new industries, to achieve higher leverage ratios over a longer period. **[Chris Isaac]**

### Discussion and Q&A:

- What can donors and/or this TWG do to improve the impacts of blended finance? **[SAFIN]**
  - Something that is already very successful is the use of blended finance to bring together donor agencies, DFIs, and foundations to create new funding vehicles. However, the most effective way of attracting private capital is not by creating new funding vehicles, but by building up the companies and value chains on the ground to eventually attract private capital from local banks, pension funds, equity investors, etc.
- What is the definition of private capital? Is subsidizing the agriculture sector over the long term really the way to make it profitable or attractive for private capital investment? **[UNECA]**
  - Private capital is from the private sector; even when DFIs require commercial return rates, they are still public funds. Subsidization may generally be required for agriculture worldwide, including in Europe; it is not necessarily negative. The goal of blended finance should be to produce competitive firms that can attract private

capital and scale up significantly.

- Is direct investment into companies more important than into investment funds and vehicles? **[Acumen]**
  - The message is that it is difficult to leverage large amounts of private capital into funds and vehicles prepared to invest in early-stage companies because they are usually riskier and without guaranteed profits. Therefore, the goal is to invest in companies which adhere to the core mission and mandate of development which, over time, can attract private investment.
- Should the leverage ratio always be examined the same way? Would the expected leverage ratio change based on the investment sector (e.g., technology vs infrastructure)? **[IFAD]**
  - Indeed, there are many factors influencing the leverage ratio. Perhaps there are other benchmarks to explore that also assess additionality and impact. **[CSAF/Aceli Africa]**
  - The problem is that by making investment decisions solely based on leverage ratios, support would only go to transactions that are already almost acceptable to private investors, when the goal is to have more funds going to companies with impact. For example, the leverage ratio for a wind power project in a middle-income country would likely be much higher than for a rice production project in a low-income country; however, the impact and additionally of such a rice food security project would be much greater, despite the lower leverage ratio. Therefore, to look more holistically, another factor besides leverage ratio would be transformational development impact.
- There are countless companies on the ground that need support, but many have ticket sizes that are too small. How is it possible to scale up all this work quickly when the need is so critical? **[The Blended Capital Group]**
  - This is one of the greatest challenges, as few agriculture companies can attract private finance, have a strong balance sheet, and a proven track record. Thus, the priority for blended finance should be to support those smaller, earlier-stage companies, with the recognition that it may not be a hugely profitable part of the market. The risks are high and the returns are low, which is exactly why ODA is needed to subsidize.
- To accelerate the amount of ODA flowing into blended finance, a “one-stop shop” could be created, where single proposals on blended finance could be made to a group of donors and DFIs, and those donors could then share the due diligence costs. **[Shamba Centre]**
- Two different segments that need to be addressed. The first, targeted by AgDevCo, is where catalytic funds can be used to build scalable companies that, over time, can attract private investment. The second, targeted by Aceli, is where ODA can act as an incentive for local commercial banks interested in funding smaller agri-food SMEs that will likely not attract private capital but can play a critical role in rural agricultural economies. **[Aceli Africa]**

### 3. Terms of Reference and Work Plan

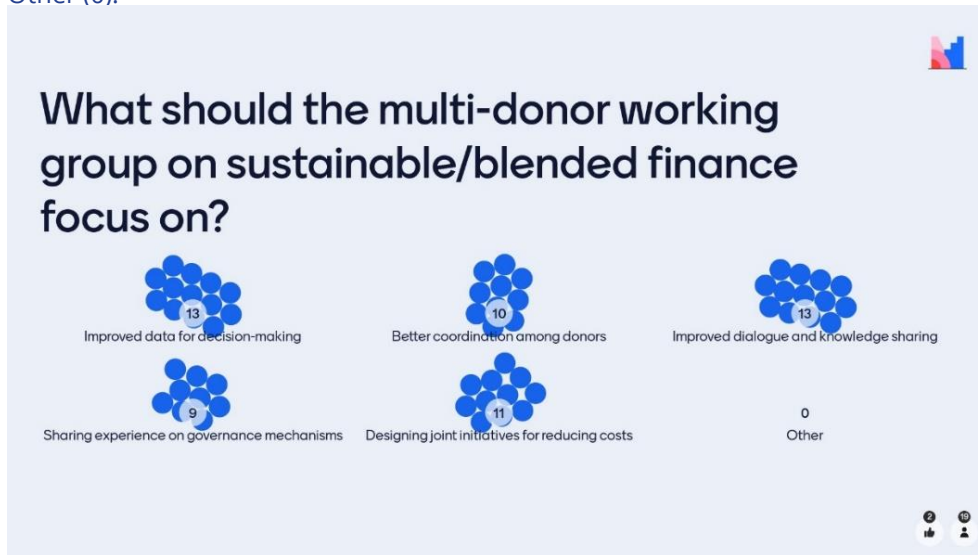
#### **PURPOSE OF SECTION:**

*For the Group to discuss the initial topics of focus, potential activities, time-bound mandate, and chairmanship, which will be reflected in the Terms of Reference.*

#### **Q&A to Members through Mentimeter:**

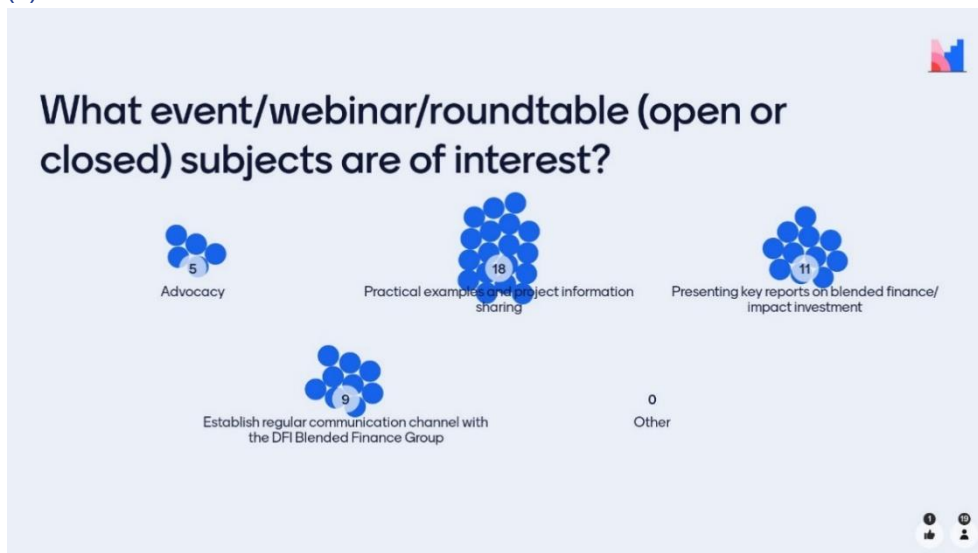
- What should the Multi-donor Working Group on Sustainable/Blended Finance focus on?

- **Answer:** Improved data for decision-making (13 votes), Improved dialogue and knowledge sharing (13), Designing joint initiatives for reducing costs (11), Better coordination among donors (10), Sharing experience on governance mechanisms (9), Other (0).



- What event/webinar/roundtable (open or closed) subjects are of interest?

- **Answer:** Practical examples and project information sharing (18 votes), Presenting key reports on blended finance/impact investment (11), Establish regular communication channel with the DFI Blended Finance Group (9), Advocacy (5), Other (0).



- Rank the most important topics for the Group to discuss.

- **Answer:** What do donors need in terms of decision making to increase their concessional finance to attract more commercial financing in LICs/LMICs? (ranked 1<sup>st</sup>), What factors affect donors' risk appetite when taking decisions on financing in food security? (conflict, fragility, climate, geopolitical landscape) (ranked 2<sup>nd</sup>), How can donors influence to better position food security across the value chain to attract commercial financing? (ranked 3<sup>rd</sup>).



## ISSUES DISCUSSED

*The discussion points with indications on the potential added value and ToRs of the TWG are highlighted in green.*

- How will we define whether this working group has succeeded, and what will the tangible results be? **[Rabobank]**
  - Based on the feedback received following the release of the GDPRD/Shamba Centre enquiry, we have identified broad areas of work for the group to consider focusing on, which were voted on by members in the Mentimeter. The group can then narrow down concrete activities and an operational timeframe to be defined in the Terms of Reference. **[Maurizio Navarra]**
  - The Mentimeter provides a clear picture of which topics the group prioritizes, and moving forward, **we should have deep dives into those questions to understand better both ourselves working in blended finance and the donor and investor communities.** **[IFAD]**
- It is understandable why donors ask for more research and data on the performance of agrifood SME loans, but it is very difficult to create a data repository on this practically. For example, a loan may not be performing during a grace period, which would show as nonperforming in an audit record, but in the near future, the client may begin to repay, and that data would not have been captured. **This should be a topic for the group to debate further on how to improve data for donors,** as it is essential to increasing their risk appetite. **[IFAD]**
- We should identify this working group's niche, as many groups are working on blended finance. **The group needs tangible results on a one- or two-year timeline that achieves the goal of helping donors and investors mitigate risk and enhance returns.** **[GEF]**
  - Regarding its niche, this working group is specifically designed to provide better information and support the decision-making process within the donor community in agriculture, rural development and food systems. It does not plan to duplicate the work of other existing networks, such as SAFIN or the OECD Blended Finance Working Group, but rather work together with them. **[Maurizio Navarra]**
- It will be beneficial for group members to **share lessons learned.** More and better data is also important for us to be more precise in how we deploy funding and will allow us to share better results with the donors. **[Incofin]**



- There is a particular role for academia to provide data and knowledge for impact. While important, data has a delay of 2-5 years; therefore, **modeling and consistent integrated M&E in combination with high ambitions may be a better way forward.** *[Wageningen]*
- What are the main challenges you face when collecting and reporting data to donors? Would joining forces through this thematic working group be useful? *[Maurizio Navarra]*
  - **Benchmarking across our work is critical, and more data is needed to access longitudinal shifts in the impacts and additionality of investment.** Acumen has a tool for climate resilience measurement that's industry-leading, but it can only be industry-leading when combined with shared metrics that help measure a broader set of farmers and SMEs. Working towards this with others (like this group) is beneficial, but there is also tension around shared interest versus self-interest in the sector. *[Acumen]*
  - DFIs have a large amount of data on **SME financial returns**, including their additionality and impacts. It may be most efficient to request that data from them, rather than smaller impact investors. *[AgDevCo]*
  - One of the biggest challenges is **data harmonization**. For example, data can be collected in different formats, many indicators that are collected but not publicly reported, and many commercial banks do not have a precedent for collecting impact data, resulting in a mismatch between commercial activities and donor expectations. Additionally, data protection laws are becoming stricter, which adds another layer of complexity in collecting and reporting data. *[CSAF/Aceli]*
  - We have thus far mentioned **donor transaction data, SME transaction data and DFI transaction data**, and the three categories don't necessarily go together, so the group will need to decide on what is most valuable and additional to focus on. *[CSAF/Aceli]*
  - The working group may not be well positioned to tackle data harmonization, but it may be able to **break down silos on existing data; for example, certain taxonomies could be clarified.** *[Aceli Africa]*
  - It is not necessary to share every piece of data with donors, as sometimes they do not understand the intricate details of the transaction results. *[IFAD]*
  - The varying data requests from donors and organizations lead to duplication and complexity. **The group could discuss what data is essential for donors, especially data that can be easily captured at low cost while still reflecting the impact created**, which would eventually streamline the process and make it more practical for using funding effectively. *[Rabobank]*
- This group could play a significant role in **clarifying definitions of capital, additionality and impact, with a focus beyond capital leverage.** The working definitions could then be pushed to DFI, donor and practitioner groups. For example, opening a channel of communication with the DFI Bended Finance Group. *[Aceli Africa, IFAD]*

#### **DECISION POINT:**

- The Secretariat will draft detailed TORs of the working group based on the discussion to be shared with members via email for endorsement.

## **4. AOB and Closing**

#### **ISSUES DISCUSSED:**

- The GDPRD Secretariat will reach out to members regarding their interest in chairing the

TWG.

- The next Group meeting will be scheduled in June 2024; date and time to be announced in due course.