



Thematic working group on Sustainable/Blended Finance for Food Systems

TERMS OF REFERENCE

1. Background and rationale

In 2023, the Global Donor Platform for Rural Development (GDPRD) and the Shamba Centre for Food & Climate undertook an enquiry on how to make donor and public funds more catalytic for food systems through innovative financing approaches. The flagship report "[Unleashing the catalytic power of donor financing to achieve SDG2](#)" was the main outcome of the exercise, and was based on a series of interviews that explored how donors, philanthropic organizations, development finance institutions (DFIs), public funds and blended capital funds can make their funding effective and act as an incentive for achieving SDG 2.

The research, investigating what it would take to change the risk appetite of lenders and donors, showed that if donors and DFIs take higher risks with their grants and lending, every donor dollar invested in blended finance has the potential to generate four dollars in commercial finance. When this happens, agrifood SMEs will have more financing, domestic lenders will participate, and markets will deliver affordable borrowing prices. This is the catalytic power of donor finance.

Among the several recommendations included in the enquiry, numerous stakeholders voiced strong support for the establishment of a multi-donor working group, supported by a knowledge hub, that would allow for experience sharing. Against this backdrop, in April 2024, the GDPRD established the Thematic Working Group on Sustainable/Blended Finance for Food Systems. The group will be used by participating institutions to:

1. Provide a **forum** gathering project sponsors, fund managers, investment advisors, DFIs, and NGOs that goes beyond convening and acts as a technical level working group, focused on specific, mutually agreed upon time-bound objectives;
2. Explore opportunities to reduce **transaction costs** related to the exploration, negotiation and conclusion of blended finance transactions through joint due diligence, stakeholder consultations, and expert advice on fund structures; and
3. Collaborate on filling information and data gaps, which are essential for donors involved in decision-making to scale lending and blending. Donors need research and data on the loans they provide to agrifood SMEs, and they also need to be able to compare their own portfolios

of agrifood enterprise loans with those of other donors and DFIs.

2. Objective and focus areas

The overall goal of the thematic working group will be to increase transparency, develop benchmarks, and build the evidence that will lead towards better decision making and more effective allocation of scarce donor dollars.

Following the inaugural meeting, the following four focus areas were identified:

1. Facilitate conversations and agree on a concrete framework for **data for donors and decision-making processes**, including:
 - i. Data harmonization, including by breaking down silos on existing data and harmonizing taxonomies;
 - ii. Deciding what data is essential for donors;
 - iii. Modelling and consistent integrated M&E, to allow for better and more harmonized results measurement for blended finance in food systems; and
 - iv. Benchmarking and sharing data to understand impact and the additionality of investment.
2. Through the meetings of the working group, dedicated events, bilateral discussions and research activities, donors and partners would **promote deep dives** into the following questions/topics:
 - i. What do donors need in terms of decision making to increase their concessional finance to attract more commercial financing in LICs/LMICs?
 - ii. How does the context differ in LICs vs LMICs, e.g., how does concessional finance look different in LICs vs LMICs?
 - iii. What factors affect donors' risk appetite when making decisions on financing in food security (e.g., conflict, fragility, climate, geopolitical landscape)? How does the political economy and budget process affect funding decisions?
 - iv. How can donors influence investors to better position food security, with a view to attracting more commercial financing?
3. **Host events such as webinars or roundtables**, which may be closed to group members or open to wider audiences, on:
 - i. Practical examples and project information sharing; and
 - ii. Presenting key reports on blended finance/impact investment.
4. Establish a **regular communication channel with the DFI Working Group on Blended Concessional Finance for Private Sector Projects** to:
 - i. Provide regular updates on activities of the group and receive input on joint efforts; and
 - ii. Share knowledge and experience on current approaches to blended concessional finance activities.

3. Organizational and logistical arrangements

The Thematic Working Group (TWG) on Sustainable/Blended Finance for Food Systems brings together representatives from donor organizations, philanthropies, public funds and foundations. The present

terms of reference (ToRs) and annual (or longer-term) work programmes will guide the group's work and allow members to track results and impact¹. The working group will initially operate within a time-bound mandate of two years (2024-2026), to be extended if deemed appropriate by members. All below provisions can be amended by consensus.

Membership

Membership is open to technical specialists in donor agencies and other relevant stakeholders actively engaging in sustainable finance and is not limited to GDPRD Members. Membership is not tied to conditions other than active participation, but members should be committed to sharing information and data regarding activities and programmes related to innovative and sustainable finance and be willing to participate in regular group meetings and joint TWG activities.

Decision Making and Procedures

The working group will draft annual or longer-term work programmes to guide its work. All decisions are taken by consensus. Consensus on amendments or other decisions is reached when all members participating in a meeting agree on the proposed way forward. Silence through participating or absent members will be taken as approval. The working group cannot commit any individual member to doing anything bilaterally without their explicit consent.

Chairmanship

Working group members elect two representatives of the participating organizations, by consensus, to serve as Co-Chairs of the group on a rotating basis, over a timeframe of two years. The Co-Chairs guide the group, moderate regular group meetings, coordinate any decisions taken by members, lead in the organization of ad hoc activities the group wishes to pursue (i.e., webinars, roundtables) and act as direct contact points for the Platform Secretariat, members and others externally. Co-Chairs can also represent and speak on behalf of the group at external meetings.

Administrative support and logistics

The working group will be hosted by the GDPRD, and therefore receive organizational and logistic support from the Platform Secretariat, which will organize and facilitate all meetings (either virtually or in person, as agreed by the members), and carry out relevant decisions taken by members, following a process agreed upon with the Co-Chairs.

All meetings and events will be summarized into minutes by the Platform Secretariat, to be distributed to members and posted on the Platform website. The Platform Secretariat will provide technical support for the group's interactions, allowing for continuous member engagement towards the creation of a robust knowledge base and joint learning. This will include a dedicated space on the Platform website for member engagement and documentation of the TWG activities.

¹ The terms of reference (ToRs) will be revisited and reviewed upon one year of the establishment of the Thematic Working Group on Sustainable/Blended Finance for Food Systems to reflect and incorporate emerging priorities and requests of the members.