



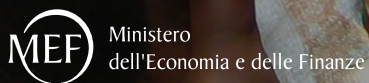
Concept note

# Investing in inclusive rural transformation

## Innovative approaches to financing

International Conference  
Rome, 25-27 January 2017

Organized by IFAD and the Ministry of Economy and Finance of the Italian Republic, together with the Brookings Institution and the University of Warwick




## Background and rationale: why another international conference on rural investment?

The 2030 Agenda holds up the promise of a radically different and better future for rural people, rural economies, agriculture and food systems. Realizing this promise requires enormous investments, supported by enabling policies and institutions – including vastly improved access to finance for investment by smallholder farmers and rural small and medium enterprises (SMEs).

The need to boost investment in rural economic development and financial inclusion in order to achieve the new global agenda is widely recognized. Indeed, this has been the subject of many recent debates – particularly among development partners. However, the debate is often narrowly focused on agriculture and food supply chains, rarely addressing the nexus of rural investment and rural transformation and financial inclusion. Meanwhile, many actors – both in the public and in the private sector – are taking forward innovative efforts in the areas of rural and agrifood finance and in rural and agrifood investments. This includes efforts in the areas of policy, public programming, services and business. Many new initiatives and innovative partnership approaches are also emerging in different locations, in specific agrifood supply chains, or around specific issues. Each of these is colored by the specific challenges and opportunities that mark its geographical, institutional and thematic context. However, cross-fertilization opportunities very often exist and remain largely untapped. In particular, there

has been some disconnect or lack of interaction to date between development partners' practice and positioning on issues of rural and agri-food finance, private sector-led innovations and investments in this area, and the work of the academic and expert communities around needs, gaps and successful models in rural and agri-food finance and investments, with a focus on smallholders and SMEs.

Responding to this gap, the rationale for convening this conference rests on four key points. First is the need to support, expand and leverage ongoing efforts to improve the policy and institutional environment for vibrant and inclusive rural markets in many parts of the world. Second is the need to support, expand and leverage growing private-sector interest in investing in rural areas (in infrastructure, energy, food supply chains, financial systems and others), in working with rural producers, and in serving rural clients. Third is the need to take stock of innovative experiences – policies, institutional approaches, business models, financial products and services for rural investors – that can be taken to scale. Fourth is the need to get development finance institutions, policymakers, business, experts and academia together around the same table, to connect innovative business practices and investment opportunities with efforts in the political and policy domains, and to support development partners to best define their role in advancing the agenda concretely and in a rigorous, evidence-informed manner. In



sum, this rationale is about building and sharing knowledge as well as to energize and better linking action and initiatives across different complementary domains.

Among the international financial institutions (IFIs), IFAD has unique experience and expertise in promoting inclusive rural investment, focused on smallholder farmers and rural SMEs. Together with governments, IFAD invests in poor rural women and men, with particular attention to rural youth, facilitates inclusive practices in agricultural supply chains, and supports a range of rural finance institutions serving smallholder farmers and rural SME investors. In recent years, IFAD has worked with a number of partners to advance innovative efforts and inclusive dialogue in all these areas. In particular, in October 2015 IFAD and the Italian Ministry of Economy and Finance co-hosted a high-level event on “Finance for Food: Investing in agriculture for a sustainable future” at the World Food Day celebrations at Expo Milan. The event focused on challenges and innovative approaches to finance for agrifood investments particularly by smallholder farms and other SMEs, and featured the participation of the Secretary-General of the United Nations and the President of the Italian Republic, the President of IFAD, the Italian Minister of Finance, and selected leaders of multilateral development banks and private companies.

At the Milan event, participants committed to re-convene periodically to take stock of persisting gaps and progress and to identify concrete follow-up initiatives. It is in this framework that, one and half years after that event, IFAD and the Italian Ministry of Economy and Finance, together with the Brookings Institution and the University of Warwick are coming together again and co-organizing this conference to deepen and broaden the debate as well as to advance concrete action to boost supply and access to finance for smallholder farmers and rural and agrifood SMEs, in the broader context of inclusive and sustainable rural transformation.

## Objectives

The objectives of the conference are to:

- Advance understanding about opportunities and challenges in mobilizing finance for inclusive and sustainable rural transformation;
- Identify new, effective and efficient instruments and partnerships to finance smallholder agriculture development and rural SMEs; and
- Lay out a country-differentiated, evidence-based policy and institutional agenda to move forward in boosting financing for inclusive rural investments.

## Deliverables

In preparation for the conference, a number of knowledge products will be developed and made available on a dedicated space on the IFAD website. A report will be released immediately in the wake of the event.

In line with the action-oriented spirit of the Milan event, the conference will aim to bring a concrete contribution to creating an enabling environment for boosting inclusive access to finance for rural and agrifood SME operators, and more generally for boosting their investment capacity. In this regard, it will have two key deliverables, by laying the initial foundations for a multistakeholder network of organizations with a shared commitment to this agenda and, more broadly, the agenda of smallholder development, and for a dedicated financing instrument to be hosted by IFAD, both of which are envisioned to benefit inter alia from the prominent focus on food security issues expected from the Italian Presidency of the G7 in 2017.

**Smallholder Agriculture Finance and Investment Network (SAFIN).** As noted, there is need to better connect and cross-fertilize across the myriad actors and initiatives that today address, directly or indirectly, improved supply of finance for smallholders and rural or agrifood SMEs, or that seek to improve their capacity to use finance for productive investments in the broader context of smallholder development. Strengthening linkages and cross-fertilization would enable better and faster learning across actors and stakeholder groups, facilitate stronger bridges across institutional innovations, successful



business practices and the policy domain, and support better alignment of efforts among different actors so as to achieve positive impact at scale. The development of a “multistakeholder network” would contribute to this agenda by providing an umbrella framework for different actors to innovate and learn together and from each other, to identify and build upon partnership opportunities, and to monitor and track progress together. Moreover, it would contribute by helping to foster greater accountability within different initiatives towards smallholders and rural or agrifood SMEs, recognizing and involving them as key partners under this collaboration. The conference will provide an opportunity to explore the initial elements of a vision for the establishment of such a network, and to formalize a call for the concept to be operationalized by a core initial group of partners in the wake of the event.

As currently envisioned, the network may have three key objectives, namely: a) creating a space for the sharing of best practices and knowledge among a diverse, multistakeholder membership; b) leveraging the collective knowledge of the members, identifying gaps that require additional research and/or investment; c) supporting and encouraging innovation and, d) promoting policy alignment, dialogue and joint progress towards a progressively more enabling environment for smallholder agriculture finance. All four objectives will be pursued with a broadly inclusive approach, both in geographical terms (with actors from different

regions, including from the global South) and in terms of stakeholder groups (e.g. development partners, the private sector broadly understood, organizations representing smallholder farmers and rural SMEs, academia or research institutions, and governments).

**Framework for Smallholder Agriculture Finance (SIF).** One clear conclusion from the Milan Expo event on “Finance for Food” was the need for IFIs to develop and take forward better instruments to channel finance to smallholders and agri-food and rural SMEs, given enormous potential market demand and enormous need for investment for and by these actors, and against high transaction costs, risks, and fragmentation among both finance providers and (current or prospective) clients. In this context, and as an initial contribution to the future work of the above-mentioned “multistakeholder network,” IFAD is developing the concept of a Smallholder Agriculture Finance (SIF) framework. This will include three pillars, namely: a) the existing IFAD portfolio and specific de-risking instruments; b) a new instrument for debt and equity finance for smallholder organizations and rural SMEs, and c) a technical assistance capacity to facilitate intermediation and partnerships between private companies and smallholder farmers’ organizations. Similar to the “multistakeholder network,” the conference will provide an opportunity to announce IFAD’s intention to establish the SIF instrument and to receive feedback on the concept and the next steps in its development.



## Conference programme: an overview

### Day 1

On 25 January, the conference's **high level inaugural session** will take place at the Italian Ministry of Economy and Finance. The President of IFAD and the Italian Minister of Economy and Finance will inaugurate the conference. After their welcome remarks, a panel of selected keynote speakers will set the stage, moderated by an internationally renowned broadcast journalist. A **reception** will follow at the Ministry of Economy and Finance.

### Day 2

On 26 January, IFAD will host three plenary sessions and three sets of practice-focused sessions.

#### **OPENING SESSION**

**Welcome remarks.** During this introductory session, IFAD's Vice President will set the stage and lay out objectives.

#### **PLENARY SESSION I**

**Leveraging finance for inclusive rural transformation.** A keynote speaker, followed by a moderated panel, will feature and contrast different perspectives on how to assess the financial gap in the rural sector in light of the 2030 Agenda; what role different sources



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of finance have in filling the investment gap; and how development finance institutions can help to mobilize and leverage finance for investment in key gap areas. Speakers will include senior officials from government, multilateral development banks, the private sector and academics.

#### **INNOVATIVE PRACTICE CLUSTER A**

Building on the issues discussed during the first plenary, two parallel practice-focused sessions will discuss the role, opportunities and challenges public and private actors face while working towards mobilizing finance (including climate finance) for rural transformation. Specifically, two clusters will be organized, respectively, on: (a) the new roles for public finance; and (b) how to unlock private finance.

Each cluster will be designed to tease out in a clear manner key positive features, enablers, gaps, scaling up pathways or follow-up business opportunities from the public or private perspective. Discussants will come from public-sector organizations, private sector, multilateral and bilateral development partners, and financial institutions.

#### **PLENARY SESSION II**

##### **New financing approaches and instruments for smallholder agriculture and agrifood SMEs.**

There has been much focus recently on how to mobilize trillions of dollars to bridge investment gaps in infrastructure for the 2030 Global Agenda. But how can we ensure that these investments reach poor rural women and men and young people in smallholder



agriculture and rural SMEs? A keynote speaker will address the audience and share his/her perspective on these issues. Afterwards, a panel of discussants will continue the debate about new and innovative financing arrangements, policies, safeguards and incentives to leverage efforts in these areas to serve “last mile” rural users and to help develop inclusive rural markets. Panellists will include leading private-sector companies, social investors, bilateral development agencies and/or multilateral development banks operating with innovative approaches for the rural sector.

#### **INNOVATIVE PRACTICE CLUSTER B**

Two parallel sessions will take place in this cluster, focused on innovative practices and instruments. Specifically, the first one will focus on new and/or innovative ways to assess and manage risks, while the second will revolve around new approaches and instruments to deliver finance to smallholders and rural SMEs. Discussants will include financial market development experts, academics, bankers and other private-sector finance providers, impact investors, farmers’ organizations, government officials, as well as IFAD.

## Day 3

On the morning of 27 January, the conference will resume with three sessions.

#### **PLENARY SESSION III**

**Building an enabling environment for inclusive rural investments.** A keynote speaker will engage in an interactive conversation with a journalist (using a “centre stage” format) about the importance of investing in appropriate policies and institutions to facilitate investments to foster rural transformation. An interactive discussion with participants will follow.

#### **INNOVATIVE PRACTICE CLUSTER C**

The two sessions under this practice cluster will discuss challenges and innovative examples of: a) policy frameworks for boosting public and private investment in the rural sector, and b) institutional frameworks to support investments in the rural sector. They will address the need for differentiated approaches to addressing this challenge in different country contexts, and lay out a practical, evidence-based agenda for progress in this area. Discussants will include government, think tanks, academics, and multilateral development banks.







#### **PLENARY SESSION IV**

**Preliminary conclusions.** Rapporteurs from each of the innovative practice clusters will report back to the plenary on the preliminary conclusions that emerged from each session.

#### **CLOSING SESSION**

##### **Call to develop the Smallholder Agriculture Finance and Investment Network (SAFIN).**

High-level representatives from partner organizations will come together to agree to work together on the development of a network for mobilizing innovation and investments for smallholder and rural and agrifood SME development. The session will be an opportunity also for other participating organizations to express their interest in joining this initiative.

*The conference will be open to the media and will be webcast.*







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