

The Financing Landscape for Agricultural Development

An Assessment of External Financing Flows to Low- and Middle-Income Countries and of the Global Aid Architecture



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Introduction

Despite many years of progress, the number of undernourished people globally has risen since 2014. Nearly 690 million people—8.9% of the world's population—were undernourished in 2019.¹ At the same time, overweight and obesity are on the rise in almost all countries, with 38% of adults overweight and 13% obese as of 2016.² Shocks related to climate change, pests (such as locusts), and the COVID-19 pandemic have disrupted food production and supply chains around the world, raising major concerns for food security in 2020 and beyond.

As has been the disappointing story for several years, food insecurity is on the rise and the world remains off-track for achieving SDG 2: “End hunger, achieve food security and improved nutrition and promote sustainable agriculture.”^{1,3,4} Severe food insecurity is increasing in all regions except Northern America and Europe, with Africa maintaining the highest levels, and Latin America and the Caribbean getting rapidly worse.¹ More indebted countries have fewer resources to work to reverse these trends. While national action in low- and middle-income countries is key to reversing this trend, donors have a critical role to play by providing official development assistance (ODA) for agriculture. Improving the volume, impact, and efficiency of ODA for agriculture will be critical to achieving SDG2, especially targets SDG2.3 (“double the agricultural productivity and incomes of small-scale food producers”) and SDG2.4 (“ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production”).

In 2019, Chatham House and the European Centre for Development Policy Management convened a group of agricultural development experts to discuss the stagnating progress on SDG2 and the role of the global aid architecture in catalyzing progress. One suggestion that emerged from this meeting was to develop a study on agriculture ODA and the global aid architecture, with a focus on the International Fund for Agricultural Development (IFAD), the Global Agriculture and Food Security Program (GAFSP), the African Development Fund (ADF), and the International Development Association (IDA).

In March 2020, the World Food Policy Center at Duke University launched a new project to identify ways to improve the global financing architecture for agricultural development and suggest more effective ways to scale and deploy financial resources. This project was developed jointly with the Center for Policy Impact in Global Health at Duke University and Open Consultants.

This report takes stock of current and potential future donor investments in agriculture and helps inform discussions on how to ensure adequate support for agriculture in low- and middle-income countries. It also provides an overview of the strengths and weaknesses of the global financing ecosystem for agricultural development in addition to four multilateral financing institutions: IFAD, GAFSP, ADF, and IDA (see Tables 1-4).

This study used a mixed-methods approach, including an assessment of major financial databases (especially the Creditor Reporting System (CRS) by the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC)), quantitative modelling, key informant interviews, a document review, and original analysis. It also makes recommendations to optimize ODA allocations and improve this ecosystem.

For a full description of methods, glossary, and a more detailed discussion on findings, please refer to the full report: [*The Financing Landscape for Agricultural Development: An Assessment of External Financing Flows to Low- and Middle-Income Countries and of the Global Aid Architecture.*](#)

Key Findings

Overall financing landscape and architecture

- 1. The agriculture sector has largely failed to mobilize additional ODA.** While ODA disbursements for agriculture grew from US\$6.7 billion in 2008 to US\$11.2 billion in 2017, they decreased to US\$10.2 billion in 2018, a drop of 9.2% (see Figure 1).ⁱ The share of total ODA allocated towards agriculture remained stable between 2002 (5.1%) and 2018 (5.2%). Other sectors, such as health and energy, have been much more successful in mobilizing new resources. Ceres2030 estimatesⁱⁱ that an incremental US\$33 billion per year will be needed until 2030 to end hunger and double the income of 545 million small-scale farmers, of which US\$14 billion would have to come from donors and US\$19 billion from low- and middle-income countries.
- 2. While the COVID-19 crisis is spiking demand for additional ODA, the pandemic could have a severe impact on future ODA levels.** Our projections show that the combined two-year ODA loss in 2020-2021 could be US\$14.5 billion in a moderate scenario (a decline of 7.9% from 2019ⁱⁱⁱ) and US\$30.5 billion in a more pessimistic scenario (an overall decline of 16.7% from 2019^{iv}). This decline in overall aid could affect agriculture ODA: Even under the moderate scenario, agriculture ODA would drop to US\$9.6 billion in 2020, the lowest level since 2013.
- 3. Other official flows (OOF) for agriculture more than tripled in recent years, from US\$0.8 billion in 2009 to US\$2.6 billion in 2018. Private flows for agriculture also increased, from US\$365 million in 2009 to US\$873 million in 2018.** However, in 2018, 44% of all private flows came from one donor, the Bill & Melinda Gates Foundation.
- 4. Donors allocated more ODA towards food security and nutrition in response to food crises and other kinds of disasters as part of their humanitarian aid budgets.** Overall, combined ODA disbursements for basic nutrition, food aid/security programs, and emergency food aid increased from US\$2.5 billion in 2002 to US\$8.0 billion in 2018 (see Figure 2).
- 5. The financial ecosystem for agriculture is highly fragmented due to many small aid activities, especially by bilateral donors. Almost three-quarters (73%) of all agriculture ODA was bilateral ODA in 2018, while multilateral aid only accounted for 27% in this year (US\$2.8 billion), less than in 2013 when multilateral aid peaked at 30%. In addition, an increasing number of global initiatives compete for funding.** In 2018, bilateral DAC donors reported a total of 13,649 aid activities for agriculture, with average funding of US\$0.5 million per aid activity, while multilaterals accounted for 2,275 aid activities, with average funding of US\$1.2 million. At the country level, there is an abundance of small uncoordinated projects, which causes high transaction costs for recipient countries and inefficiencies in pursuing common SDG objectives. Finally, competition for funds provided by a small group of donors by many actors with similar mandates is detrimental, as compared to fewer actors with differentiated mandates.
- 6. While multilaterals can be productive forums for collective action, a proliferation of actors in the system has created a crowded arena that struggles to coordinate effectively.** Bureaucratic hurdles, misaligned incentives, and ringfencing activities to be able to self-attribute results are hefty barriers to coordination. The International Financial Institutions (IFIs) and the UN system at large often individually pursue country assistance strategies with the governments of low- and middle-income countries. These are often parallel exercises that struggle to converge on a common framework. Better coordination efforts between the Rome-based agencies (RBAs) have also been wanting despite the existence of a collaboration framework. In-depth engagement with relevant POs and CSOs on projects is also lacking.
- 7. While bilateral donors mostly provide grants, multilateral ODA for the agricultural development sector is heavily loans-based.** In 2018, loans accounted for 35% of all agriculture ODA (US\$3.5 billion) and grants for 65% (US\$6.6 billion) (see Figure 3). Compared to 2017 levels, grant aid in 2018 declined by 8% (US\$7.2 billion to US\$6.6 billion). In the agriculture sector, grants and loans are provided along donor lines: The share of grants in multilateral agriculture ODA peaked in 2013 at 31% but declined to 20% in 2018. In contrast, 79% of all bilateral agriculture ODA came in grants (US\$5.9 billion) and 21% in loans (US\$1.5 billion).
- 8. Africa receives the most agriculture ODA out of any region, although this remains low per capita.** In 2018, annual per capita ODA for agriculture was less than US\$1 in several African countries. However, if recent trends continue, by 2030 Africa's prevalence of undernourishment will rise to more than 25%. Africa will surpass Asia as the region with the highest number of undernourished people, totaling more than 50% of the global total. These figures show the need for a scale-up of donor support.
- 9. There is no coordinated approach for tracking progress towards the SDGs.** Review and tracking of SDG2 metrics is also voluntary, with no formal accountability mechanisms to validate countries' implementation or success. The four multilaterals also lack a harmonized and comprehensive set of metrics to measure results and their impact on reaching the SDG2 targets. This also hinders prioritization or clarity on what needs to be funded to help target use of funds.

ⁱ Agricultural ODA was defined in line with the OECD DAC definition and refers to agriculture, forestry and fishing total (DAC5 code 310) and rural development (purpose code 43040).

ⁱⁱ To estimate the financing gap, Ceres2030 estimated current donor flows for food security and nutrition based on the following definition: "Spending on food security and nutrition is defined by the DAC codes, including but not limited to: basic nutrition (12240), agriculture (311), agro-industries (32161), rural development (43040), and non-emergency food aid (52010)." As Ceres2030's approach differs from our assessment of agriculture ODA, the financing gap figures are not fully comparable. See: David Laborde Marie Parent Carin Smaller: Ending Hunger, Increasing Incomes, and Protecting the Climate: What would it cost donors? Ceres2030. https://ceres2030.org/shorthand_story/donors-must-double-aid-to-end-hunger-and-spend-it-wisely/

ⁱⁱⁱ Under this scenario, ODA would drop by 5.7% in 2020 and by 2.2% in 2021, as compared to 2019.

^{iv} Under this scenario, ODA drops by 10.0% in 2020 and by 6.6% in 2021, as compared to 2019.

GAFSP | Global Agriculture and Food Security Program

1. **Since its inception after the 2008 food crisis, GAFSP-funded projects have benefitted poor, smallholder farmers and agribusinesses. After initial capitalization donor contributions lagged between 2017-2020, but the fund is entering a replenishment phase to mobilize US\$1.5 billion over the next five years.** Public and private donors contributed US\$1.9 billion since its inception, of which roughly US\$1.6 billion in a public sector window for projects was to be implemented by seven Supervising Entities (SEs)^v and US\$300 million in a private sector window was to be implemented through the International Finance Corporation (IFC). GAFSP grant financing was found to be useful in providing SEs with additional resources benefitting smallholder agriculture and especially technical assistance and capacity building, something that governments are typically reluctant to borrow money for. After initial capitalization, contributions from donors to GAFSP have been mostly ad-hoc. The first replenishment exercise took place in October 2020 seeking to mobilize US\$1.5 billion for the next 5 years, of which gathered about US\$300 million so far.
2. **GAFSP recently went through a reform (GAFSP 2.0) to improve the efficiency of its window structure and make its activities more SDG2-aligned. The reform, while still untested, may be overly complex and has not fully addressed the underlying issues.** GAFSP’s governing body has an inclusive governance structure with equal voting rights between donors and regional representatives (as a proxy of country governments representation). However, its consensus-driven decision making can sometimes impact effectiveness. Although civil society organizations (CSOs) participate as observers, evaluations noted that CSO consultation needs improvement. An independent evaluation noted its two funding windows operated almost entirely independently, which adversely impacted coordination and effectiveness. However, the GAFSP 2.0 reform kept the private sector window and created a new

parallel business-investment funding track under the public sector window, adding complexity to its governance and decision-making process.

3. **GAFSP has not taken full advantage of its grant funding as a way to differentiate itself from the other multilateral financing channels. However, the new reform offers a strong opportunity to build on a pilot allowing direct investment in producer organizations (POs).** The public sector window provides grant funding to governments for projects which are very similar in nature to what the SEs were already financing through their existing lending programs. The private sector window has been successful in mitigating risks for IFC through a blending facility. However, the use of scarce grant funding to provide concessions to agribusiness was critiqued by an independent evaluation as not sufficiently geared towards smallholder agriculture. The reform will allow for the expansion of a pilot program that allows direct investment in POs, further allowing GAFSP to demonstrate its unique value-add as a financing channel. However, the public sector will continue utilizing a call for proposals system that may hinder project sustainability (as new fund allocations must go through successive competitive grant cycles).

IFAD | International Fund for Agricultural Development

4. **IFAD has reformed its resource mobilization strategy and introduced borrowing to generate more resources and become more independent from member contributions. This could shift its focus away from LICs and LMICs towards borrowers at ordinary or commercial lending terms.** IFAD has committed roughly \$1 billion per year over the last five years but has struggled to sustain a level of replenishment in line with its ambitions. This is compounded by the legacy of its Debt Sustainability Framework (DSF) which has made the use of DSF grants unsustainable in the absence of renewed donor commitments. In addition to sovereign borrowing, IFAD was awarded an AA+ credit rating for the first time in October 2020 which will also permit market borrowing. However, constrained donor

contributions, unsustainable levels of DSF grants, and the move towards harder lending terms may affect IFAD’s ability to fulfil its key mandate, which is to focus on the poorest and most vulnerable countries, including those facing debt distress, climate change impacts, and fragility.

5. **IFAD has made solid impacts on smallholder agriculture and rural poverty reduction, and innovative aspects of its projects have been used as scaling up opportunities by governments and other donors. However, numerous special initiatives developed over the last decade stretch capacity.** A 2019 MOPAN assessment and IFAD’s own reporting show that the impact of IFAD projects was found to be strong for rural poverty reduction and gender equality. IFAD has also invested in conducting robust impact assessments of its portfolio and tracking progress against targets. However, the agency has scope for improvement in project efficiency, speed of disbursements, and policy engagement. IFAD also has a number of innovative financing programs to reach the poor and most vulnerable. While the proliferation of new supplementary-funded initiatives (117) may attract additional earmarked grant resources from donors—and some are performing well—they may also further stretch limited capacity away from IFAD’s core mandate for uneven impact. Many have remained small and relatively underfunded.
6. **Available resources and technical capacity do not match the ambitious scope and targets of IFAD’s strategy and commitments.** Recent decentralization efforts have resulted in IFAD’s technical staff becoming thinly spread across headquarter and country offices. Decentralized staff have seen a shift in their role from technical specialists to project administrators and managers. The recent decline related to project quality and policy engagement may be linked to the decline of technical capacity. Previous corporate evaluations highlighted overreliance on consultants and the need for new skills as IFAD’s portfolio shifts towards new market-oriented and private sector-driven projects.

IDA | International Development Association

7. **IDA is the biggest multilateral donor for agriculture and has considerable capacity for policy engagement and knowledge management. However, IDA commitments to the agriculture sector are quite unpredictable and volatile.** After receiving a AAA rating, IDA is now able to issue bonds, allowing IDA to leverage its equity and blended concessional contributions with capital market debt. This increases the level of funding support available for countries. Overall, IDA raised US\$22.1 billion from capital markets and recently had its largest replenishment yet (IDA19, US\$82 billion for 2020-2023). IDA18 also introduced a new private sector blending facility in partnership with IFC and the Multilateral Investment Guarantee Agency (MIGA), with US\$2.5 billion funding. This allows them to rebalance the risk profile for private sector projects (including in agriculture) in LICs and fragile and conflict affected countries. However, IDA’s annual commitments to agriculture in the period 2015-2019 have only been around 13% of total portfolio. Its agriculture commitments also fluctuated widely (for example, from US\$3.4 billion in FY19 to only US\$2.4 billion in FY20). Volatility depends largely on changing country-level priorities and management.
8. **IDA, and the World Bank more generally, have the capacity and the potential scale to step up to the SDG2 challenge and exert a greater leadership and coordination role in the agriculture and food sector.** The development effectiveness of IDA projects is high, and it has contributed to improved agriculture regulatory environment, policy reforms, linkages with markets, rural livelihoods, and adoption of agriculture research and extension frameworks in countries. The World Bank is the only multilateral that has the financial and technical capacity, the convening power, and the policy instruments to give a boost at the global level to efforts to achieve SDG2.
9. **Consultation with CSOs, alignment with country priorities, and internal structures have scope for improvement.** Evaluations noted further need for alignment of projects

^v IDA, AFD, ADB, IDB, IFAD, FAO and WFP

with country priorities, especially in fragile and conflict-affected contexts, as well as consultation with local stakeholders and CSOs. Previous restructuring at the World Bank also changed the composition of key thematic areas within the Agriculture and Food Global Practice. The Bank reorganization of 2013 re-grouped the various sectors and thematic areas into 15 Global Practices, including one for agriculture. In the process, several key thematic areas were considered to have stronger affiliation with other sectors or deserved to be treated as free-standing topics such as irrigation, environment and natural resources, nutrition, rural finance, gender, infrastructure, etc. This can make it more difficult to look at agricultural development in a more holistic manner, something potentially easier to do in IFAD or GAFSP as vertical funds (one sector only).

policy dialogue capacity to support countries as it relates to the agriculture and food sector. AfDB has developed a number of partnership agreements with agencies that have expertise in the sector and that could be enhanced while consultation processes with local stakeholders and CSOs can be improved.

12. Reporting on the ADF portfolio performance is constrained by weak compliance, lack of candour in projects assessment, and weak M&E systems. A recent evaluation noted that projects generally suffer from implementation delays and issues with management, financial sustainability, and institutional arrangements. There is room for improvement in areas of social and environmental safeguard compliance. Overambitious output and outcomes parameters are often at the origin of project underperformance.

ADF | African Development Fund

10. The African Development Bank (AfDB), including ADF, has recently elevated agriculture to one of the “High 5” priority areas through the Feed Africa program. However, its involvement in agriculture is still relatively modest. The AfDB has a strong impact on the region and is a strong catalyzer of private sector funding. In the ADF15 replenishment (2020-22), donors committed US\$7.9 billion – a substantial increase from the previous replenishment. However, its involvement in agriculture has traditionally been modest and to fulfil its new “High 5” goals for agriculture it will need to increase technical capacity and funding commitments for its agriculture portfolio. In 2019, agriculture was only 11% of the total portfolio and in 2018 agriculture disbursements were only US\$231 million.

11. ADF has the challenge of having nearly half of its client countries as fragile states that face one or more internal and/or external shocks. This calls for more dedicated and differentiated support especially in the agriculture sector. Fragility situations, whether they are generated by conflict, climate shocks, governance issues, food prices, etc. are particularly problematic in the agriculture sector as they can stem from or be the cause of severe food insecurity situations. ADF has not sufficiently capitalized on its country presence to develop more dedicated expertise, financing tools, and

Recommendations

Overall financing landscape and architecture

1. Develop a global financing roadmap as a concerted effort to mobilize additional resources for SDG2 from public and private sources for agricultural development.

Despite the economic downturn caused by the COVID-19 crisis, new commitments to agriculture will be needed. Over the past two decades, the health sector has launched multiple major multistakeholder efforts to coordinate the field and raise funding for specific purposes – a major example is the *Global Strategy for Women’s, Children’s, and Adolescents’ Health*. We suggest drawing on this example and establishing a global financing roadmap for agriculture to boost global coordination, action, and investments. The roadmap would address many of the described challenges, in particular the lack of a coordinated approach for mobilizing and financing ODA for agriculture ODA, and the resulting lack of progress towards SDG2. The development of this roadmap needs to be based on a concerted effort to ensure that all relevant stakeholders align around it. Donors and countries alike should make financial commitments to put the strategy in practice and advance agricultural development in LMICs. In addition, the roadmap should include a common results framework to track progress against the SDG2 target and an accountability mechanism to track if commitment-makers live up to their commitments. More specifically, we recommend convening a broad stakeholder group, including donors, LMIC governments, multilateral financiers, technical agencies, POs, and other key stakeholders to discuss and create a roadmap.

2. The added value of innovative financing mechanisms—as introduced by the health sector—should be further explored by the agriculture sector. Due to the perception that it is becoming increasingly difficult to mobilize health ODA from traditional donors, the health sector is benefitting from the emergence of innovative financing instruments, such as vaccine bonds (which turn long-term contributions by donors into immediately available cash), targeted taxation such as the “airline solidarity levy”, and incentive-based approaches such as advance

market commitments (AMCs) could be adapted to the agriculture sector. Other promising approaches include using grant funding to crowd-in domestic financing, and the role the public sector is playing to de-risk investments. Other funds could also borrow successful design principles from the Global Fund to Fight AIDS, Tuberculosis, and Malaria (Global Fund).

3. ODA should be used more strategically to incentivize increased domestic funding.

More domestic resources from middle-income countries are required for agriculture to free up (the currently declining) donor funding for the poorest countries, many of which are conflict-affected. Multilateral organizations must ensure stronger co-financing commitments from middle-income countries (MICs). Also, graduation from aid strategies vis-a-vis middle-income countries should ensure that, as countries improve their income status, scarce grants and concessional loans are freed up for the benefit of the poorest or conflict-affected countries. Enhanced technical assistance, institutional strengthening, and learning from evaluations will be critical in supporting countries in their investment decisions.

4. More donor investments in global public goods (GPGs) for agriculture are needed.

There is an important role for donor funding for GPGs but there is underinvestment because the gains of GPGs are shared broadly, rather than captured by any one country. Availability of better data (e.g., needs, results, financing, best practices) will be critical to strengthen programming, monitor progress, and develop stronger country-investment cases, which in turn could help attract more funds for the sector. More funding for R&D would also be critical to drive technological progress. There is also need for better policy frameworks and investment guidance to ensure that the existing funding is used in the most efficient way.

5. More data is needed on the type of projects countries are investing in domestically on agriculture and for their performance on SDG2. Many countries also do not carry out consistent agricultural surveys, have systems that enable them to track their

own use of financing or donor funding, or categorize the types of agricultural investments they make. Review and tracking of SDG2 metrics is also voluntary, with no formal accountability mechanisms to validate countries' implementation or success. The four multilaterals also lack a harmonized and comprehensive set of metrics to measure results and their impact on reaching the SDG2 targets. This also hinders prioritization or clarity on what needs to be funded to help target use of funds.

6. **Donors should provide more ODA to African countries.** Africa's prevalence of undernourishment is projected to rise to more than 25% by 2030 and will surpass Asia as the region with the highest number of undernourished people. Donors need to prioritize their funding in light of these concerning projections. Additionally, there is a need to find new ways of working with African countries based on more investments in data, policies, and results frameworks.
7. **Going forward, existing grant funding should be used in a more strategic way. Grants should be used to leverage and de-risk private investments through blending mechanisms and public, private, producer partnerships.** Significant further investments are needed to de-risk and create an enabling environment for the agriculture sector to grow – and grow inclusively – in LMICs and LICs. As ODA falls severely short of the need, we must focus on ensuring these investments grow, but also use the funds more efficiently and in a more targeted way. In particular, with an intent to leverage as much private sector funding as possible or to pave the way for private sector investment. Grants should also be used to finance global public goods, and solely in support of the poorest countries.
8. **A larger share of agriculture ODA should be provided by multilaterals to reduce fragmentation and ensure better alignment and coordination through their broad governance structure.** Donors should ensure that the way they are funding the various multilateral agencies does not lead to mission drift, added redundancy, and ring-fencing of their own initiatives. Also, multilateral agencies should resist the temptation to pursue the proliferation

of special initiatives just to suit some donor's earmarked interest.

9. **Further coordination efforts are needed between the Rome-based agencies (RBAs) and between international financial institutions (IFIs) and the larger UN System.** While the RBAs – the Food and Agriculture Organization (FAO), IFAD, and World Food Programme (WFP) – have established a collaboration framework via an MOU, staff incentives and internal processes require better alignment. Better coordination and harmonization of interventions should also be facilitated between the IFIs and the UN system at large (as part of the UN reform). These two types of agencies have remained relatively insulated from each other, each developing its own country assistance strategy and programs.
10. **Focus on facilitating country-level coordination and collaboration as it offers more opportunities for donors and agencies to coalesce around government priorities through local coordination groups.** Decentralized collaboration permits moving away from politics, bureaucratic hassles, and the need to be seen as “leading” that predominates in headquarters. Also, project co-financing among the multilateral organizations (but potentially also bilaterals) is an effective way to seek harmonized approaches and reduce transaction costs for recipient countries.
11. **In-depth partnership with CSOs, grassroots organizations, and POs must be expanded throughout the full project cycle (including M&E) to drive sustainable impact.** In-depth consultation with groups on the ground at potential project sites takes time, it takes extra funds and capacity, and it takes the slow building of relationships and trust. GAFSP and IFAD have made real and extremely commendable progress on this, but more needs to be done. While government consultation is often extensive, change needs to happen locally, and POs and CSOs must be more involved – not just in project design, but in implementation and evaluation (with evaluation being set up early on in the project).

Multilateral Recommendations

GAFSP | Global Agriculture and Food Security Program

12. **Fully leverage its unique advantage of being the only multilateral and global provider of grants in the agriculture sector.** GAFSP should review its intervention modalities and the scope of its funding to: i) co-finance specific components of public sector projects only for the type of activities that governments are reluctant to borrow for (technical assistance, capacity building, beneficiary consultation, M&E), ii) leverage new resources from the private sector for financing small and medium-sized enterprises (SMEs) through the promotion of blending mechanisms of partner organizations, iii) directly fund POs, CSOs, and promote innovation, and iv) support GPGs for agriculture through investment in agricultural research, piloting of new technologies, and flexible mechanisms in response to emergencies.
13. **Stop financing the IFC-administered private sector window as it duplicates the much larger facility established by IDA and unnecessarily creates fragmentation within GAFSP.** The new business investment funding track would become GAFSP's main source of funding and should allow access to a broader array of qualified and eligible implementing partners (beyond the four current ones: IFC, AfDB, ADB and IDB), including social lenders and impact funds, who may be better suited to provide the smaller-size investments needed for SMEs and POs. Individual donors can still support IFC with grants directly if they wish so, rather than through GAFSP.
14. **Restructure its governance structure and internal procedures to reflect its new mandate and purpose.** The composition of the Steering Committee would be revised to reflect more accurately the nature of GAFSP stakeholders. The call for proposals procedure under the public sector window would be discontinued since GAFSP will no longer support free-standing projects for country governments, and would only co-finance specific activities of projects submitted by its partners (leveraging the unique advantages

of grant funds). GAFSP would continue to avail itself of a technical body to assess proposals submitted by its partners. The role of secretariat could continue to be played by the World Bank.

IFAD | International Fund for Agricultural Development

15. **Assess whether its greater reliance on borrowing (sovereign and market) will shift its focus away from LICs and LMICs towards borrowers at ordinary and commercial lending terms.** Resolving the DSF sustainability issue could also mean less availability of grants for the poorest countries and wean IFAD away from its regular grant program (which has been historically one of the main sources of innovation and support to CSOs, research, etc). Country graduation strategies should ensure an increased level of self-financing by MICs and the enhanced use of reimbursable technical assistance mechanisms.
16. **Examine the opportunity cost of new initiatives and their likely impact, especially when they tend to remain relatively small and underfunded.** IFAD should continue to focus on its critical role in the global financing architecture through its support to smallholder agriculture for which it has developed a recognized and valuable expertise. The search for funding and the endorsement of new commitments and initiatives, often through earmarked donor contributions, may overstretch limited staff capacity and divert them from the regular core program for only marginal impact.
17. **Revisit its decentralization model and find a better balance between country presence and technical capacity.** Technical capacity has been depleted and is spread very thinly, while country presence has remained modest. Country needs could be covered to a larger degree through local staff while reducing overreliance on consultants, as this has begun to impact IFAD's project performance. Deeper collaborations with the other RBAs (WFP and FAO), especially at the field level, could fill gaps in technical capacity.

18. Step up its leadership and coordination role and further prioritize the agriculture sector. As the international community struggles to meet the SDG2 objectives, a role of recognized global leader for the agriculture sector is needed (including with bilaterals) to improve overall aid effectiveness and address fragmentation issues. IDA – and more broadly, the World Bank – is the only multilateral development finance institution that works globally on all sectors and has considerable country presence, knowledge, and policy dialogue capacity. IDA should step up its support for the sector, expand its agriculture portfolio, and lead efforts for the development of innovative financing mechanisms to support smallholder farmers (e.g., loan buydowns, social impact bonds). Also, it should build upon its strength to incentivize private sector engagement in IDA countries.

19. Leverage its convener role in support of Global Public Goods. It could provide the required scale and the seal of approval and be the guardian of the most important initiatives (agriculture research, emergency situations, climate), giving other donors and private players the confidence to continue to invest in the sector and provide transparency on results. For doing this, the financing modalities may need to be reviewed as its lending program is mostly locked into country allocations and its grants facility is extremely limited.

20. Improve alignment with country priorities, CSO consultation, and reconsider internal structure. There is some scope to improve alignment of projects with country outcomes and priorities through improved systematic country diagnostics, especially in fragile, conflict and violence affected countries. Deeper consultation with local stakeholders and CSOs remains a further area of improvement. Also consider revisiting its internal organizational structure and making the Agriculture and Food Global Practice more inclusive of certain thematic areas such as irrigation, rural finance, and natural resources management.

21. With the recent inclusion of agriculture among the “High 5” priority sectors, ADF should expand its agriculture portfolio and play more of a leadership role on country agriculture strategies in Africa, especially in fragile situations. This is especially needed in view of the large concentration of bilateral and multilateral development organizations focusing on the African region. Also, the large number of fragile and conflict situations makes the role of the AfDB more critical for addressing systemic issues in those countries. The AfDB should leverage country engagements and its decentralized structure to convene key stakeholders and improve country-level consensus building.

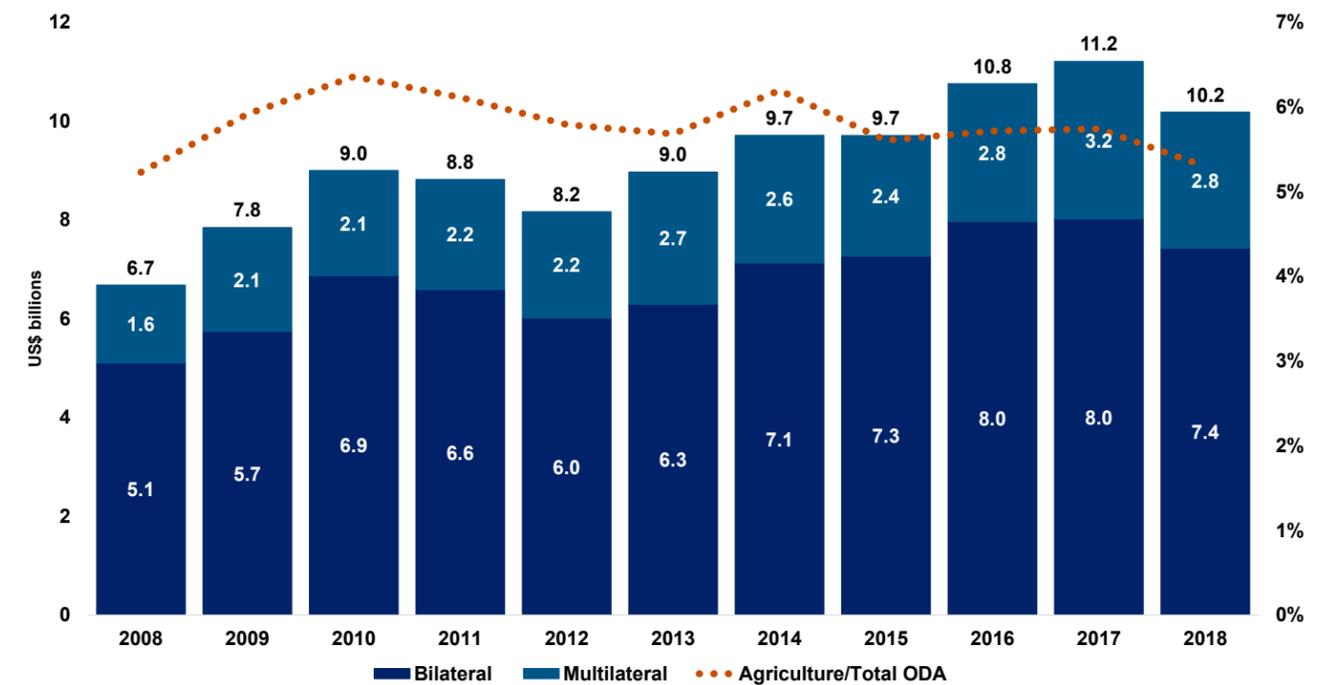
22. To match the ambitions of the Feed Africa and Agricultural Transformation Agenda, ADF must staff up and improve its technical capacity in the agriculture sector. In doing so, ADF should continue to build alliances with other specialized players at the international and local level. Also, while the institution has built strong ties with governments, deeper consultation with local stakeholders, POs, and CSOs will be a key step in developing a stronger agriculture portfolio.

23. The AfDB should improve portfolio performance as well as its M&E systems and metrics to provide better evidence of results. They should improve the reliability of self-evaluation processes and the metrics used to evaluate the performance and impact of its projects. A more realistic definition of outputs and outcomes is warranted. The agriculture portfolio seems more prone to project implementation delays and institutional issues.

Figures

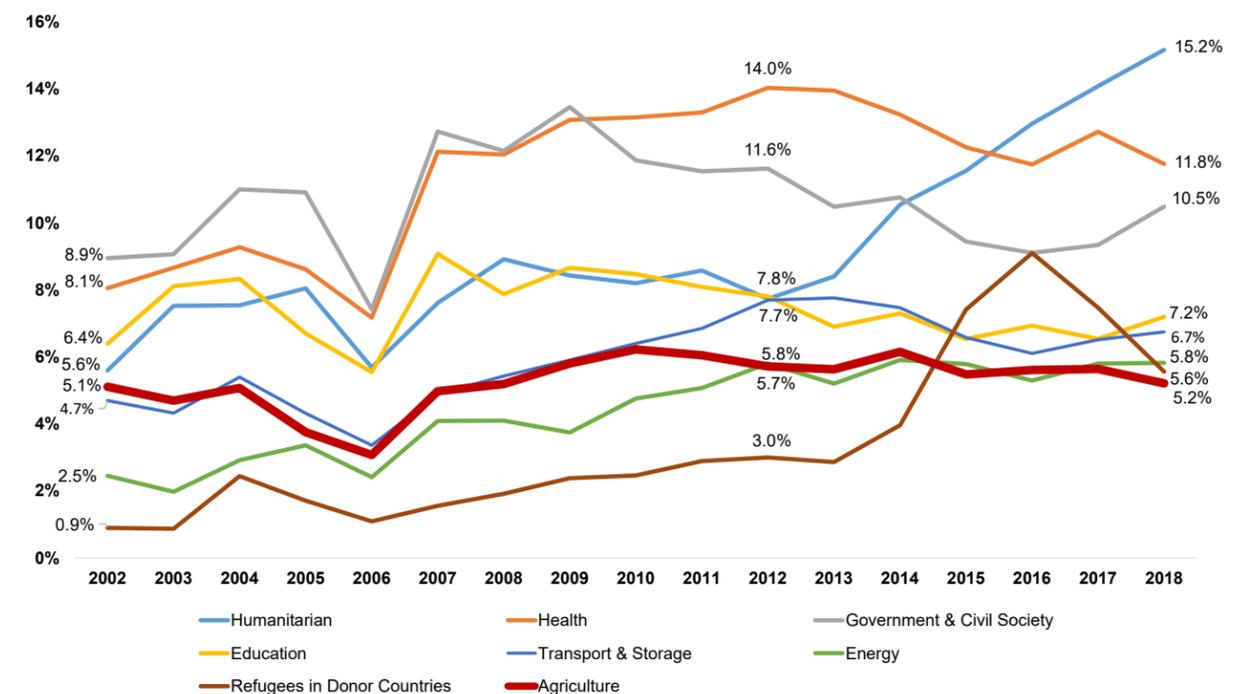
Agriculture ODA declined by 9.2% in 2018 despite growing need.

Figure 1. ODA disbursements for agriculture, 2008-2018



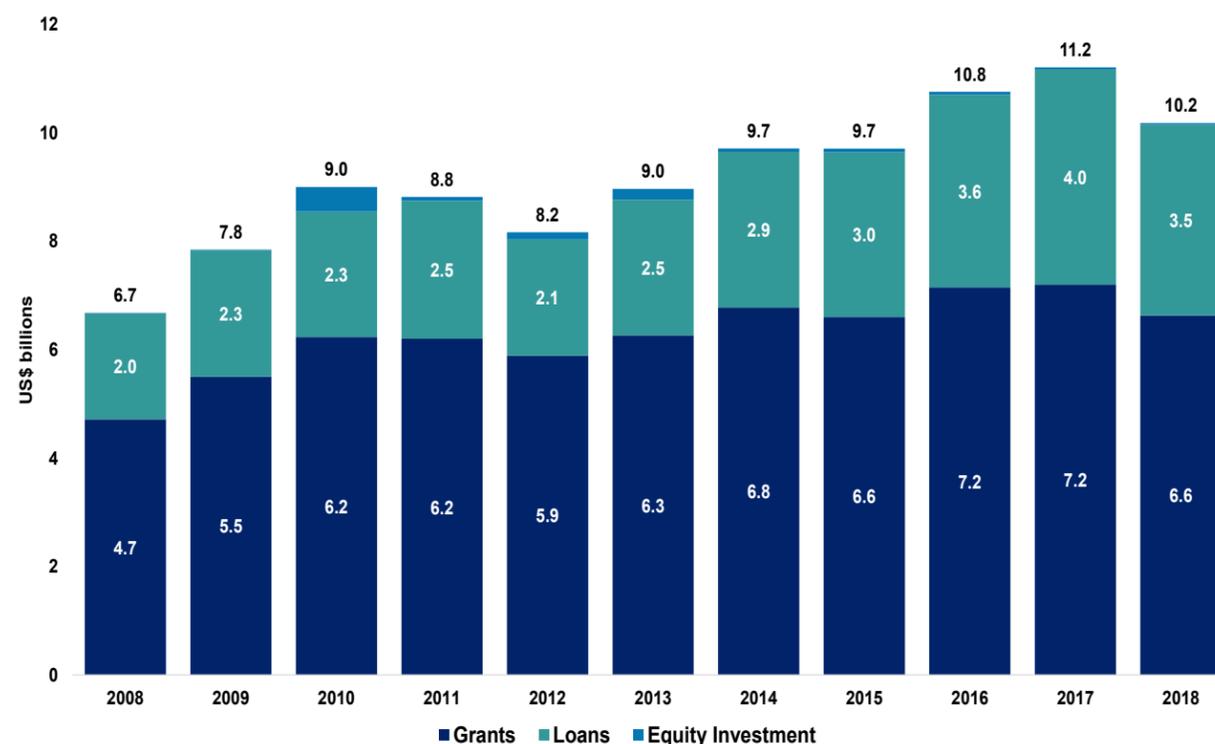
The share of total ODA allocated towards agriculture remained at ~5.6% in the past decades, whereas sectors like health, energy and humanitarian aid increased their share of total ODA from 2002 levels.

Figure 2. Share of agriculture ODA out of total ODA, 2002-2018



The share of grants in multilateral agriculture ODA has been falling since 2013.

Figure 3. ODA flow by donor type and sector, 2018



Tables

Table 1: Summary of IFAD's strengths, weaknesses and development potential

Strengths	Weaknesses	Development potential
<ul style="list-style-type: none"> New resource mobilization strategy & credit rating (AA+) Targeted lending - focus on smallholders and poor vulnerable rural communities Complements broader large-scale sectoral projects of multilateral and regional banks Strong consultation processes at global level through the Farmers' Forum and the Indigenous Peoples' Forum 	<ul style="list-style-type: none"> Stagnating donor contributions = unsustainable level of grants. Difficult to sustain operations at concessional terms. Technical capacity constraints affected portfolio performance and quality The need to generate more resources through borrowing and a shift to harder lending terms may jeopardize IFAD's focus on LICs and LMICs Decentralization efforts resulted in thinly spread technical capacity and not enough country presence Opportunity cost and impact of many relatively underfunded initiatives that further stretch staff capacity 	<ul style="list-style-type: none"> New market borrowing capacity to sustain the new resource mobilization model Work closer with Rome-based agencies to leverage technical capacity Improve negotiations with donors to replenish depleted grant resources Increase domestic co-financing for projects Focus on piloting projects to be scaled up Re-examine proliferation of small initiatives

Table 2. Summary of GAFSP's strengths, weaknesses and development potential

Strengths	Weaknesses	Development potential
<ul style="list-style-type: none"> Governance model with non-state actor/smallholder participation uniquely inclusive Can support smallholder orgs, NGOs, and private sector directly Competitive project approval process with well-defined criteria and pre-conditions that prioritize participation of POs in design and implementation Good progress benefitting smallholders (re: technical assistance and capacity building) Grants-based portfolio in the public sector window reduced debt burden of recipient countries Private sector window has been successful in leveraging additional private sector funding 	<ul style="list-style-type: none"> Small portfolio size (US\$1.9 billion, 2010-2019) Grants (public window) use not optimal. Weak added value of grant financing as projects are routed through SEs and duplicate what SEs are already financing through their regular program Resource mobilization for agriculture did not meet expectations and GAFSP remained a marginal player with public sector window disbursements at US\$861 million over 2013-19 Public sector call for proposal process does not allow for continuity after project close GAFSP 2.0 three funding channels complicates decision-making and governance structure Governance: i) many dormant donors, but equal voting rights, ii) consensus model can slow down decision-making and reforms process, iii) weak representation of countries and of CSOs The private sector window has only partially been able to facilitate access to smallholder agriculture 	<ul style="list-style-type: none"> GASFP 2.0 should show concrete plans to address: <ul style="list-style-type: none"> the complexity of its three funding channel structure clarifying its value-add vs other funders sustainability of projects maximizing use of grants compared to loans by SEs Focus on providing grant funding and blended finance to producer organizations and rural SMEs either directly or by leveraging impact funds, social lenders, private sector, philanthropy Expand its network beyond the current SEs to any eligible and qualified partner Position itself as a financier of GPGs Improve learning from evaluations

Table 3: Summary of IDA's strengths, weaknesses and development potential

Strengths	Weaknesses	Development potential
<ul style="list-style-type: none"> • Biggest multilateral funder for agriculture • Sectoral allocations of IDA funding are demand-driven (however, no ag earmarking) • Strong country presence, policy dialogue capacity • Strong leveraging capacity to raise financial resources • Can finance large projects at national level and scale-up successful initiatives • Directly contributes to building country capacity and institutions 	<ul style="list-style-type: none"> • Has several innovative financing mechanisms but use not high in agriculture sector • Recent evaluations highlights some disconnect between country strategies and programs • Consultation processes can be improved, especially with non-state actors • Internal org structure of ag global practice not inclusive of key components (irrigation, rural development, rural finance, etc) 	<ul style="list-style-type: none"> • Advocate for greater domestic investments in agriculture • Innovative financing mechanisms to support smallholder farmers and agriculture sector (e.g., loan buydowns, social impact bonds) • Incentivize private sector engagement in IDA countries • Coalesce international efforts to support global public goods (CGIAR, COVID response, climate finance) • Larger leadership role as global coordinator on agriculture

Table 4: Summary of ADF's strengths, weaknesses and development potential

Strengths	Weaknesses	Development potential
<ul style="list-style-type: none"> • In-depth country engagement and priorities aligned with region • Efficient financial framework and adequate resource mobilization through replenishments • Targeted towards region of greatest need • Strong country presence • Agriculture features as one of its High 5 priorities 	<ul style="list-style-type: none"> • Project underperformance and delays • Reporting on portfolio performance constrained by weak compliance, lack of candor in projects assessment and weak M&E systems • Agriculture historically neglected. Needs to staff-up to meet expectations under High 5 initiatives • Little flexibility to lend to producer organizations and consultation processes can be improved 	<ul style="list-style-type: none"> • Expand agriculture portfolio • Expand technical and operational capacity for projects • Improve the reliability of self-evaluation processes and metrics • Serve as the regional leader coordinating agriculture investments • More dedicated and differentiated support for FCV countries

Conclusion

The information in this report was limited by our ability to acquire data directly from the four multilateral funding mechanisms (we received only minimal information from ADF) and the constraints of the CRS database, which has a one year lag time in reporting and does not have GAFSP outflows or data for IFAD prior to 2015. Notwithstanding these limitations, we feel confident that our findings demonstrate that stagnating progress on SDG2 requires *drastic* action as business-as-usual has not generated enough change to address the scale of the problem. ODA severely falls short of the need in indebted countries, and the COVID-19 pandemic could push this goal even further out of reach as donor countries reallocate aid to emergency needs.

Nutrition and humanitarian aid are an important part of the food security picture – and for future research we recommend conducting a similar analysis for financing in those arenas – but the majority of our food is produced by smallholders. Significant further investments are needed to de-risk and create an enabling environment for the agriculture sector to grow – and grow *inclusively* – in LMICs and LICs. As ODA falls severely short of the need, we must focus on ensuring these investments stay consistent or grow, but also use the funds more efficiently and in a more targeted way. In particular, with an intent to leverage as much private sector funding as possible or to pave the way for private sector investment. Ultimately, the private sector is where the largest source of funds can be accessed, although domestic resources need to be further mobilized to self-finance agriculture needs.

This need for targeting and efficiency applies the multilateral funding mechanisms discussed in this report – each serves an important role in the agricultural development financing space, but a reform of the system must start within their own walls. GAFSP, IFAD, and ADF each require some reform, and the World Bank should consider further

leadership in the agriculture sector. For these and other actors in the system, this should include engaging in a deliberate process to distinguish their unique value add from one another, improve cooperation, explore co-financing, and resist the temptation to take on new activities better suited to another entity.

Donor incoherence and inconsistent support remains central to the fragmentation in the global agricultural development sector. For future inquiry, we suggest an examination of bilateral donor flows, including how they are fragmenting the sector. Reducing the number of smaller aid activities by bilaterals (that are often more geostrategic than truly recipient country-driven) and pooling agriculture ODA further into multilateral channels will align more coherent financing strategies. A larger grant-based mechanism that focuses on creatively leveraging the unique qualities of grants over loans must be a part of the future for agricultural ODA to effectively serve indebted countries. We must use grants in the ways they are uniquely advantageous. Most critically, we must do something radically *different*, and we must engage new and creative partnerships with the private sector, POs, and CSOs to see a further influx of investment, and to ensure projects have deeper, more transformational impact.

The recommendations of this report require further discussion by an inclusive group of bilateral funders, multilateral actors, recipient country representation, and civil society. Ideally the agricultural development sector will establish a global financing roadmap for agriculture to boost global coordination, action, and investments. A series of events will be needed for such an activity and should be initiated as soon as possible.

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