

# 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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# Acronyms

ADF	African Development Fund
AfDB	African Development Bank
AU/ NEPAD	African Union / The New Partnership for Africa’s Development
AMIS	Agricultural Market Information Systems
BMGF	Bill & Melinda Gates Foundation
CAADP	Comprehensive Africa Agricultural Development Programme
CFS	Committee on World Food Security
COSOP	Country Strategic Opportunity Programme
CPLs	Concessional partner loans
CPR	Country Performance Rating
CGIAR	Consultative Group on International Agricultural Research
CU	Coordination Unit
CRS	Credit Reporting System
CSOs	Civil-society organizations
CTA	Technical Centre for Agricultural and Rural Cooperation ACP-EU
DSF	Debt Sustainability Framework
ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization of the United Nations
FCV	Fragile, conflict, and violence-affected countries
FIES	Food Insecurity Experience Scale
FIF	Financial Intermediary Fund
FNS	Food and nutrition security
GAFSP	Global Agriculture and Food Security Program
GDP	Gross domestic product
GPG	Global public good
GFF	Global Financing Facility
GNI	Gross national income
HIPC	Heavily Indebted Poor Countries Debt Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDEV	Independent Development Evaluation
IEG	Independent Evaluation Group
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
LICs	Low-income countries
LMICs	Lower-middle-income countries
M&E	Monitoring and evaluation
MDRI	Multilateral Debt Relief Initiative

MMI	Missing Middle Initiative
MOPAN	Multilateral Organization Performance Assessment Network
OCHOA	United Nations Office for the Coordination of Humanitarian Affair
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OECD DAC	Development Assistance Committee of the Organization for Economic Cooperation and Development
OOF	Other official flows
PO	Producer organization
PBA	Performance-based allocation
ReSAKSS	Regional Strategic Analysis and Knowledge Support System
RMF	Results Measurement Framework
RMS	Result Management System
SDG	Sustainable Development Goal
SEs	Supervising entities
SESP	Self-evaluation system and processes
SME	Small and medium-sized enterprise
SOE	State-owned enterprise
TAC	Technical Advisory Committee
UMICs	Upper-middle-income countries
UK	United Kingdom
US	United States of America
UN	United Nations
UNEP	United Nations Environment Programme
UNDP	United Nations Development Programme
UNHLTF	United Nations High-Level Task Force on Global Food and Nutrition Security
WBG	World Bank Group
WFP	World Food Programme of the United Nations

Glossary

Bilateral	Funding or commitments from one government to another government.
Blended finance	A combination of concessional and commercial funds.
Concessional loans	Loans provided on terms that are more generous than market rates.
Co-financing	A cost sharing mechanism whereby some funds are committed by a donor and the remaining funds must be committed by a country itself. Oftentimes this is used to help improve sustainability of donor-funded programs.
Debt Sustainability Framework	The Debt Sustainability Framework (DSF) in this report refers to IFAD’s DSF which was adopted by the IFAD governing council in 2007. Similar DSFs have been adopted by other multilateral organizations to support countries under gigh debt distress. Under IFAD’s DSF, grant support is provided to countries experiencing severe debt distress. The framework is based on the debt sustainability analyses conducted by the International Monetary Framework and/or the World Bank in collaboration with countries.
First-loss fund	A fund whose primary investor, such as a philanthropic foundation or international financial institution, is providing the other investors in the fund with a partial loss protection guarantee. Under the guarantee, a financial loss of some percentage of invested capital is fully or partially covered, potentially in addition to some percentage of subsequent losses. This structure makes the risk/return profile for the investment more attractive to investors than in a traditional model where investment losses are shared.
Food security	One of the most broadly accepted definitions is from the World Food Summit in 1996, defined as having “physical, social, and economic access to sufficient, safe, and nutritious food that meets food preferences and dietary needs for an active and healthy lifestyle”. Food security is typically measured via a number of indicators within the categories of availability, access, utilization, and stability. Several scales or tools are used to assess the severity of food security for an individual. The FAO uses the Food Insecurity Experience Scale, utilizing a spectrum from food secure/mild food insecurity, to moderate food insecurity, to severe food insecurity (the last category indicative of no food for a day or more).
Fragile, conflict, and violence-affected countries	<p>The World Bank categorizes countries asFragile, conflict, and violence-affected countries (FCV) based on the severity of the issues under the following categories:</p> <ol style="list-style-type: none"><li>1. Countries with high levels of institutional and social fragility, identified based on publicly available indicators that measure the quality of policy and institutions and manifestations of fragility.</li><li>2. Countries affected by violent conflict, identified based on a threshold number of conflict-related deaths relative to the population. This category includes two sub-categories based on the intensity of violence: countries in high-intensity conflict and countries in medium-intensity conflict.</li></ol> <p>This list is updated annually. More information on the FCV classification can be found <a href="#">here</a>.</p>
Gross National Income	A measurement of a country’s income, inclusive of earnings from foreign sources.
Gross Domestic Product	The total value of goods produced and services provided in a country, measured annually.
International Financial Institution	Multilateral, regional, and national development banks with international operations.
Low-income country	Countries with a gross national income per capita level less than US\$1,035, as defined by the World Bank.
Lower-middle-income country	Countries with a gross national income per capita level between US\$1,036 and \$4,045, as defined by the World Bank.
Upper-middle-income country	Countries with a gross national income per capita level between US\$4,046 and US\$12,535, as defined by the World Bank.
Multilateral	Funding or commitments from three or more entities, such as governments or non-governmental organizations.

Official development assistance	<p>A term used by the Organization for Economic Cooperation and Development’s Development Assistance Committee (DAC) to define what counts as aid. Currently, official development assistance (ODA) is defined as: flows to countries and territories on the DAC List of ODA recipients and to multilateral development institutions which are:</p> <ol style="list-style-type: none"><li>1. provided by official agencies, including state and local governments, or by their executive agencies; and</li><li>2. each transaction of which:<ol style="list-style-type: none"><li>1. is administered with the promotion of the economic development and welfare of developing countries as its main objective; and</li><li>2. is concessional in character. In DAC statistics, this implies a grant element of at least<ul style="list-style-type: none"><li>• 45 per cent in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of discount of 9 per cent).</li><li>• 15 per cent in the case of bilateral loans to the official sector of LMICs (calculated at a rate of discount of 7 per cent).</li><li>• 10 per cent in the case of bilateral loans to the official sector of UMICs (calculated at a rate of discount of 6 per cent).</li><li>• 10 per cent in the case of loans to multilateral institutions (see note 5) (calculated at a rate of discount of 5 per cent for global institutions and multilateral development banks, and 6 per cent for other organizations, including sub-regional organizations).</li></ul></li></ol></li></ol>
Official development assistance for agriculture	The official OECD DAC definition of agriculture aid was used for this report. Agricultural ODA thus refers to agriculture, forestry and fishing total (DAC5 code 310) and rural development (purpose code 43040). <a href="https://www.oecd.org/development/stats/agriculture.htm">https://www.oecd.org/development/stats/agriculture.htm</a>
Other official flows	A term used by the Organization for Economic Cooperation and Development’s Development Assistance Committee (DAC). They define <a href="#">other official flows</a> (OOF) as official sector transactions that do not meet official development assistance (ODA) criteria. OOF include: grants to developing countries for representational or essentially commercial purposes; official bilateral transactions intended to promote development, but having a grant element of less than 25%; and, official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose.
Private flows	Private flows are defined by the DAC as flows at market terms financed out of private sector resources and private grants.
Producer organization	A formal organization constituted by and controlled by food producers that delivers services to their membership, facilitates market accces, and empowers members to engage in policy dialogue.
Small and medium-sized enterprise	Non-subsidiary, independent firms that employ personnel below a certain numbers threshold, which varies across countries. According to the OECD, the most frequent upper limit is 250 employees. Small firms are generally those with fewer than 50 employees.
Supervising entities	Refers to multilateral development banks through which GAFSP-funded projects are implemented. Current list of GAFSP supervising entities include the ADB, AfDB, IDB, IFAD, IFC, FAO, WFP and the World Bank. Full list available here: <a href="https://www.gafspfund.org/governance">https://www.gafspfund.org/governance</a>
Stunting	Defined by the World Health Organization (WHO) as impaired growth and development that children experience from poor nutrition, repeated infection, and inadequate psychosocial stimulation. Children are defined as stunted if their height-for-age is more than two standard deviations below the WHO Child Growth Standards median.
Undernourishment	Defined by the Food and Agriculture Organization as not being able to acquire enough food to meet the daily minimum dietary energy requirements, over a period of one year. Hunger is considered synonymous with chronic undernourishment.
Value chain	The FAO defines value chain as the set of actors (private, public, and including service providers) and the sequence of value-adding activities involved in bringing a product from production to the final consumer. In agriculture they can be thought of as a ‘farm to fork’ set of processes and flows.



# Executive Summary

Pre-COVID-19 pandemic, progress was already stalling for achieving Sustainable Development Goal #2 “SDG2”: to end hunger, achieve food security and improved nutrition, and promote sustainable agriculture. The global pandemic has only heightened food security concerns globally, and indebted countries have fewer resources available to address this crisis. Certainly resource mobilization and action at the country level is needed, but donors also play a key role by providing official development assistance (ODA). Nutrition, emergency, and humanitarian aid interventions are critical to progress for SDG2, but so is investment in the production side of the system: agricultural development and ensuring producer livelihoods.

This report takes stock of the donor investment landscape in agricultural development to inform discussions on ensuring adequate support for agriculture in low- and middle-income countries. It provides a financial landscaping assessment and an analysis of the strengths and weaknesses of the

global financing ecosystem for agriculture and four multilateral financing institutions: 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). 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 official development assistance (ODA) allocations and improve this ecosystem.

## 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%.<sup>1</sup> 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 estimates<sup>2</sup> 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 2019<sup>3</sup>) and US\$30.5 billion in a more pessimistic scenario (an overall decline of 16.7% from 2019<sup>4</sup>). 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.

1 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).

2 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/](https://ceres2030.org/shorthand_story/donors-must-double-aid-to-end-hunger-and-spend-it-wisely/)

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

4 Under this scenario, ODA drops by 10.0% in 2020 and by 6.6% in 2021, as compared to 2019.

- 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.
- 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.** Beaucroatic 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). 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.

Multilaterals Case Studies

GAFSP

- 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)<sup>5</sup> 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

5 IDA, AFD, ADB, IDB, IFAD, FAO and WFP

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

- 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

- 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 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).

ADF

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 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.

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 to 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).

## Multilaterals Case Studies

### GAFSP

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

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.

### IDA

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, natural resources management.

## ADF

- 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, AFD 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.

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. Political will must be generated to keep ODA levels for agriculture consistent, or to increase them. But these funds can also be used more strategically, especially for leveraging additional private sector funds. The multilateral funding mechanisms discussed in this report have a particular role to play here and any system reform must start within their own walls. GAFSP, IFAD, and ADF each require some improvements, 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, better cooperation, more co-financing, and resisting 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. 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. Grants must be used in the ways they are uniquely advantageous. Most critically, we must do something radically different. This includes engaging 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 representatives, 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.

## 1. 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.<sup>1</sup> 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.<sup>2</sup> 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.”<sup>1,3,4</sup> 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.<sup>1</sup> 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 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 IFAD, GAFSP, ADF, and 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, developed in partnership 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. It also provides an overview of the strengths and weaknesses of the global financing ecosystem for agricultural development and suggests recommendations to optimize ODA for agriculture allocations and the ecosystem as a whole. More specifically, the report aims to achieve the following:

- Contribute to a better understanding of the ecosystem of global grants and concessional loans for agricultural development by identifying key trends in ODA financing flows. As such we analyzed the overall ecosystem and explored how well it is working, and how its effectiveness, impact, and efficiency could potentially be improved to accelerate the progress of LICs and MICs towards SDG2.
- Identify potential ways in which four leading multilateral agricultural development financiers—IFAD, GAFSP, ADF, and IDA—might improve their performance and work more effectively together towards achieving SDG2. This assessment will identify (i) these funding mechanisms’ comparative advantages, (ii) how well they work together, (iii) ways to improve synergies between them, (iv) their place and role in the overall global financing architecture of the agricultural development sector, and (v) their connection to key commitments and accountability mechanisms (e.g., the SDGs and the Comprehensive Africa Agricultural development Programme [CAADP]).
- Provide policy recommendations, based on the above analysis and assessment, on ways to improve the impact of the financing ecosystem of the agricultural development sector. These policy recommendations target the four main multilateral funders of agricultural development (IFAD, GAFSP, ADF, and IDA), consider potential tradeoffs, identify opportunity/transaction costs, and highlight the feasibility of implementation.

Given our focus on IFAD, GAFSP, ADF, and IDA, our study addresses a specific aspect of the overall agricultural development financing ecosystem. However, improving only these four global financing mechanisms would be insufficient to dramatically reform the agricultural development sector. Additional research, which builds on this study, will be needed to improve the overall financing ecosystem of global agricultural development.

## 2. Methods

This study is based on five methodological approaches:

- First, to assess key trends in ODA for agricultural development, we conducted a quantitative database analysis using the Creditor Reporting System (CRS) database. This database is run by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD DAC). The database also includes data on private flows, such as from the Bill & Melinda Gates Foundation, and data on other official sources (details on our approach are outlined in Annex 1). We analyzed disbursement data (constant \$2018 prices). We used the official OECD DAC definition of agriculture aid, inclusive of agriculture, forestry, fisheries, and rural development. In addition to the OECD DAC data, we include findings from other reports on donor financing for agriculture and food security, such as the *Ending Rural Hunger* project<sup>6</sup>, and from the larger development aid literature.
- Second, data from the IFPRI Statistics on Public Expenditures for Economic Development (SPEED) database were used to conduct a brief assessment of domestic expenditures of LMICs. Country expenditures were available up to 2014 at the time of the analysis. We also used the Regional Strategic Analysis and Knowledge Support System's (ReSAKSS) data for Africa-specific trends towards the achievement of the Malabo 2025 targets.
- Projections of future ODA flows due to shocks such as the COVID-19 pandemic were based on the World Economic Outlook (WEO) data from the International Monetary Fund (IMF) and the DAC databases (**Annex 1**). The aim of this analysis was to estimate the potential impact of the COVID-19 crisis on ODA levels in 2020-2021 and to inform discussions on the role of donor funding going forward.
- To better understand the leading multilateral financiers for agricultural development, we conducted in-depth case studies on four key players. We first did a desk-based review of academic and grey literature on the agricultural development landscape and the role these four funders play.
- To supplement our desk-based review, we conducted a total of 35 interviews with 30 key informants (five key informants were interviewed twice) that are knowledgeable about both the overall financial ecosystem and the four multilateral institutions of focus. These interviews were conducted by phone and based on a questionnaire (**Annex 2**).
- Finally, to ensure our initial findings from the quantitative analysis and case studies were reflective of the most pressing issues in the agricultural development landscape, we hosted a virtual expert convening of 11 agricultural development experts. The discussion from this convening helped inform our policy recommendations (see Annex 3 for a participant list).

## Limitations

The financial data from the CRS database includes the official data reported by donors to the OECD DAC. It represents the best source of data to hold funders accountable, allowing for comparability and replicability. One inherent limitation is a time lag of one year—we used 2018 disbursement data because disbursement data for 2019 will only be made available in December 2020. Another general limitation of the DAC data is that the reporting across donors is not always fully consistent. In addition, GAFSP outflows are not reported in the CRS—only funding from donors to GAFSP is included in the CRS database. We thus used GAFSP's own data in Section 3. In addition, IFAD has only reported to the DAC since 2015 and it does not report on the purpose of its funding, (i.e., it does not provide a breakdown by DAC5 code or by CRS purpose code) (see also Annex 4). Despite these limitations, the CRS database remains the most reliable source of development financing data that allow for comparisons over time. The International Aid Transparency Initiative (IATI) also contributes to transparency and accountability through its platform by publishing detailed information about development aid and future spending plans in a timely manner. However, IATI is not a database and rather aims to complement the OECD DAC data.<sup>6</sup>

While the focus of this study is on donor financing, we also conducted a brief analysis of the domestic expenditures on agriculture by low- and middle-income countries to contextualize the assessment of donor flows. This analysis faced significant limitations due to data availability. Specifically, it was not possible for us to determine which countries reported external aid in their domestic expenditures—in other words, we were not able to disaggregate the financing data for agriculture by source. To help supplement some of the data limitations we faced, we have included analysis from ReSAKSS on progress towards the Malabo 2025 targets. However, this data only captures African countries and does not provide a global snapshot of domestic agriculture finance.

The case studies and comparative analysis are based on desk review of available documents from the websites of the four multilaterals, grey literature, and interviews with key informants from the four multilaterals as well as informants knowledgeable about the four funders. As GAFSP is undergoing reforms, publicly available information on the reforms were limited and based on interviews with GAFSP staff and data shared by them. As IDA and

ADF have multisector portfolios and serve as the concessionary lending arm of the World Bank Group<sup>6</sup> and AfDB respectively, agriculture-specific financing data and evaluation reports were not always available. Wherever data on IDA and ADF specific commitments and disbursements were not available from their publicly available documents, data shared by the World Bank staff and OECD CRS database were used.

<sup>6</sup> The World Bank Group refers to all its five institutions – IDA, IBRD, IFC, MIGA and the International Centre for Settlement of Investment Disputes



### 3. Trends in donor funding for agricultural development

**FINDING:** While ODA disbursements for agriculture grew from US\$6.7 billion in 2008 to US\$11.2 billion in 2017, it decreased to US\$10.2 billion in 2018, a drop of 9.2%. In addition, agriculture ODA remained at 5-6% of total ODA between 2002 and 2018, while other sectors were much more successful in mobilizing ODA.

ODA disbursements for agriculture grew from US\$6.7 billion in 2008 to US\$11.2 billion in 2017. As such, aid for agriculture reached its highest level ever in 2017, showing a rising trend since 2012. However, in 2018, agriculture ODA decreased to US\$10.2 billion, a substantial drop of 9.2% (see **Figure 1**). The 2018 disbursements for agriculture are almost back to levels last seen in 2014 and 2015 (US\$9.7 billion).

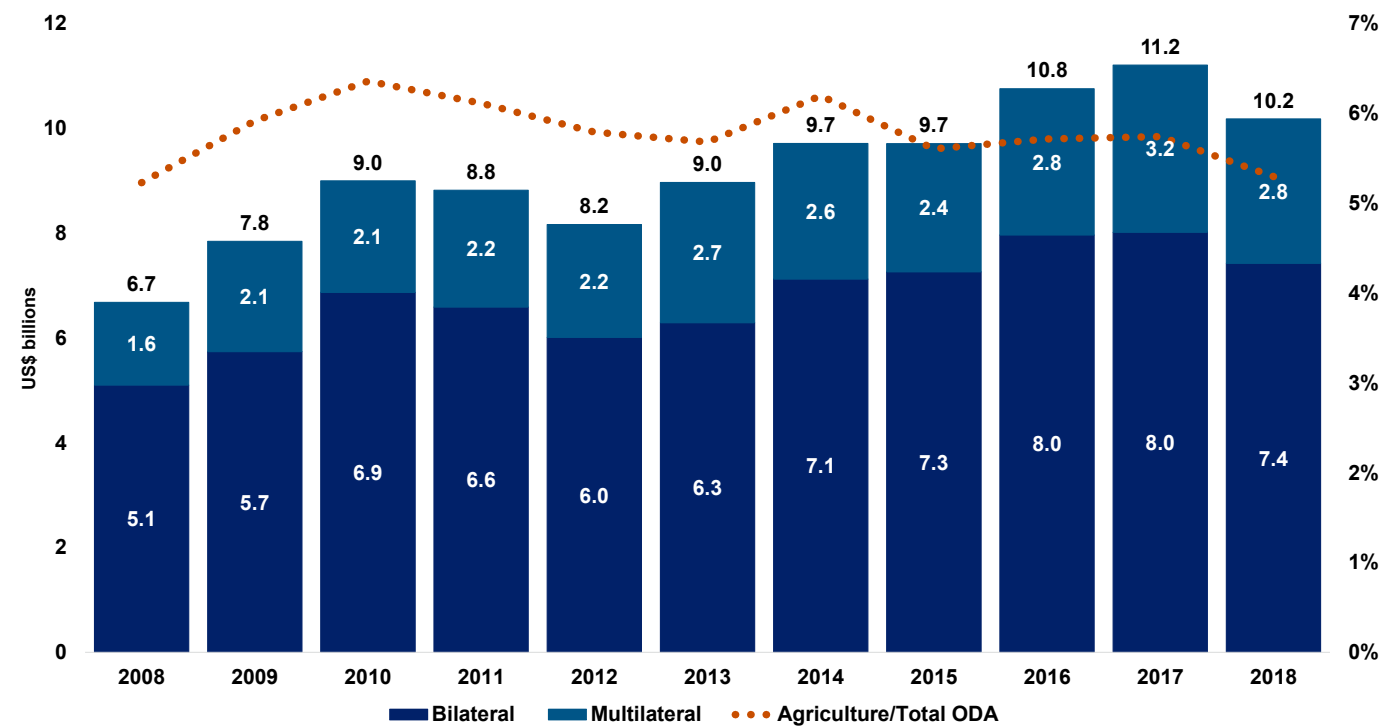
Agriculture ODA consists of four sectors: agriculture, forestry, fishing, and rural development (see methods

overview in Section 2 and detailed methodology in **Annex 1** for more on the definition of agriculture ODA). Agriculture as a subsector accounted for 73% of all agriculture ODA in 2018. Rural development accounted for 16%, forestry for 7%, and fishing for 4%. In 2018, ODA for all four subsectors declined compared to 2017: agriculture (-7.9%), forestry (-17.2%), fishing (-37.6%), and rural development (-3.5%) (see **Annex 5** for more details).

In addition, as a share of total ODA (i.e., ODA across all development sectors), agriculture aid peaked in 2010 at 6.4%. This peak was a reaction to the 2007-2008 world food price crisis. However, the share of total ODA going to agriculture fell from 5.7% in 2017 to 5.3% in 2018, the lowest share since 2008.

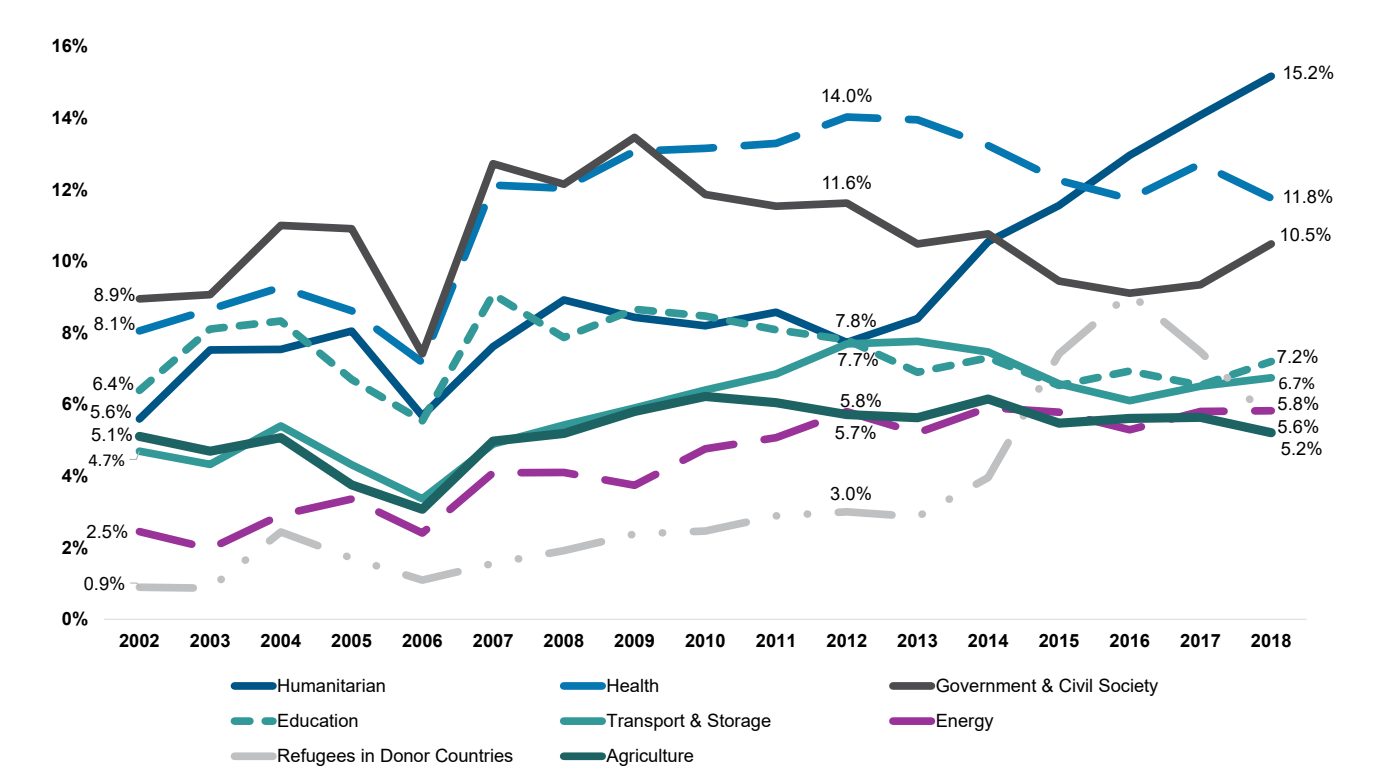
An assessment of a longer timeframe (2002-2018) gives an even more dramatic demonstration of the lack of progress. The share of total ODA allocated towards agriculture was 5.1% in 2002 and 5.2% in 2018 (**Figure 2**). In contrast, other sectors have been more successful in mobilizing resources and experienced an increased share of total ODA from

Figure 1: ODA disbursements for agriculture, 2008-2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310), and rural development (43040).

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



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130.

2002 levels. **Figure 2** shows the proportion of total ODA received by the top eight ODA sectors in 2018; these sectors accounted for more than two-thirds (68%) of all ODA in 2018.

For example, health ODA increased from 8% of overall ODA in 2002 to 12% in 2018. If funds from the Bill & Melinda Gates Foundation (BMGF) were included, donor support to health would even be more pronounced (**Figure 3**). Compared to the health sector, agriculture has not managed to raise substantial private funding. Other sectors that have gained attention by donors include energy, which saw a tripling in the proportion of total ODA received from 2% of overall ODA in 2002 to 6% in 2018. Humanitarian aid now clearly surpasses agriculture, rising from 6% of overall ODA in 2002 to over 15% in 2018 (see Annex 6 for an overview of ODA for agriculture by emerging donors).

**FINDING:** In the past decade, 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. While funding food security is desperately needed during crisis situations, donors also need to invest in agriculture to address undernutrition in a more sustainable way.

Key informants indicated that donors have recently shifted their funding from agriculture to food and nutrition security (FNS). As one key informant mentioned:

“Agriculture is not the same as nutrition, but the reason why many people in the past gave aid to agriculture was because they believed it would be the most effective way of reducing malnutrition in rural families and then they decided no it is not and we can do it in other ways. So, you got a shift.”

OECD DAC data confirm this shift towards FNS. The CRS database does currently not include a purpose code that covers FNS. However, funding for food security and nutrition is primarily reflected in three purpose codes: “basic nutrition” (12240), “food aid/food security programmes” (52010), and “emergency food aid” (72040).<sup>7</sup>

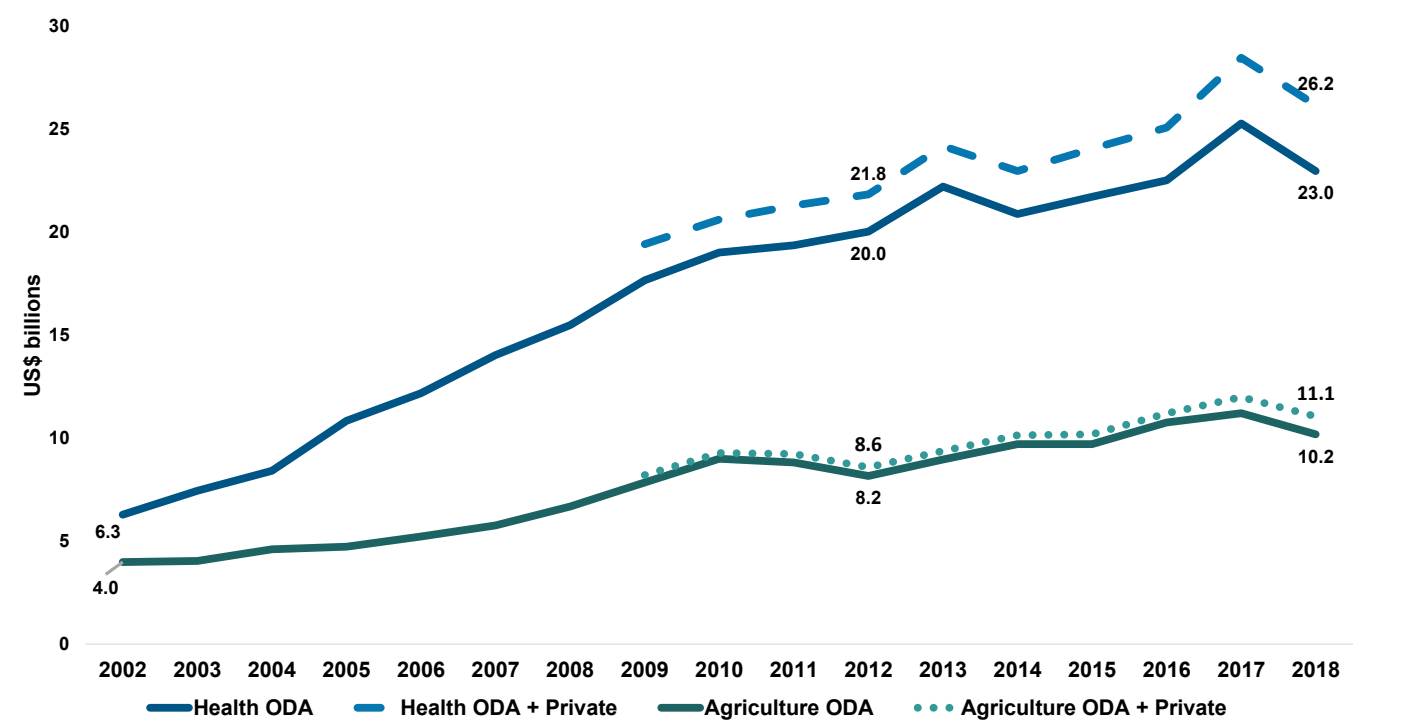
ODA for basic nutrition increased from US\$152 million in 2002 to US\$1.0 billion in 2018. ODA for food aid/food security programs peaked in 2009 at US\$2.3 billion in response to the food crisis but dropped to US\$1.2 billion in 2014. Since 2014, ODA for food aid/food security programs rose again to US\$2.0 billion in 2018 (**Figure 4**).

ODA for emergency food assistance, which is part of humanitarian aid, increased almost fivefold—from US\$1.2 billion in 2002 to US\$5.6 billion in 2017 (it then fell to US\$5.1 billion in 2018). More than a third of all humanitarian aid in 2018 (34% or US\$5.1 billion out of US\$15.2 billion) was for emergency food assistance. This increase in emergency food assistance was triggered by a spike in humanitarian needs because of multiple simultaneous crises, including to countries such as Yemen and Syria, which are heavily affected by conflicts.

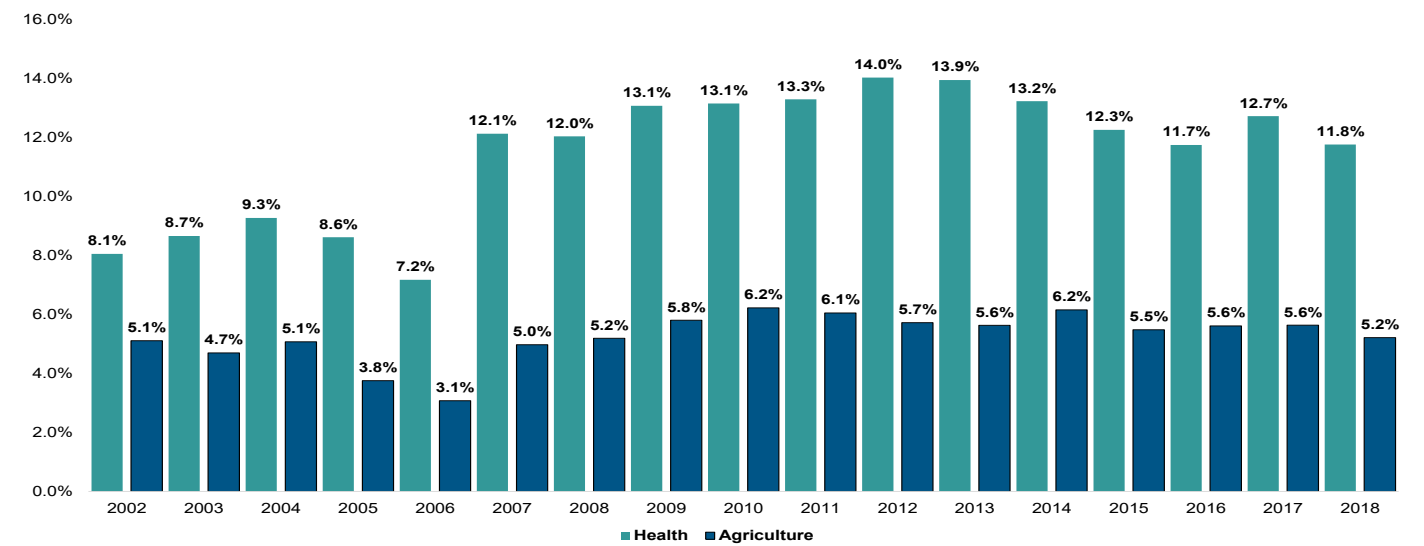
Rather than investing in longer-term agricultural development, donors tend to behave in a reactive manner in their response to food crises and other kinds of disasters. Donors appear to be willing to fund crises, but mobilizing support to tackle longer-term, systemic agricultural problems has not gained the same traction. This was also one of the key findings of the 2019 *Ending Rural Hunger* report, which mentioned that “international support for agriculture and FNS is lagging, and continues to be reactive rather than proactive: during a crisis, donors will come together and pledge new money, but these promises are all too often forgotten once famines fade from the headlines and food price spikes decline.”<sup>5</sup>

Overall, combined ODA for basic nutrition, food aid/security programs, and emergency food aid increased from US\$2.5 billion in 2002 to US\$8 billion in 2018. While funding for food security, nutrition, and emergency food aid is needed, donors also need to invest in agriculture as a more sustainable practice to address undernutrition. Investing in agriculture will also help countries to reduce donor dependencies.

**Figure 3: Trends in donor funding for agriculture and health, US\$ billions (left), as a percentage of overall ODA (right)**

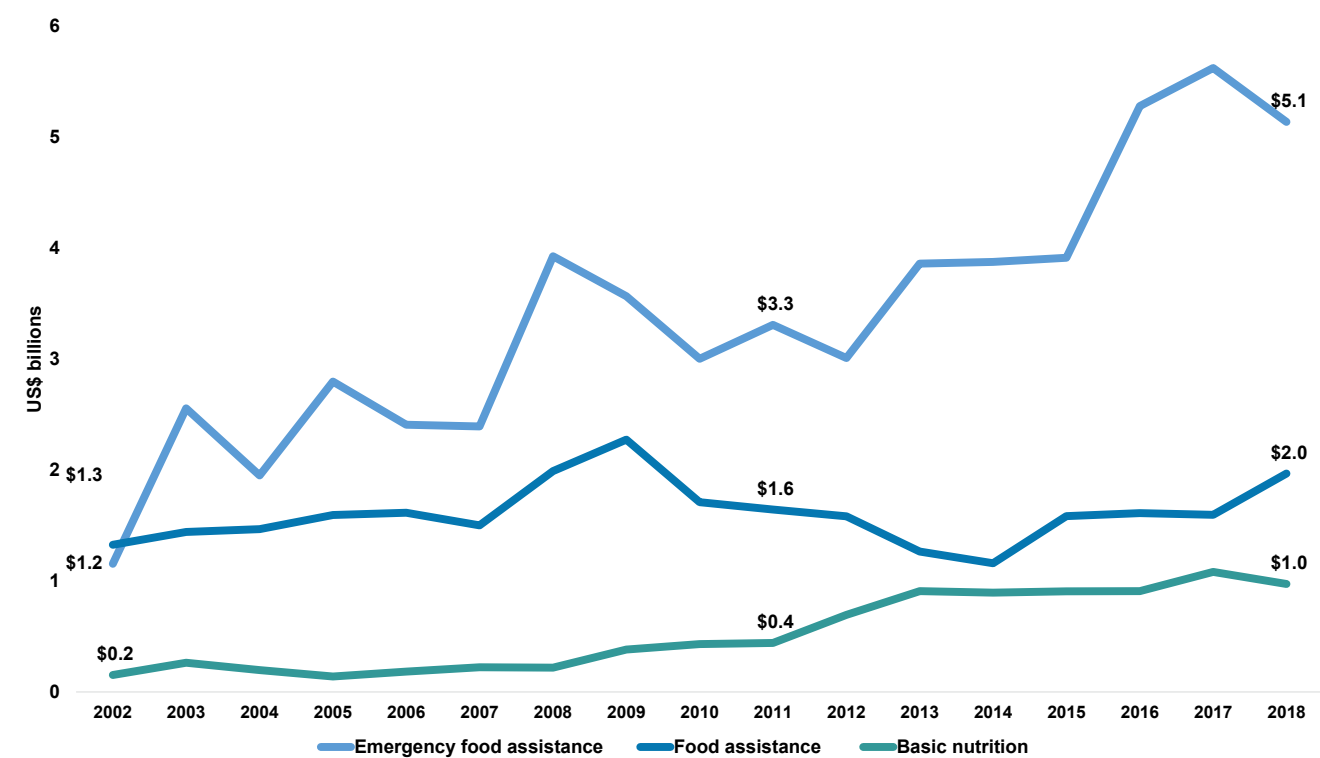


Source (top): OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official and private donors. ODA and private flows. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130.



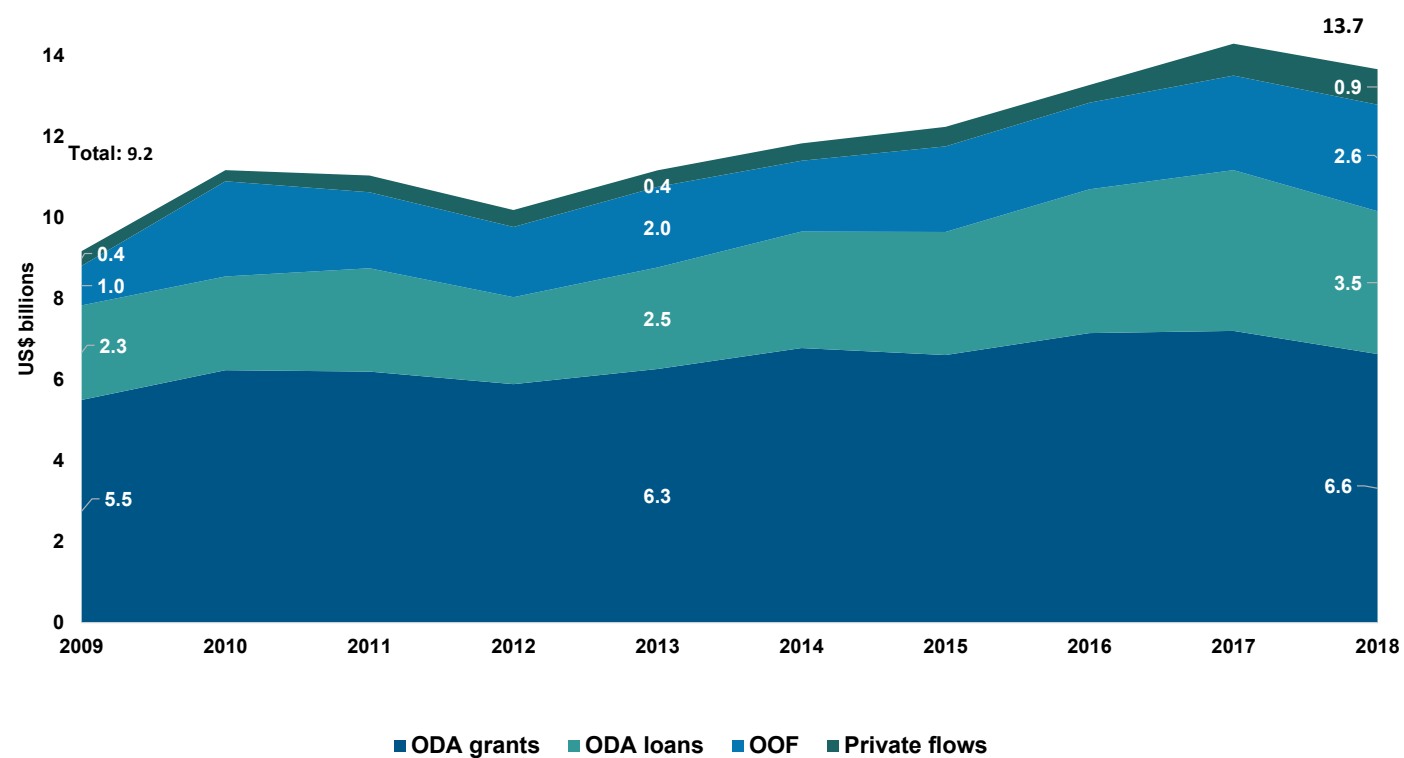
Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130.

Figure 4: ODA disbursements for food security, nutrition, and emergency food aid



Source: OECD CRS Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Food security and nutrition defined as: emergency food assistance (72040), food assistance (52010), and basic nutrition (12240).

Figure 5: Agriculture support by finance type, including OOF and private flows, 2009-2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official and private donors. ODA, OOF, and private flows. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Equity investments less than .1 and thus excluded from bars yet accounted for in overall total. Totals may not add up due to rounding. Other official flows (OOF) are defined as official sector transactions that do not meet official development assistance (ODA) criteria. More details can be found in Annex 1 and at <https://data.oecd.org/dr/other-official-flows-oof.htm>.

**FINDING:** OOF for agriculture grew substantially between 2008 and 2018 (US\$0.8 billion in 2009 vs. US\$2.6 billion in 2018). In contrast, there was no substantial increase in private flows for agriculture.

In 2018, OOF and private flows made up a quarter of all agriculture flows (US\$3.5 billion). 19% of all official flows to agriculture in 2018 were OOF and 6% were private flows (Figure 5; see also Annex 7).

OOF for agriculture grew over the past decade, from US\$1 billion in 2009 to US\$2.6 billion in 2018 (OOF are defined as official sector transactions that do not meet ODA criteria). As such, OOF play an important role in agriculture. OOF play a much smaller role in the education, health, and humanitarian sectors (12%, 5%, and 2% respectively in 2018; see Annex 7).

Private flows for agriculture also increased according to the data by the OECD DAC, from US\$365 million

in 2009 to US\$873 million in 2018 (the DAC defines private flows as flows at market terms and financed out of private sector resources and private grants). However, in 2018, 44% of all private flows came from one donor, the Bill & Melinda Gates Foundation. Overall, private flows for agriculture remain limited. In addition, while data on foreign direct investments (FDI) for agriculture are very weak, available data by FAO indicate that FDI for agriculture is low overall and only accounted for a tiny fraction (0.1%) of all FDI flows in 2017.<sup>8,9</sup>

**FINDING:** Despite growing needs, the global economic downturn caused by the COVID-19 crisis could lead to a substantial reduction in ODA levels. At the same time, a recent analysis suggests that an additional US\$10 billion is needed in 2020 to prevent millions more people from becoming food insecure because of the effects of the COVID-19 pandemic.

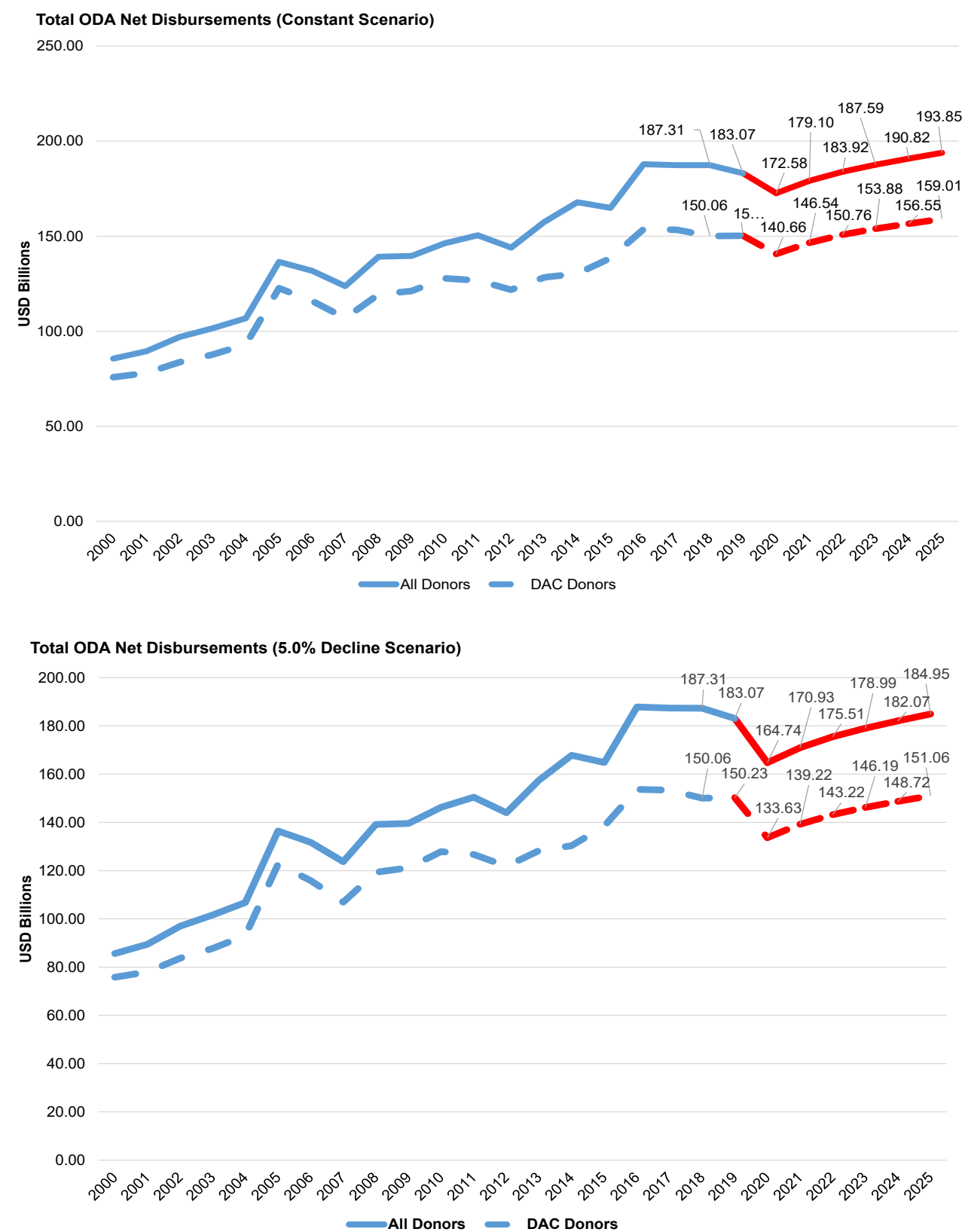
The COVID-19 pandemic will likely have a massive negative effect on food security due to disruptions in global and regional food supply chains and markets and the economic impact on national food systems.<sup>10</sup> The crisis has interrupted domestic food supply chains, caused restrictions on global food trade, and reduced the agricultural workforce.<sup>11</sup> Estimates show that the pandemic may add between 95 million people to the 690 million undernourished people (2019) in 2020.<sup>1</sup>

The need for increased donor funding is thus greater than ever. However, due to the global economic crisis, there is a huge risk that ODA could decline. Projections by the International Monetary Fund (IMF) show that the average gross domestic product (GDP) of DAC countries may fall by 6.4% in 2020, compared to 2019 levels. Many DAC donors set their ODA commitment levels according to the size of their economic output. Specifically, many donors allocate funds corresponding to the agreed target of 0.7% of GNI (gross national income).<sup>12</sup> If donors face a constrained economy, even maintaining previous levels of aid relative to their respective GNI will mean a reduction in aid.

If only the drop in the economy is considered, ODA levels could drop by US\$14.5 billion (-7.9%) in 2020/21 (combined two-year loss from 2019 baseline; see **Figure 6**, moderate scenario). Under this scenario, ODA would drop by 5.7% in 2020 and by 2.2% in 2021, as compared to 2019.

If ODA reductions from the GDP drop are followed by further ODA cuts resulting from reallocations by donor countries to their own domestic spending, the combined ODA loss in the years 2020 and 2021 could be as high as US\$30.5 billion (-16.7%, assuming a 5% drop in the ODA/GNI ratio). Under this scenario, ODA drops by 10.0% in 2020 and by 6.6% in 2021, as compared to 2019. Some donors already decided to cut ODA due to the Covid-19 pandemic. For example, in July 2020, the UK said ODA would [be cut by £2.9 billion](#) in 2020 in anticipation of a potential shrinkage of the economy. In November 2020, the UK government announced to cut its ODA from 0.7% of GNI to 0.5 in 2021 (with the intention to return to 0.7% “when the fiscal situation allows”).<sup>13</sup>

Figure 6: The COVID-19 crisis could have a significant impact on ODA levels



The expected drop in overall ODA could have a significant negative impact on agriculture ODA. Based on the moderate scenario, agriculture ODA could drop by 5.7% in 2020 alone. In absolute terms, this would be a reduction of nearly US\$600 million, bringing annual agriculture ODA down to US\$9.6 billion, which is the lowest level since 2013. As such, the COVID-19 crisis could be devastating to the agriculture sector. However, the impact on aid budgets may not be felt until 2021, 2022, or even later. There could be a lagged effect in terms of reduced ODA budget, which would mean that the impact on COVID-19 on ODA levels will not be fully realized for several years.<sup>14,15</sup>

In any case, it will be critical that donors make new commitments to agriculture to limit the impact of the COVID-19 crisis.<sup>16</sup> A recent analysis by Ceres2030 shows that the demand for ODA is growing. The study suggests that an additional US\$10 billion, half of which must come from donor governments as aid, is required in 2020 to prevent millions more people from becoming food insecure as a result of COVID-19.<sup>17</sup> Overall, Ceres2030 estimates that an incremental US\$33 billion per year will be needed on average to end hunger, double the incomes of 545 million small-scale farmers, and limit agricultural emissions in line with the Paris climate agreement. Of the US\$33 billion per year, US\$14 billion would have to come for donors and US\$19 billion from LMICs.<sup>18</sup>

**FINDING:** Agriculture ODA continues to be primarily supported by bilateral funders, which adds to the fragmentation of the global architecture, leads to high-transaction costs for recipient countries, and causes inefficiencies. Multilateral aid accounted for 27% of all agriculture ODA in 2018 (US\$2.8 billion), less than in 2013 (30%).

Almost three-quarters (73%) of agriculture ODA is bilateral ODA. In 2018, seven donors accounted

7 The Ceres2030 definition of ODA is different than that of this report. Ceres2030 used a larger amount of codes from the CRS database, whereas this report utilizes only those that are strictly agriculture. However, this estimate still gives a sense of the magnitude of the overall financing gap.

for three-quarters (75%) of total bilateral agriculture funding (see Annex 8). The largest five were: EU Institutions (20%), the US (15%), Germany (12%), France (9%), and Japan (9%).

While bilateral aid accounts for the large majority of agriculture ODA, the share of multilateral aid out of total agriculture ODA is low and declining – multilateral aid accounted for 27% of all ODA disbursements for agriculture in 2018 (US\$2.8 billion), less than levels in 2013 (30%) (Figure 7). In 2018, most multilateral ODA disbursements for agriculture (64%) were provided by a single donor: IDA. In comparison with other sectors, the share of multilateral aid in the agriculture sector is similar to the one in the energy sector (26%), while multilateral aid plays the largest role in the health sector (32%). The low share of multilateral aid adds to an already fragmented landscape that is characterized by relatively small projects funded by a few bilateral donors. In 2018, bilateral DAC donors reported a total of 13,649 aid activities for agriculture to the DAC, with an average size of US\$0.5 million. Multilaterals accounted for 2,275 aid activities, with a larger average size of US\$1.2 million (see Table 1). Small projects funded by many donors have high transaction costs for countries and are more likely to suffer from lack of coordination between countries and development agencies. Larger programs provided by fewer development partners are more likely to attract political attention at country level.<sup>19</sup>

The 2019 *Ending Rural Hunger* (ERH) report shows that the large number of donors in Nigeria create significant challenges for the country. Donor priorities are also not always aligned with country priorities and donors often attach stipulations to their funding that are difficult for developing countries to meet.<sup>5</sup> While the Nigerian government tried to better coordinate the space, progress remained limited. In 2018, the Center for Global Development released its latest aid quality ranking of bilateral and multilateral agencies. Overall, multilateral mechanisms rank highest, taking four of the top five spots.<sup>20</sup>

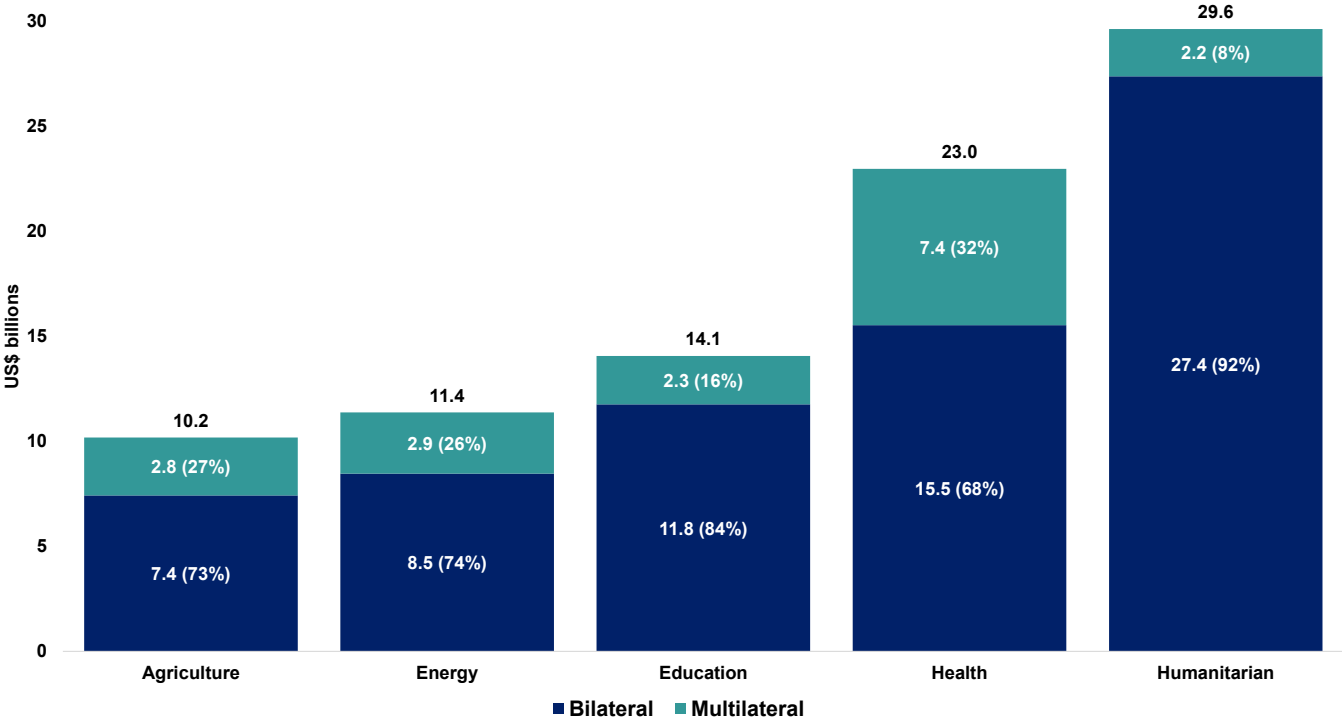
In addition to high levels of transaction costs and lack of alignment, bilateral donors also tend to be less accountable and transparent in terms of their aid allocations and the impact they have achieved. The 2019 ERH report, for example, criticizes bilaterals for their lack of transparent aid allocation mechanisms. Studies on ODA allocations often argue that bilateral aid tends to be more politicized and driven by geo-strategic purposes, while funding by multilateral

Table 1: Overview of 2018 aid activities by donor type

Donor Type	Subsector (DAC5/CRS code)	Number of aid activities	Total (US\$ Millions)	Average by project (US\$ Millions)
DAC	Agriculture (311)	10537	5,017	0.5
	Forestry (312)	703	621	0.9
	Fishing (313)	660	237	0.4
	Rural Development (43040)	1749	1,251	0.7
	<b>Total Agriculture ODA</b>	<b>13649</b>	<b>7,126</b>	<b>0.5</b>
Non-DAC	Agriculture (311)	123	219	1.8
	Forestry (312)	12	0.829	0.1
	Fishing (313)	11	16.8	1.5
	Rural Development (43040)	15	60.9	4.1
	<b>Total Agriculture ODA</b>	<b>161</b>	<b>298</b>	<b>1.8</b>
Multilateral	Agriculture (311)	1700	2223	1.3
	Forestry (312)	187	99.6	0.5
	Fishing (313)	205	127	0.6
	Rural Development (43040)	183	310	1.7
	<b>Total Agriculture ODA</b>	<b>2275</b>	<b>2,760</b>	<b>1.2</b>

Source: OECD CRS.

Figure 7: ODA flow by donor type and sector, 2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. Note: EU adjusted to bilateral category. 2018. ODA. Agriculture: Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130.

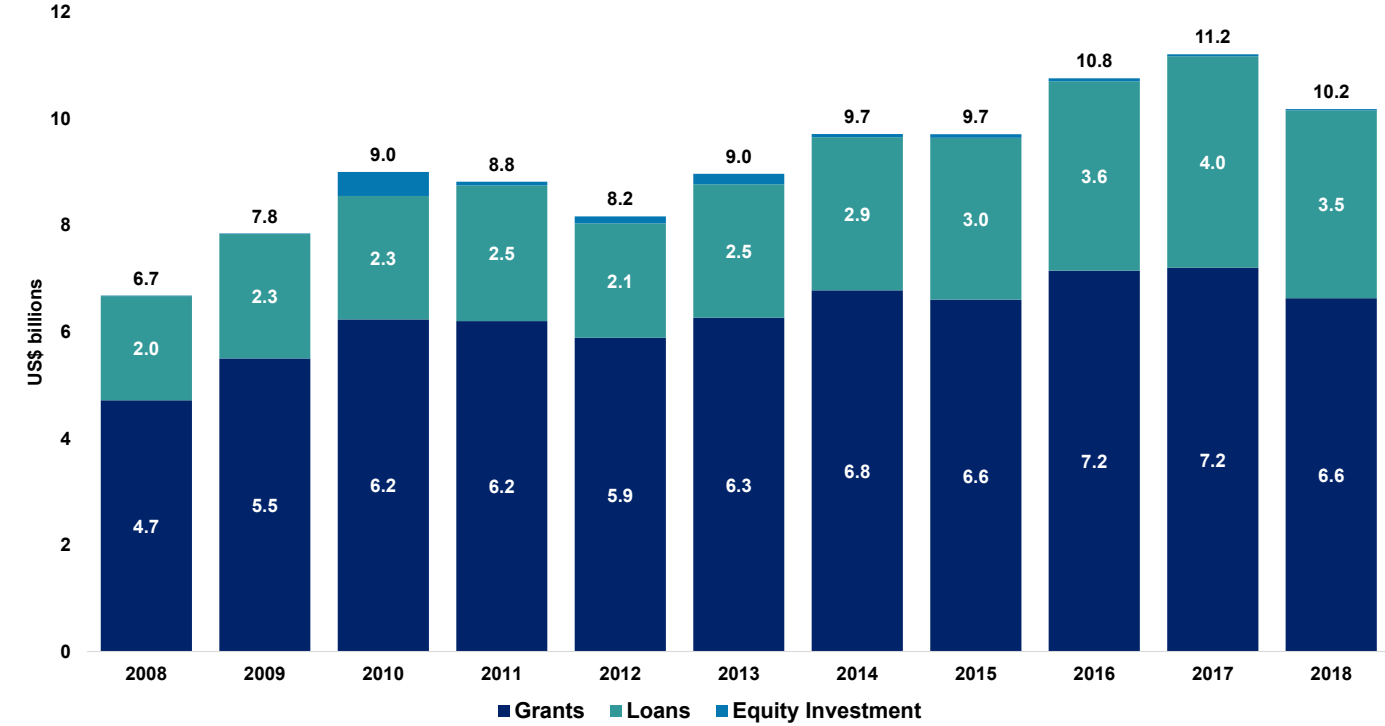
institutions is considered to be more neutral and demand driven.<sup>21</sup> Going forward, donors should be able to enforce the same level of scrutiny that they demand on multilaterals on their own bilateral development institutions.

**FINDING:** In 2018, loans accounted for 35% of all agriculture ODA (US\$3.5 billion) and grants accounted for 65% (US\$6.6 billion). Compared to 2017 levels, grant aid in 2018 fell by 8% (from US\$7.2 billion to US\$6.6 billion). Sectors such as health and education are more grant-based than loan-based (in 2018, grants accounted for 91% of health ODA and 83% of education ODA).

In 2018, the proportion of agriculture ODA in the form of grants was 65% and the proportion in the form of loans was 35% (in comparison, 75% of overall ODA was provided via grants whereas 25% was via loans). The share of grants in multilateral agriculture ODA peaked in 2013 at 31% but fell to 20% in 2018. Grant aid fell in 2018 from US\$7.2 billion to US\$6.6

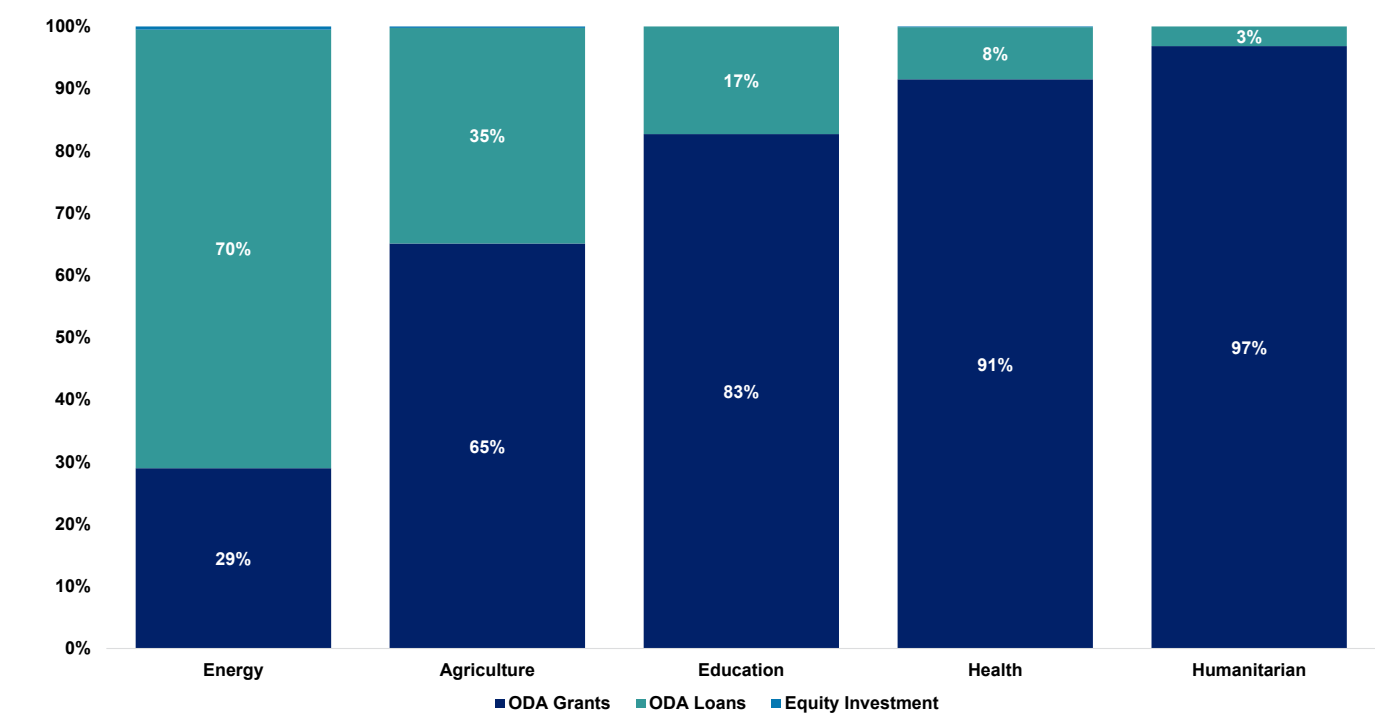
billion, a decline of 8% (**Figure 8**). Loans play a much larger role in agriculture than in the health and education sectors, which both remain primarily grant-based (91% and 83% in 2018, respectively; **Figure 9**). The humanitarian sector is almost entirely grant-based (97% in 2018) while the energy sector is primarily loan-based (70% in 2018).

Figure 8: Agriculture ODA by finance type, 2008-2018



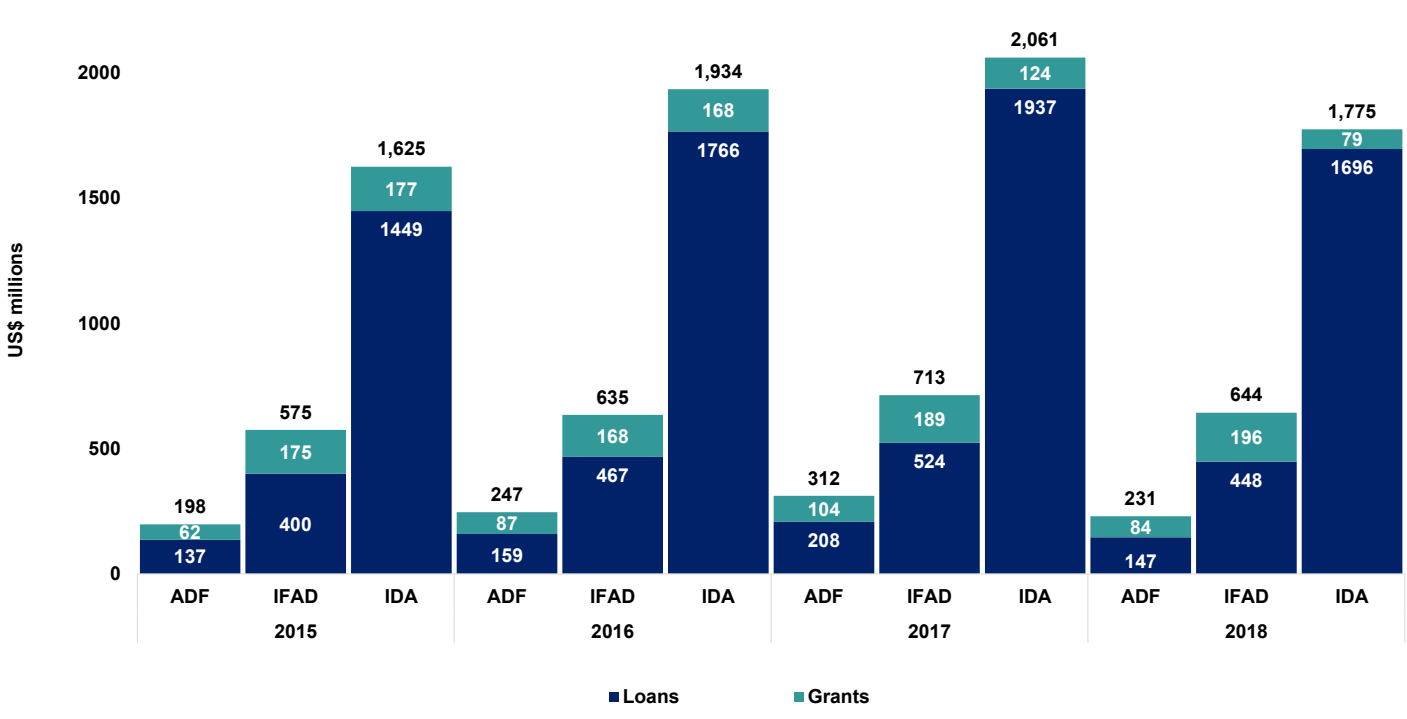
Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Equity investments are less than .1.

Figure 9: ODA flow types by sector, 2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. 2018. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130. Equity investments are <= 1%.

Figure 10: Comparison of key multilaterals, 2015-2018



Source: OECD CRS. Disbursements, US\$ millions (constant 2018 prices). ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). IFAD does not report sector specific flows; graph assumes all IFAD flows are agriculture specific. Equity investments are not pictured as they are less than .1.

**FINDING:** While bilateral donors mostly provide grants, multilateral ODA for agricultural development is heavily loans-based.

In the agriculture sector, grants and loans are provided primarily along donor lines – multilateral funders tend to use loan instruments while bilateral funders primarily use grants. In 2018, 80% of all multilateral agriculture ODA was provided via loans and 20% in grants. In contrast, multilateral health ODA is almost the exact opposite: 79% via grants and 21% via loans. 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).

IDA accounted for over 60% of all multilateral agriculture ODA in 2018 (US\$1.8 billion out of US\$2.8 billion), mostly via loans (93% in 2015-18) (**Figure 10**). The ADF provided 8% of all multilateral ODA for agriculture in 2018 (US\$231 million). Two thirds (66%) of the ODA disbursed by the ADF also came in the form of loans. IFAD disbursed US\$644 million in agriculture ODA in 2018, 70% via loans

(US\$448 million) and 30% via grants (US\$196 million). GAFSP disbursements are not available in the CRS database but GAFSP funding is relatively small according to GAFSP’s own data (US\$861 million in disbursements between 2013 and 2019 through its public sector window, and US\$166 million in disbursements through its private sector window via loans, plus US\$30 million for advisory services; see Section 6).

Overall, there is no large-scale multilateral funder that provides grants for agriculture. This differs substantially from the health sector where several large-scale grant-based mechanisms were launched at the beginning of the Millennium Development Goal era (see Section 4 below; see also **Annex 9** for OOF provided by these multilaterals).

**FINDING:** Overall agriculture ODA primarily targets LICs and LMICs. However, while bilaterals mostly provide grants to LICs and LMICs, multilateral funding is heavily loans-based.

In 2018, 38% of all agriculture ODA (US\$3.9 billion) was allocated to LICs and 30% to LMICs (US\$3.1

billion) (**Figure 11**). Overall, the distribution of agriculture ODA by income group is similar to other sectors, with the neediest countries receiving the greatest share of aid (see **Annex 10**).

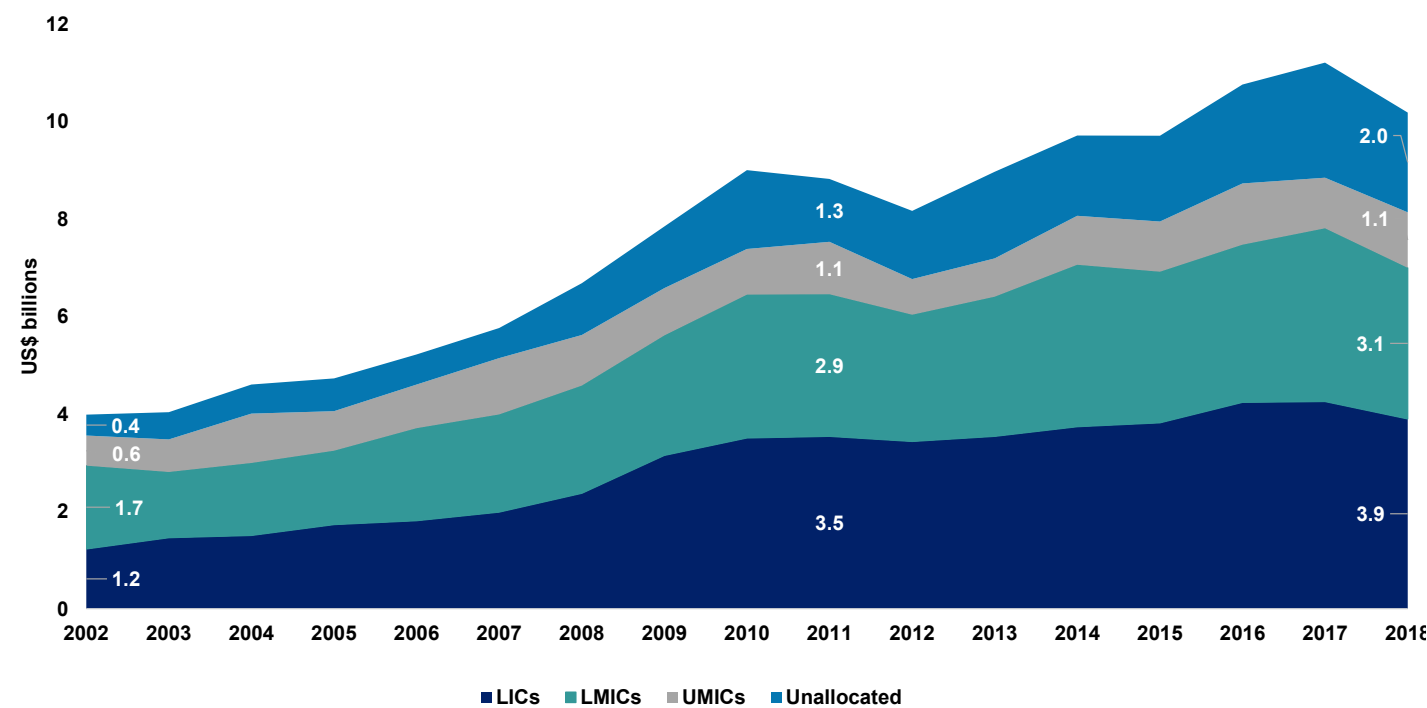
However, the aid instruments used vary by income level. The neediest countries should receive primarily grants because they have the least resources and ability to repay loans. Many of them are already heavily indebted and additionally will have to bear the major economic consequences of the COVID-19 pandemic. However, despite low-income countries facing the greatest share of food insecurity (62% of the global total), a third of agriculture ODA in 2018 to these countries was still in the form of loans (**Figure 12**).<sup>22</sup>

Diving deeper into this phenomenon, we see that bilateral donors provide a higher share of their ODA to the neediest countries as grants (rather than loans), yet multilaterals provide most of their agriculture ODA for LICs and LMICs via loans (**Figure 13**; see **Annex 10** for breakdown over time). Clearly, LICs should receive more grant funding from multilaterals but LMICs also face unique challenges, including having the largest share of the world’s poor and facing impending financial cliffs as they become ineligible for concessional finance.<sup>23</sup> LMICs facing

financing such transitions may be in a precarious position to repay loans for agriculture as they become ineligible for key financing sources in other sectors, particularly given the economic pressures of COVID-19.<sup>24</sup> These countries require more grants than loans given how the economic crisis has exacerbated existing debt concerns. LMICs are a diverse group of countries (countries with a GNI per capita of US\$1,036 - US\$4,045, according to the July 2020 definition of the World Bank) and many countries from this income group still have heavily constrained economic capacity. The domestic per capita funding for agriculture in LMICs is also much more limited when compared to UMICs. According to available data, annual per capita spending for agriculture is about US\$32 in LMICs, while it is US\$65 in UMICs (**Annex 11**).

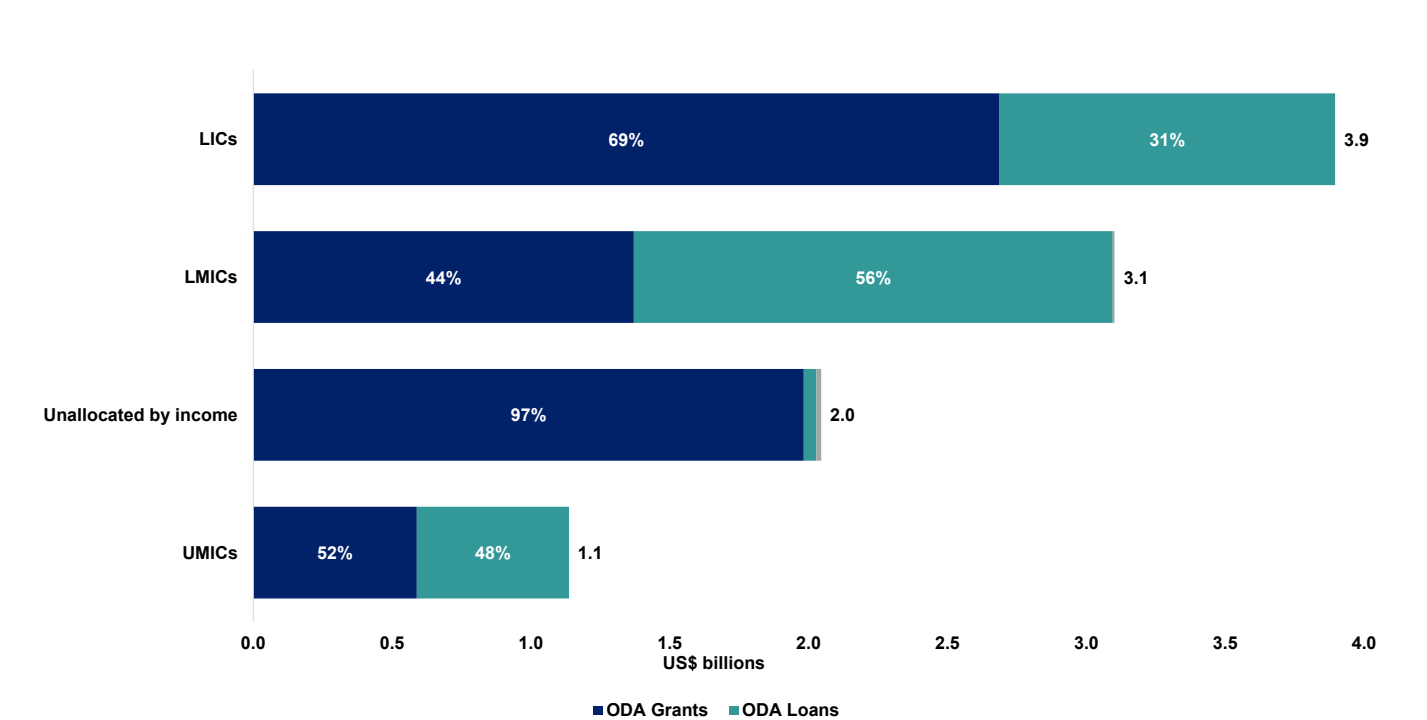
The 2019 ERH lays out the difficulties with domestic financing for agriculture: increasing spending on agriculture either means diverting funds from other sectors or increasing the total tax amount. Both present challenges for governments. Reallocations are challenging politically, as they create conflicts with stakeholders from sectors facing the reduction. Increasing the total tax intake means that governments have to extract revenues from citizens and corporations who may be reluctant and/or

Figure 11: Agriculture ODA by country income group, 2002-2018



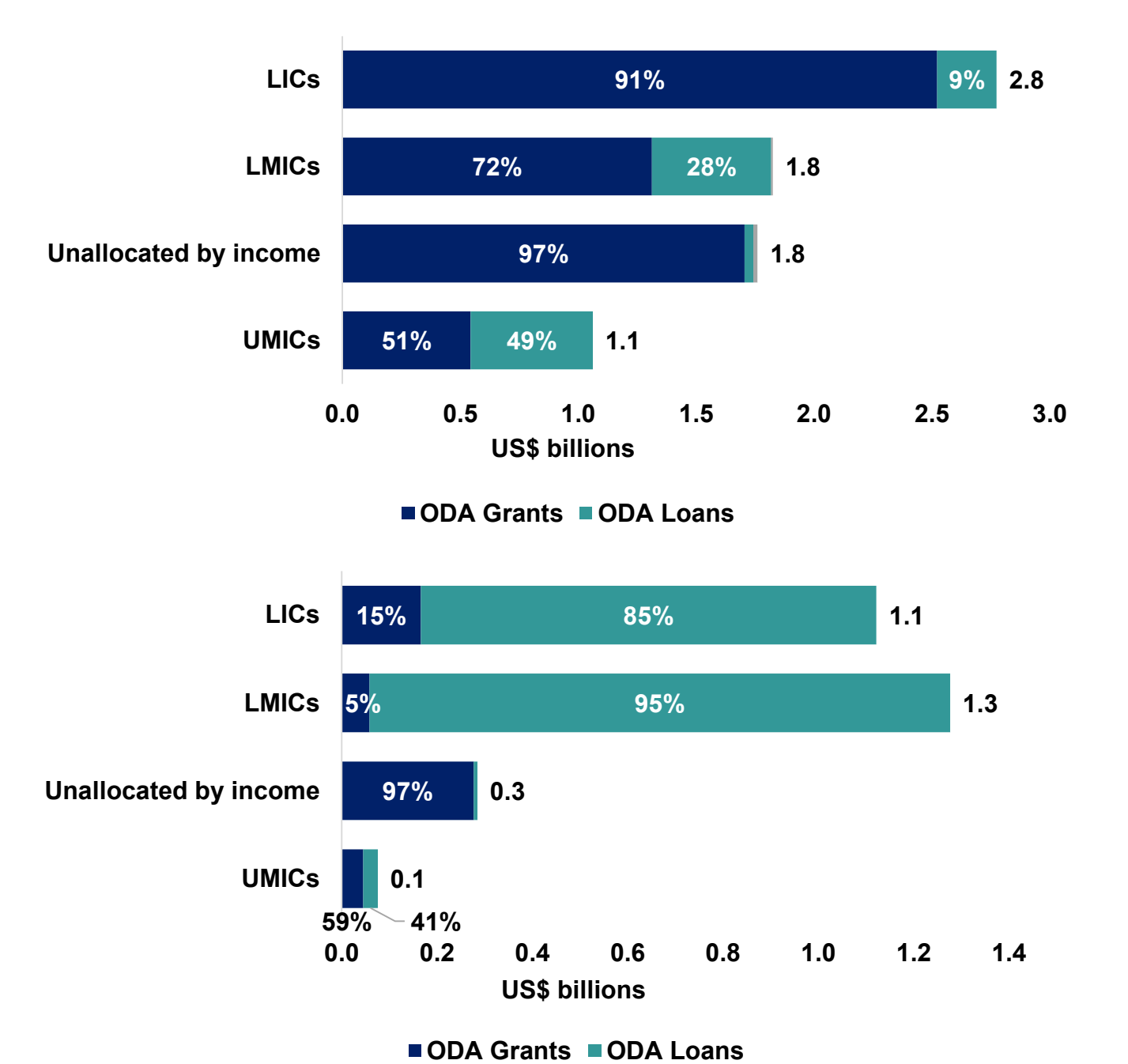
Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). LDCs and Other LICs combined for LICs category. UMICs includes MADCTS.

Figure 12: Agriculture ODA by income group and instrument, 2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. 2018. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040). LDCs and Other LICs combined into LICs category. ODA equity investments reflected in total amounts but due very small values (<1% of total), these are not displayed.

Figure 13: Agriculture ODA by donor type, instrument, and income group, 2018



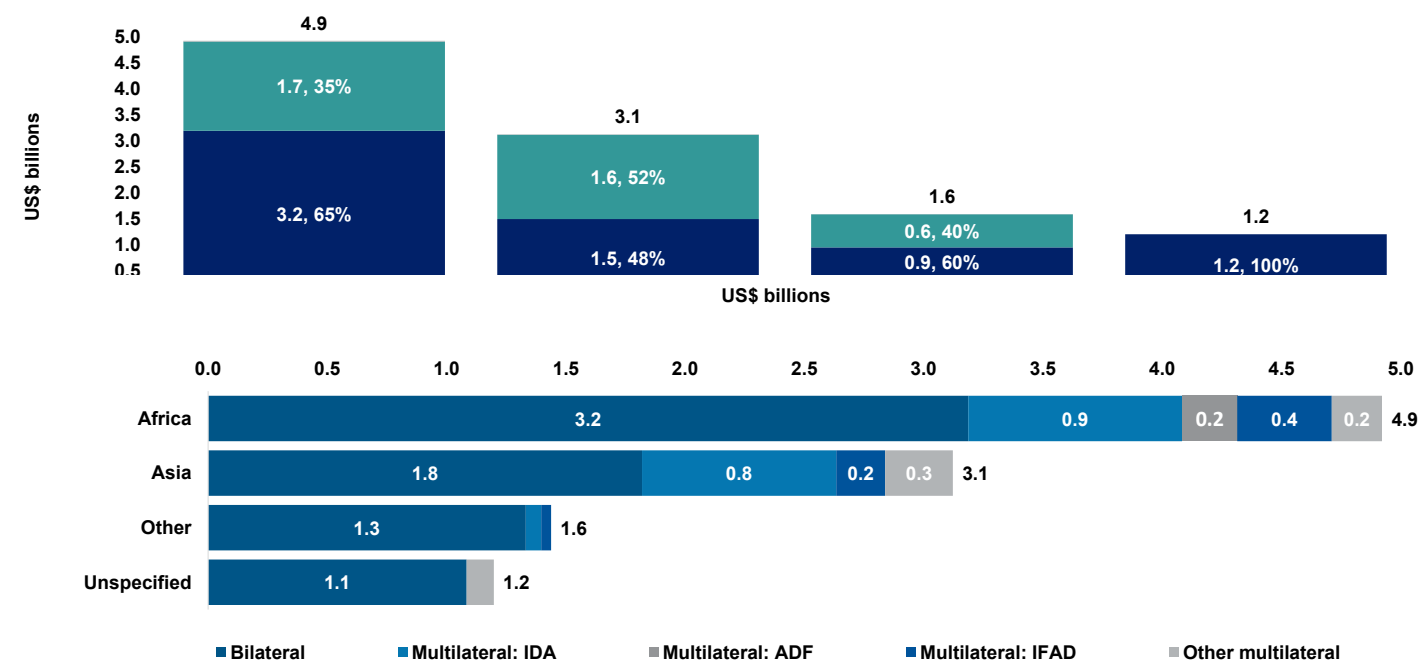
Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. 2018. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040). LDCs and Other LICs combined into LICs category. ODA equity investments reflected in total amounts but due very small values (<1% of total), these are not displayed. EU Institutions included in bilateral rather than multilateral. Values are rounded.

unable to pay. Discussions about domestic resource mobilization need to consider these challenges. The global community needs to support countries though technical assistance and there also needs to be continued dialogue with countries to ensure that there is emphasis on economic growth and growth in the tax base. In addition, the efficiency of current spending needs to be improved. As mentioned in the

2019 ERH, resources need to be directed to where they can have the greatest impact, while cutting down inefficiencies and leakages.

Overall, more multilateral grant funding for agriculture is needed in LICs and LMICs. In addition, grant funding should be used in a more strategic way to exploit the unique advantages of grants

### Figure 14: Regional agriculture ODA trends, 2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. Note: EU adjusted to bilateral category. 2018. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Includes IFAD; assumes all IFAD flows are agriculture relevant.

compared to loans. For example, while loans usually go to governments, grants can more easily be provided to non-state actors. Grants also do not increase poor countries' debt and can be used in more creative ways to leverage additional domestic and private funds. For agriculture specifically, there are at least five ways in which grants can be used strategically: (i) de-risking private sector investment through blended mechanisms or first loss funds; (ii) direct funding for smallholder organizations; (iii), soft investments that governments would not use loans for, such as technical assistance, capacity, or farmer trainings, allowing for deeper beneficiary consultation and evaluation capacity; (iv) strengthening GPGs for agriculture through investment in agricultural research and piloting of new technologies or approaches; and (v) flexible funding in response to emergencies, such as the ongoing COVID-19 pandemic.

**FINDING:** Africa receives the most agriculture ODA out of any region. However, annual per capita ODA for agriculture remains below US\$1 in many African countries. Agriculture ODA primarily targets LICs and LMICs.

Donor assistance is particularly important in two regions that have the highest burden of undernourishment, food insecurity, and stunting: Africa and Asia. These two regions combined made up more than nine out of ten of all stunted children worldwide in 2018.<sup>22</sup> Africa is the region with the highest prevalence of undernourishment, at more than 19% in 2019.<sup>1</sup> If recent rates continue, by 2030 Africa's prevalence of undernourishment will rise to more than 25%.<sup>1</sup> Although Asia remains the region with the highest number of undernourished people, if trends continue, Africa will surpass Asia as the region with the higher number of undernourished people, or more than 50% of the global total.<sup>1</sup>

Overall, the geographical distribution of agriculture ODA aligns with the regions exhibiting the greatest need. In 2018, Africa received the largest amount of ODA of any region. Almost two-thirds (65%) of the funding to Africa was in the form of grants (US\$3.2 billion) and 35% was in the form of loans (US\$1.7 billion). Agriculture ODA to Asia was evenly split between grants and loans (52% loans, 48% grants) (**Figure 14**). Over two-thirds (68%) of agriculture ODA went to LICs and LMICs in 2018.

The overall dire picture of undernourishment in Africa is consistent with the extent of poverty in the region. Sub-Saharan Africa accounted for 56% of the world's extreme poor in 2015, according to the World Bank Group. However, as shown in **Figure 15**, per capita agriculture ODA was below US\$1 in many African countries in 2018.

Source: Aid per capita calculated using 2018 OECD CRS data divided by 2018 population data from the United Nations Population Division. Disbursements, US\$ millions (constant 2018 prices). ODA. Official donors. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040).

**Figure 15: Agriculture ODA per capita by country in Africa, 2018**



### Box 1: Domestic financing for agriculture

In 2014, African leaders committed to transforming Africa's agriculture sector. Among these commitments was the goal of allocating at least 10% of public government expenditure to agriculture by 2025. However, 2018 data reflect that on average, no income group has reached this 10% target:

- Low-income countries with less favored agricultural conditions reached 9.09%;
- Low-income countries with more favored agricultural conditions reached 6.01%;
- Low-income mineral rich countries reached 5.58%;
- Lower-middle income countries reached 3.1%; and
- Upper-middle income countries reached 2.59%.<sup>25</sup>

Overall, in 2018 only nine of the 49 committed countries had achieved the 10% target (Benin, Burkina Faso, The Gambia, Malawi, Mali, Niger, Senegal, Sierra Leone, and Zambia.)<sup>25</sup> However, lower-income country groupings are performing better than higher-income country groupings in terms of the proportion of public expenditure directed to agriculture, although the absolute amount of funding for agriculture is likely lower in low-income groupings. The COVID-19 pandemic is also expected to further stall progress towards these goals.

Looking beyond Africa at global data (see Annex 11), we see similar trends: on average LICs and LMICs tend to provide larger shares of total expenditures to agriculture than UMICs (6% for both LICs and LMICs and 3% for UMICs). However, these trends are still too low to fill the gaps of declining agriculture ODA.



## 4. Innovations in the health sector

The emergence of large single-issue global health initiatives following the adoption of the Millennium Development Goals has changed the way in which international donors provide funding for health.<sup>26</sup> Estimates suggest that over 100 global health initiatives emerged in the global health sector since the turn of the millennium,<sup>27</sup> including the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), Gavi, the Vaccine Alliance, and UNITAID. These single-issue initiatives have been successful in both mobilizing and channeling funding to countries and have introduced new forms of governance to global health. As global health partnerships, they do not just represent governments, but also CSOs, the private sector, and affected communities.

The Global Fund, for example, is an independent, Geneva-based multilateral financing entity that was designed to raise resources and accelerate efforts to end the AIDS, tuberculosis, and malaria epidemics. It was explicitly founded as a grant-

based mechanism to provide large-scale funding to poor and often heavily indebted countries. Since its creation in 2002, it had disbursed US\$45 billion in grant funding as of April, 2020.<sup>28</sup> One key innovation was the introduction of performance-based funding (PBF). The Global Fund has implemented PBF at a scale that is unprecedented – continued funding is conditional on successful program execution and independent audits. In 2017, Jeffrey Sachs, former director of The Earth Institute at Columbia University, argued that the Global Fund should become a “template for funding research, development, and scale-up of interventions in both health and non-health areas of the Sustainable Development Goals.”<sup>29</sup> Sachs referred to eight of the Global Fund’s design principles that other initiatives should adopt: being country-led; having multiple stakeholders; independent, transparent, technical review and evaluation; political independence; performance-based funding; focusing only on financing; providing needs-based pooled funding; and mobilizing funding that is intended for disease-specific programs

but is implemented in broader health systems. To incentivize recipient countries to increase their domestic investments and increase country ownership, the Global Fund requires a minimum of 15% co-financing for each approved grant.

Due to the perception that it is becoming harder to mobilize health ODA from traditional donors, given competing priorities in global development, the health sector has also seen the emergence of innovative financing instruments. For example, the International Finance Facility for Immunisation (IFFIm) raises funds with “vaccine bonds”—these turn long-term contributions by donors into immediately available (“frontloaded”) cash. IFFIm is now also being used to mobilize funding for COVID-19 vaccine development through the Coalition for Epidemic Preparedness Innovations, which itself is a new a global partnership launched in 2017 to develop vaccines to stop future epidemics and pandemics. Another example is UNITAID, which raises new funds for global health through a mandatory tax, known as the “airline solidarity levy”—a contribution that passengers make when they purchase their airline ticket. Atun et al. provide an overview of these innovative financing instruments for health.<sup>30</sup> Their analysis found that ten innovative financial instruments disbursed US\$7.5 billion over the period 2002-15 (**Annex 11**).

In addition, trust funds such as the Global Financing Facility (GFF) are now using innovative blended finance approaches to help countries convert their market term loans into concessional finance, hence increasing the impact of the development loans in the country.<sup>31</sup> The World Bank Group launched the GFF at the Financing for Development Conference in Addis Ababa in 2015. The GFF’s goal is to help achieve selected targets in the health-related SDGs by focusing on reducing the financing gap for reproductive, maternal, newborn, child, and adolescent health and nutrition (RMNCAH-N). The GFF has a unique financial model—it provides limited financing and technical assistance to identify priorities, bring together different partners, and address important bottlenecks. The main aim is to attract other external resources and crowd-in domestic resources to achieve the SDGs identified by the countries related to RMNCAH-N. The GFF uses its moderate amount of funds as a facilitator to bring together countries and funding from other sources, such as domestic resources, the World

Bank’s IDA and IBRD<sup>8</sup> financing, aligned external financing, and private sector resources. The trust fund often buys down loans helping countries to access IDA-type concessional funding even after they have graduated from IDA. At country level, the GFF also brings together key stakeholders through a country investment case that aims to align partners and financing around country priorities.

Compared with other development sectors, the global health sector is comparatively strong on data and metrics. This strength is in part due donor and domestic investments in strengthened national, regional, and global information systems, including investments by the Bill & Melinda Gates Foundation and others.<sup>32</sup> Data and metrics are critical to make the planning and implementation of programs more evidence-based and to ensure accountability for results, resources and the rights of people to access health services. Overall, about one fifth to one quarter of external financing for health is for “global functions”—i.e., activities that have transnational benefits.<sup>33</sup> These include providing global public goods (e.g., product development for neglected diseases), management of negative regional and global cross-border externalities (e.g., regional developing infectious disease surveillance systems), and fostering global health leadership and stewardship (e.g., promoting aid effectiveness). As highlighted by the 2019 *Ending Rural Hunger* report, there is also need for more investment into GPGs for agriculture.

While the agriculture sector also uses of innovative mechanisms to raise and channel global funding, the use of innovative financing approaches and mechanisms appears to be more advanced in the health sector. Some of the innovations from the health sector are transferable and could also be tested in the agriculture sector to mobilize additional funding from different sources (e.g., private sources; low- and middle-income country governments) and to channel available funding more efficiently.

The health sector has also seen major coordination and fundraising efforts for specific objectives. One example is the *Global Strategy for Women’s, Children’s and Adolescents’ Health* from 2015 (and its predecessor, the *Global Strategy for Maternal, Newborn and Child Health*). The strategy guides greater integration among actors in the health sector

<sup>8</sup> IBRD was created in 1944 to rebuild Europe after WWII and jointly with IDA, forms the World Bank.

and across other sectors, bringing together multi-stakeholder partners and combining innovative financing and accountability mechanisms to help achieve the SDGs. An Operational Framework has been developed in consultation with governments, civil society, the private sector, international agencies, and other constituencies and partners. It guides countries as they develop and refine their plans for women’s, children’s and adolescents’ health based on country-identified needs and priorities. In addition, the *Global Strategy* Indicator & Monitoring framework supports countries and integrate into SDG follow-up and review process at country, regional and global levels. Annual monitoring reports track progress towards these targets. To advance the strategy, stakeholders pledged over \$40 billion.<sup>34</sup>



## 5. Landscape of agricultural development actors

### The Financing Gap

**FINDING:** There is a large financing gap for SDG2 and for smallholder producers. ODA could be better used to leverage private funds and create a de-risked environment for investment.

Ceres2030 estimates 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 developing country governments.<sup>17</sup>

Agriculture financing gaps are concentrated largely in rural areas in LICs and MICs, as well as pockets of need within high-income countries (HICs).<sup>35</sup> In particular, large financing gaps exist for supporting smallholder producers.<sup>36,37</sup> The Addis Financing for Development conference called for explicit action to

create a new Global Fund for Smallholder Agriculture and Nutrition, with annual outlays of up to US\$10 billion per year by 2020.<sup>37</sup>

Achieving SDG2 will require a massive transformation of the current global agriculture landscape to create a better enabling environment through de-risking investments in the sector. Ultimately, the private sector has the largest role to play in financing change, but donors are needed 1) to set up an initial favorable environment, and 2) to support smaller enterprises to encourage further growth. Really the question should not just be, ‘how can we increase ODA levels?’. Since we are tapping out ODA for agricultural development and the most money is available in the private sector, the question should be, ‘how do we use ODA to leverage more private sector investment?’.

While large-scale funding in agriculture would be important to close the funding gaps, better targeting of smallholders—who produce the majority of the

food consumed—and addressing the paucity of grants funding from agricultural development funders will be critical.<sup>36–38</sup> Ideally these additional funds will increasingly come from domestic sources within countries. However, in many LICs and LMICs donors must continue to play a major role in creating the necessary environment to grow the agriculture sector.

## Evaluating Performance

**FINDING:** Need more insight into the type of projects that countries are investing in and on their performance in the pursuit of SDG2.

In Africa, data on the types of agriculture projects governments are investing in are effectively in a black box. If countries and CSOs were able to track and share data of how much funding is put into which parts of the sector and for what, much more could be learned about which investments are worthwhile.

Many countries also do not carry out consistent agricultural surveys, or have systems that enable them to track their use of financing or donor funding. Further, review and tracking of SDG2 metrics is voluntary, with no formal accountability mechanisms to validate countries’ implementation or success.<sup>39</sup>

Interviewees frequently noted that the ministers of finance often hold the power on deciding what their country chooses to use ODA financing for. As we seek to increase country ownership over what aid dollars are used for, if agriculture is not a priority for ministers of finance it will not be on the agenda for ODA.

But while national policies are the true key to closing the agricultural development financing gap, donors still have a critical role to play by providing ODA, technical assistance, and by financing GPGs for agriculture.<sup>5</sup>

**FINDING:** There is still debate on which interventions have the highest pay-offs, which would help financing strategies have higher coherence and better targeting.

According to interviews, there is still strong misalignment amongst donors on the best bets

for investment for agricultural development. Investment frameworks continue to lack a coherent global strategy and ideological divides remain on whether bottom-up or top-down approaches will be most effective (i.e., direct investment in smallholders versus a “get big or get out” mentality). The Ceres2030 project made good headway on identifying interventions to prioritize, but funders must agree on these and incorporate into their strategies. Alarming, the Ceres2030 project found that less than 2% of the evidence base they reviewed was relevant to donors and governments to aid them with policymaking.<sup>18</sup>

For the funds that are available, they could be better targeted. For example, a value chain project requires meticulously targeting which cooperative value chain to invest in, determining at which point in the chain SMEs are expected to play, and identifying how to match these capacity investments at the national level to international partnerships in order to access national markets abroad.

## Fragmentation and Coordination

**FINDING:** There is a proliferation of players supporting agriculture with sometimes overlapping mandates and inconsistent support. The main risks of overlap are within the same category of actors.

There are different types of organizations in the global agricultural development arena whose main purpose is to provide: i) financial resources (bilateral agencies, World Bank, regional banks, IFAD, GAFSP, etc.), ii) research support (CGIAR, various regional and national research centres, etc.), iii) technical assistance (FAO, CTA, etc.), iv) humanitarian aid (WFP, OCHOA, etc.), and v) consultation and coordination platforms (CFS, UNHLTF, Global Donor Platform for Rural Development, etc). In addition to this, numerous NGOs, philanthropic and private organisations and regional or sub-regional institutions (for example AU/NEPAD and ECOWAS in Africa) also participate through a combination of instruments or in support of the existing actors.<sup>40</sup>

A number of initiatives and bodies were formed in response to unforeseen shocks and calamities.

Although they contribute in filling gaps in the overall architecture, the proliferation of actors also adds to the fragmentation of the global landscape as several have overlapping mandates and inconsistent support. This leads to high transaction costs for recipient countries and can cause inefficiencies.<sup>37,41,42,43</sup> Organizations within the same category are most at risk of overlap and must look into coordination aspects more carefully.

**FINDING:** Bilateral donors contribute to the majority of the aid but also dispersion in the agricultural development sector.

Roughly US\$7.4 billion or 73% of agriculture ODA in 2018 comes from bilaterals. Bilateral DAC donors reported a total of 13,649 aid activities in 2018 (aid projects, programs etc) for agriculture, with average funding of US\$0.5 million per aid activity. Multilaterals accounted for 2,275 aid activities, with average funding of US\$1.2 million)(see Figure 7). At the country level, there is an abundance of smaller, independent projects and a lack of collaboration that impedes systematic scaling up. This causes high-transaction costs for recipient countries and inefficiencies in pursuing common SDG objectives. Bilateral activities also often pursue geostrategic national interests that greatly influence the form and type of aid delivered.<sup>5</sup>

**FINDING:** Multilaterals can be productive forums for collective action in international development, but they have struggled to coordinate effectively despite good intentions.

Multilateral organizations have been a forum for collective action and have great scope for filling funding gaps and providing targeted assistance, although coordination issues also exist.<sup>44,45</sup> Multilateral entities are typically more recipient country demand-driven and have governance structures more inclusive of country representation than bilateral donors, which are more likely to pursue their own agenda. Larger-scale coordinated efforts across the multilaterals can help to avoid duplication and fragmentation in leveraging additional funding, and can support a better-coordinated agriculture investment effort at the country level.

Efforts to improve multilateral coordination of donor agencies and financing institutions have been ongoing and plentiful, aiming to reduce overlap and fragmentation, and to improve governance and operational challenges.<sup>40,46</sup> (see **Box 2**).

Unfortunately, several initiatives have underperformed. For example, the Regional Agricultural Policy adopted by the Economic Community of West African States (ECOWAS) to coordinate efforts in the sector was deemed mostly unsuccessful—even after a decade.<sup>52</sup> The RBAs (FAO, WFP, and IFAD) also signed a 5-year Memorandum of Understanding (MoU) in 2018 to promote collaboration at the country, regional, and global level through systematic consultation with each other in developing country programming exercises and greater sharing of knowledge, information, and best practice.<sup>5</sup> However, a 2019 Multilateral Organization Performance Assessment Network (MOPAN) review of the FAO, WFP, and IFAD found a lack of alignment of internal business processes despite the MOU, and while there was some collaboration at the country-level, it was not very strategic.<sup>53</sup>

At the country level, each IFI and the UN system at large develop country assistance strategic exercises to govern their interventions. While the UN system has been trying to regroup its agencies’ efforts under the United Nations Development Programme coordinator as part of the UN reform, there are still many parallel country strategic exercises carried out individually by the main actors. In addition, in the case of Africa, alignment with the countries’ own strategic and planning framework for the agriculture sector (CAADP) has been wanting. The lack of coordination has been further exposed by the way each agency responded to the COVID-19 crisis with many individualized initiatives promoted with good intentions but limited coordination.

**Box 2: Coordination examples in the multilateral arena related to agriculture**

Several examples include the following:

- the international finance institutions (IFIs) have used co-financing of the same project as an effective way to collaborate, reduce duplication, and foster commonality of views (which is also likely to reduce the transaction costs for the recipient countries);
- in an effort to improve coordination among the RBAs, an MOU was signed in 2018;<sup>47</sup>
- to improve coordination in the African region, IDA and ADF entered an agreement in 2016 to coordinate on co-financing arrangements, policy deliberations, and assistance to governments and regional institutions;<sup>48</sup>
- the CGIAR, whose System Council is chaired by the World Bank, contributes to agriculture R&D, an important GPG for agriculture, through 15 centres and numerous partners and receives funding from several bilateral and multilateral donors;<sup>49</sup>
- most IFIs collaborate with the FAO Investment Centre for the provision of technical assistance for project preparation and supervision.<sup>50</sup>

A number of special initiatives have also been developed on specific themes by several agencies. The effectiveness of these initiatives is highly dependent on their capacity to mobilize funding. Examples include:

- the Nutrition Decade of Action led by the FAO and WHO;
- the Decade of Family Farming led by IFAD and FAO;
- the Global Soil Partnership led by FAO; the Scaling up Agroecology Initiative which seeks to coordinate the RBAs, WHO, UNDP, and UNEP;
- the Africa Food Security Leadership Dialogues led by the World Bank which aims to better coordinate development partners and regional efforts to address the food security situation in Africa;
- the Sustainable Food Systems Programme of the One Planet network which features many members from government, NGOs, UN agencies and other international organizations; and
- the 50x2030 initiative to generate agricultural statistics in 50 countries led by the World Bank, FAO, and IFAD.<sup>51</sup>

Coordination efforts are also being pursued through special high-level platforms. While these platforms have served the purpose of facilitating broad consensus and consultation on a number of policy initiatives, their operational effectiveness and impact has been questioned. For example: i) the UN High-Level Task Force on Global Food and Nutrition Security was created in 2008 to promote a comprehensive and unified response to the challenge of achieving global food security, including by facilitating the creation of a prioritized plan of action and coordinated implementation; and ii) the Committee on World Food Security uses a multi-stakeholder, inclusive approach comprising governments, civil society and the private sector to develop policy recommendations and guidance on a wide range of food security and nutrition topics.<sup>51</sup>

**FINDING:** It is widely admitted that the agriculture aid landscape is fragmented and that current reforms for coordination are not meeting expectations.

Further coordination efforts are needed to avoid duplication of efforts, competition for scarce financial resources, and to achieve economies of scale.<sup>37,43</sup> The impediments to stronger coordination are many, including:

- fragmentation of donor funding and competition for resources from the same few donors (see Annex 8),
- differences in donor agency funding priorities (including dictating what funds can be used for by providing “earmarked” funding to multilaterals) and changing priorities,
- political economy issues with aid allocation,
- agencies’ quest for showing leadership by ringfencing specific activities in an effort to self-attribute results,
- preference towards high-level, headquarters-driven initiatives, rather than more localized, operational solutions,
- a lack of incentives for international funders and technical assistance providers to collaborate,
- member-state sectoral territoriality,
- cumbersome bureaucracy or infighting,
- difficulties staffing consistent coordinators with international agriculture actors (such as donors, implementing agencies, etc.),
- development partners imposing intervention frameworks on regional authorities or governments, and
- a need for improved governance coordination at national and regional levels.<sup>5,52,54</sup>

**FINDING:** Competition for funds amongst the numerous actors (relying on the generosity of the same, small group of donors) with similar mandates is detrimental, versus fewer actors with differentiated mandates.

The landscape for agricultural development financing is also dominated by a few funders (see **Annex 8**). With a proliferation of actors that rely on these donors, this sets up the likelihood that they must compete for funds from this small pool. The need for

increased coordination of the global aid architecture was also stressed in our interviews, including the need for an increase in leadership in the sector. There is one consensus point that emerges, however, which is to resist the temptation to create new bodies or platforms to solve old problems, before addressing the ineffectiveness of existing solutions.

**“There are a whole bunch that have programs so why reinvent the wheel. It is the coordination failure that is the problem. If you created a new ag fund, GAVI, based in Rome, it would be in competition. Donors like these things because they get to show results. But it is not long-term development, but it brings results.” – Interviewee**



## 6. Case Studies of the Four Multilaterals and Comparative Analysis

These challenges point towards the need to understand how agricultural development grants, concessional loans, and the organizations that drive them can best be supported and work with one another to maximize their ability to help low-income countries achieve SDG2 (see Section 5 for a discussion on the unique utility of grants vs loans). We have undertaken an assessment of IFAD, GAFSP, AFD, and IDA—the four key multilateral mechanisms in agriculture that are critical to providing this support. What follows is a review of each of the four multilateral mechanisms including the key findings from a qualitative study using desk-based research and key informant interviews.

## Global Agriculture and Food Security Program (GAFSP)

Figure 16: GAFSP Quick Overview

Launch	April 2010 by G20, after food price crisis
Host	World Bank
Eligibility	Global; IDA-only countries
Sectoral scope	Agriculture
Replenishment	Ad hoc; first formal replenishment was held in October 2020
Disbursement	Public sector - US\$860 million; private sector - US\$166 million; Missing Middle Initiative - US\$13.2 million (as of December 2019)
Funds mobilized	Since 2010, cumulative US\$1.9 billion as of December 2019 2020 replenishment: US\$300 million
Largest donor	US (34% of total before 2019); 2020: Germany
Public financial instrument	Grants to governments US\$1.6 of US\$1.9 billion went to public sector projects, 60% of which were in Africa 51% and 27% of all public sector funding projects implemented by World Bank & AfDB Pilot window allows direct granting to NGOs and producer organizations New GAFSP 2.0 has reformed the public sector window to have two separate grant-based funding tracks, one for the public sector and one for business investments
Private sector lending/equity	Provides grants to IFC. \$300 million committed as of Dec 2019
Governance	Steering committee comprising of voting members (donors & regional representatives) and non-voting members (CSOs, supervising entities, UN and GAFSP representatives)

Source: GAFSP

### Resource Mobilization

GAFSP was launched as an additional funding channel for agriculture and food security in April 2010 by the G20 in response to the 2008 food crisis. GAFSP was part of the original goal to mobilize US\$20 billion and to contribute to filling the funding gap in the agriculture sector.<sup>55</sup> Between 2010 and December 2019, public and private sector donors contributed US\$1.9 billion to GAFSP.<sup>56</sup> In March 2015, the Steering Committee endorsed a proposal to continue GAFSP through regular funding cycles until 2030 in alignment with the SDGs timeframe.<sup>57</sup> However, new contributions remained below expectations (with the US, GAFSP’s main donor, pulling out in 2017)<sup>58,59</sup> and few ad-hoc contributions made from 2016 until 2020 during which GAFSP had

to substantially reduce new commitments for lack of funds.<sup>56,60</sup> A new replenishment round was initiated in October 2020,<sup>9</sup> under the sponsorship of the German government, seeking US\$1.5 billion to cover the next five years and has mobilized \$300 million as of December 2020.<sup>61</sup>

9 The event concluded with high-level announcements from GAFSP donors: **Australia** (\$10 million), the **Bill and Melinda Gates Foundation** (\$10 million), **Germany** (€200 million), **Norway** (\$42 million), and **Spain** (€10 million). The **United Kingdom** and the **Netherlands** delivered statements of support but did not announce new funds.

Funding Modalities

GAFSP was established to provide additional pooled agriculture funding for projects implemented through existing multilateral agencies, namely the World Bank, ADF, ADB, IDB, IFAD, FAO, WFP, also known as supervising entities (SEs).<sup>62,63</sup> GAFSP is hosted by the World Bank and set up as a Financial Intermediary Fund (FIF) for which the World Bank serves as a trustee. GAFSP has a Coordination Unit (CU) functioning as a small staffed secretariat within the World Bank’s Agriculture Global Practice. The CU manages GAFSP’s overall operations of GAFSP.<sup>63–65</sup> GAFSP was initially set up with two financing windows: public and private sector, with eligibility for its funding support being limited to IDA-eligible countries only. While the public sector window provided grant-based finances, the private sector window provided blended finance (mix of concessional and commercial funds) and advisory services to early-stage agribusiness projects.<sup>65</sup>

**The public sector window** allocates financing to countries based on a call for proposals process that competitively selects project concept notes after review by a Technical Advisory Committee (TAC). Proposals are then passed on to the sponsoring SEs for further preparation, approval and supervision according to the SEs procedures. Such financing is directed towards governments for smallholder agriculture, food security, and rural livelihoods.<sup>64</sup> As of December 2019, the public sector portfolio was US\$1.6 billion and the World Bank and the AfDB accounted for 51% and 27% respectively of public sector funding managed by the SEs.<sup>56</sup> In 2016, GAFSP launched the Missing Middle Initiative (MMI) pilot under the public sector window to provide direct funding to producer organizations and better serve smallholder farmers. This pilot was a small fraction of the fund’s total portfolio (US\$13.2 million in mostly African countries as of December 2019).<sup>56</sup>

According to findings reported by the independent evaluation, government stakeholders pointed out that GAFSP grant-funded projects are essentially financing the same type of projects than the SEs are funding with loans. The independent evaluation recommended that GAFSP should adapt itself to (i) maximize the value generated from scarce grant funding and (ii) to crowd-in private investment.<sup>57</sup>

**The private sector window** is managed by the IFC and has a separate IFC-administered Trust Fund. It provides blended finance in support of long- and short-term loans, credit guarantees, equity investment, and technical assistance to private

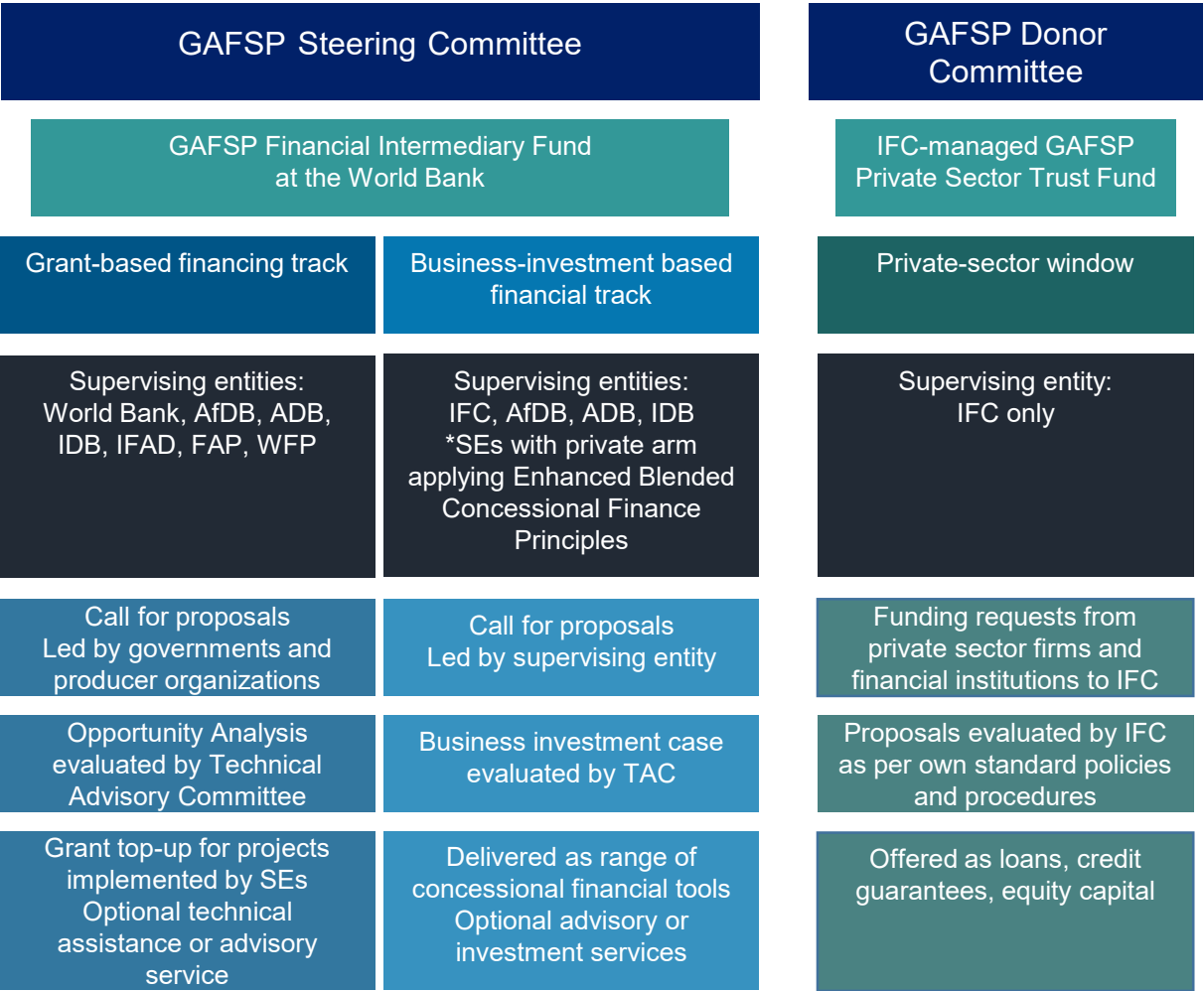
agribusinesses. Commitments to private sector investments as of December 2019 stood at US\$330 million and advisory services total US\$ 30.4 million.<sup>56</sup>

GASFP recently underwent a reform process that led to GAFSP 2.0 and established a new business-investment funding track under the public sector window to be managed by IFC and the regional IFIs (AFD; ASD; IDB) who operate according to Enhanced Blended Concessional Finance Principles for Development Financial Institutions’ Private Sector Operations<sup>66</sup>, while allowing the IFC window to run in parallel. The new funding tracks are shown on the next page (**Figure 17**) and elaborated in **Annex 13**. GAFSP’s private sector window has been successful in mitigating risks for IFC via grants and leveraging additional private investment. However, the use of scarce grant funding to provide concessions to agribusiness was critiqued by independent evaluation and interviewees as not sufficiently geared towards smallholder agriculture.

Governance

The GAFSP governing body, the Steering Committee, has an inclusive governance structure with equal voting rights between donors and recipient countries’ representatives which are not driven by funding contributions.<sup>63</sup> Decision making is consensus driven, which can sometimes impact effectiveness. SEs and CSOs participate as observers. However, independent evaluations, including one led by CSOs in Asia (and commissioned by ActionAid) noted that there is scope for improving meaningful consultation and participation of CSOs beyond a seat at the table.<sup>57,67,68</sup> The 2018 independent evaluation noted many fragmentation issues between GAFSP’s public and private sector windows. Both windows operated almost entirely independently with separate trust funds and governing bodies and limited scope for interaction, which adversely impacted coordination and the effectiveness of GAFSP.<sup>57</sup> Under the restructured GAFSP 2.0, funding will be pooled and allocated based on the Steering Committee’s decisions through a dual-track funding model covering both public and private activities. The new business investment-based financing track will open up eligibility to the other IFIs, while the existing IFC-managed private sector window with its Donor Committee will continue to operate in parallel.<sup>69</sup> The recent GAFSP 2.0 reform has not been able to address the need to reduce complexity among its windows, nor to avoid duplication in operations vis a vis the activities already carried out by the SEs through their existing lending programs. GAFSP

Figure 17: Revised funding structure under GAFSP 2.0



Source: Adapted from GAFSP restructuring document and GAFSP 2.0 brief

could seek better ways to capitalize on its unique advantage of being a provider of grants and exert greater leverage to mobilize additional funds by expanding the implementation channels beyond the established SEs. Also, the call for proposals system, whilst being adapted to a situation of unstable funding, does not foster sustainability at the end of the projects since new allocations need to go back each time into a competitive grant cycle.

Monitoring & Evaluation

GAFSP has set up a rigorous M&E framework for projects, including periodic impact evaluations and comprehensive indicators for monitoring projects under the private sector window.<sup>57,70</sup> However, there is limited evidence that M&E is used for informed decision-making and learning by the SEs which are also implementing their own M&E frameworks for their portfolios, of which the GAFSP-financed projects are part. GAFSP project-level M&E are

the responsibility of the SEs who are guided by the GAFSP M&E framework. It is the responsibility of the SEs to submit reports directly to the CU (public sector window) or private sector window secretariat.<sup>70</sup> In many cases, this is seen by the SEs as an additional transaction cost since, in principle, GAFSP projects are supposed to be implemented according to the SEs’ own procedures and processes. Another critique of GAFSP’s M&E framework has been the lack of feedback, participation, and utilization by CSOs and POs, resulting in a sense that the GAFSP M&E set up does not reflect the priorities of the producer organizations, and that the program is more intent on measuring indicators than implementing actual feedback from the local producer organizations.<sup>68</sup>

Impact

GAFSP-funded projects have made good progress benefitting smallholders according to its own data published in its annual reports. As of December 2019, projects funded by GAFSP’s public-sector window benefitted 16 million smallholder farmers and families. Projects financed by GAFSP’s private sector window had reached one million farmers and supported the creation of 6,100 jobs, 40% of which were for women.<sup>71</sup> The 2018 independent evaluation notes that GAFSP grant financing has been particularly useful in providing technical assistance and capacity building, something that governments are typically reluctant to borrow money for.<sup>57</sup> GAFSP reports progress towards the SDGs and against the Food Insecurity Experience Scale (FIES)—developed by FAO—to track changes in food insecurity among communities, making it the first funding mechanism to use an official SDG2 indicator at the project level.<sup>70</sup>

Apart from support in the form of grants, the comparative advantage of GAFSP projects vis-à-vis other loan-funded projects still remain unclear, as GAFSP funding essentially serves the same purpose. Also, the merit for impact achievements mostly rests with the SEs that prepare and supervise the GAFSP-funded projects. The independent evaluation recommended GAFSP work towards leveraging additional private sector investment and optimizing the use of GAFSP’s funding.<sup>57</sup> This is partly reflected in the GAFSP 2.0 reforms where the business-investment based financing track proposals will be assessed based on private sector engagement and investment potential.

While GAFSP 2.0 reforms have tried to address some of the existing issues, it is not clear that these reforms will have far-reaching impact on positioning it as a strategic multilateral mechanism in the global architecture. The new GAFSP must identify unique areas of interventions that differentiate it from what the other SEs are already doing. This means building on its comparative advantage of being a global grant provider that does not need to go through governments, and can develop innovative financing mechanisms and increased flexibility. Since its comparative advantage lies in being the only grant-based agriculture financing mechanism, GAFSP should optimize the impact of its funding in the agriculture sector by moving away from funding projects that are duplicative in nature with existing SE projects. A more effective use of GAFSP grant funding can be to serve as a blending instrument to leverage the private sector through existing social lenders, impact funds, development banks, as well as the current eligible SEs. GAFSP could co-finance specific project components of partner projects for which governments are reluctant to borrow (e.g., technical assistance, capacity building, M&E). It could also play a major role in the financing of specific GPGs for agriculture which require grant financing.

Table 2: Summary of GAFSP’s strengths, weaknesses and development potential

Strengths	Weaknesses	Development potential
<ul style="list-style-type: none"><li>• Governance model with non-state actor/smallholder participation uniquely inclusive</li><li>• Can support smallholder orgs, NGOs, and private sector directly</li><li>• Competitive project approval process with well-defined criteria and pre-conditions that prioritize participation of POs in design and implementation</li><li>• Good progress benefitting smallholders (re: technical assistance and capacity building)</li><li>• Grants-based portfolio in the public sector window reduced debt burden of recipient countries</li><li>• Private sector window has been successful in leveraging additional private sector funding</li></ul>	<ul style="list-style-type: none"><li>• Small portfolio size (US\$1.9 billion, 2010-2019)</li><li>• 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</li><li>• 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.</li><li>• Public sector call for proposal process does not allow for continuity after project close</li><li>• GAFSP 2.0 three funding channels complicates decision-making and governance structure</li><li>• 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</li><li>• The private sector window has only partially been able to facilitate access to smallholder agriculture</li></ul>	<ul style="list-style-type: none"><li>• GASFP 2.0 should show concrete plans to address:<ul style="list-style-type: none"><li>• the complexity of its three funding channel structure</li><li>• clarifying its value-add vs other funders</li><li>• sustainability of projects</li><li>• maximizing use of grants compared to loans by SEs.</li></ul></li><li>• 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</li><li>• Expand its network beyond the current SEs to any eligible and qualified partner</li><li>• Position itself as a financier of GPGs</li><li>• Improve learning from evaluations</li></ul>



# International Fund for Agricultural Development (IFAD)

Figure 18: IFAD Quick Overview

Launch	1977 following 1974 World Food Conference in Rome
Host	UN System
Eligibility	Global; uses a performance-based allocation system for countries (aligns w that of other IFIs like World Bank and AfDB)
Sectoral scope	Agriculture
Replenishment	Every three years (currently working on IFAD12)
Disbursement	\$855 million in 2019
Funds mobilized	Member pledges US\$1.1 billion for 10th replenishment (IFAD10, 2016 - 18) and IFAD11 (2019 - 21) had a target of US\$1.2 billion
Largest donors	Netherlands and the UK (8.4% each) were the largest contributor to IFAD11, followed closely by China (7.9%) and Germany (7.1%)
Public financial instrument	Primarily sovereign loans, Debt Sustainability Framework (DSF) grants to most vulnerable countries (introduced in 2007 to support with grants countries in severe debt distress)
Private sector lending/equity	No experience in this field but has recently opened a private sector window
Governance	Governing Council (all member states), Executive Board (18 member states with 3 year terms), voting based on member contributions

Source: IFAD

## Resource Mobilization

During IFAD11 (2019-21), commitments are set at US\$3.5 billion with member contributions at around US\$1 billion and the rest being composed of loan reflows, investment income, and some debt.<sup>72</sup>

After a period of growth, member contributions, which are central to IFAD’s resource mobilization, have begun to plateau or slightly decline over the past two replenishments, with actual contributions falling short of member pledges.<sup>73,74</sup> Beyond its direct impact on its portfolio (also referred to as its Program of Loans and Grants (PoLG)) and therefore IFAD’s capacity to commit new funds – stagnating or declining member contributions put IFAD’s financial sustainability at risk because of the commitments made under the DSF.<sup>74</sup> DSF grants account for an average of 20% of IFAD’s total PoLG, which has turned out to be unsustainable for the fund. Although debt relief is much needed in these countries, IFAD’s DSF grants have impacted its financing model

whereby an unsustainable level of grant resources are outflowing the fund compared to inflows of compensating donor replenishment contributions. These shortfalls have impacted IFAD’s liquidity management and capital adequacy. The DSF was reformed in 2019/20 to include upfront contributions from member states through 2021, the development of replenishment baselines which specify an agreed-upon level of grant financing (both regular and DSF), and contributions towards longer-term capital sustainability to avoid further capital erosion.<sup>74</sup>

Resolving the DSF issue may mean that IFAD will need to progressively wean itself away from its grant facility, including the regular grant program (which has historically been one of the main sources of innovation and support to CSOs, agriculture research, etc). IFAD has reformed its mobilization strategy towards borrowing and concessional partner loans to generate more resources and become more independent from donor contributions. IFAD introduced debt to its resource model for the first

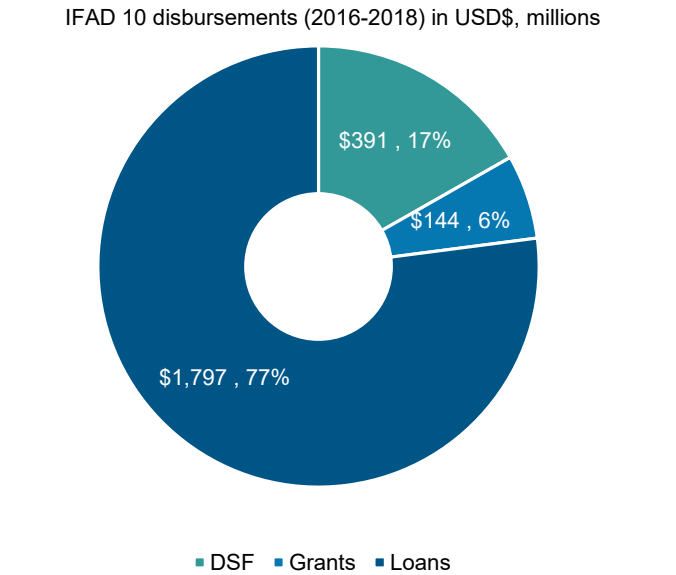
time during IFAD9 by establishing the Sovereign Borrowing Framework and obtaining a sovereign loan from KfW Development Bank and later from the Agence Française de Développement. During IFAD11, it introduced another innovative resource mobilization mechanism in the form of concessional partner loans (CPLs) to diversify IFAD’s funding sources.<sup>75</sup> Also, IFAD obtained an external credit rating of AA+ in October 2020 to support greater leverage of its balance sheet through market borrowing and to enhance its financial sustainability in line with its peers.<sup>76</sup> This has also come, however, with enhanced liquidity requirements which may cause a more conservative approach towards disbursements.

IFAD introduced co-financing as a core component of their long-term strategy to expand the resources available for reaching more beneficiaries, while also allowing improved aid coordination, government policy engagement, and scaling of impact. IFAD’s total program of work up until 2019 was US\$15.9 billion, of which IFAD financing was US\$7.5 billion and co-financing was US\$8.4 billion.<sup>77</sup>

## Funding Modalities

Roughly 25-30% of the IFAD11 portfolio is allocated to fragile countries; and 73% of total IFAD11 disbursements in 2019 were in the form of loans, 21% were in the form of grants under the DSF, and 6% in the form of normal grants (**Figure 19**).<sup>78,79</sup>

Figure 19: Composition of IFAD disbursements during IFAD 10 (2016-2018)



Source: IFAD Financial Indicators and trends. Available from: <https://www.ifad.org/en/financial-indicators-and-trends>

Analysis of the OECD data confirms that IFAD disbursements to LICs has been close to 50% of its total portfolio over the last few years and 53% of approved projects in 2018 were in the African continent.<sup>80</sup> IFAD sovereign loans are provided at highly concessional, blend, and ordinary terms based on a country’s IDA eligibility status. As part of its DSF reform, IFAD introduced a new category of super highly-concessional loans targeted at debt-ridden countries, and uses scarce DSF grants only to support countries with the greatest need.<sup>74</sup> The additional IFAD resources raised through sovereign or market borrowing would be lent at hardened and ordinary terms. IFAD will need to carefully assess whether its efforts to reduce its dependence on member contributions through greater reliance on borrowing (sovereign and market) will shift its focus away from the from LICs and LMICs towards borrowers at ordinary and commercial lending terms. Especially when country graduation strategies call for increased levels of self-financing by MICs and the increased use of reimbursable technical assistance.

In an effort to promote private sector involvement, in 2018/19 IFAD initiated the creation of an Impact Fund – The Agribusiness Capital Fund (the ABC Fund) – initially financed with “first-loss” contributions by the EU, the government of Luxembourg, and AGRA. The Fund facilitates access to finance to the lower end of the smallholder pyramid, rural SMEs, and financial intermediation structures.<sup>81</sup> IFAD also initiated the Private Sector Finance Programme (PSFP) in 2020 which will allow bringing in private sector investment and innovation, with a particular focus on job creation for youth, gender empowerment, and strengthened resilience.

IFAD mobilizes supplementary funding through numerous partnerships with other funders and development partners which the Fund hosts or leads. These resources have helped to provide technical assistance and to introduce innovations and global initiatives through grant funding separately from its lending program. On December 2019, IFAD’s ongoing supplementary fund portfolio consisted of 117 agreements for a total of US\$790 million.<sup>82</sup> A partial list of innovative platforms and programs supported by IFAD through supplementary funds are listed in **Annex 14**. The proliferation of new initiatives in IFAD may be a way to compensate for insufficient core funding through earmarked donor contributions on specific themes. However, the opportunity cost and likely impact of the various programs should be assessed, especially those that tend to remain relatively small and underfunded as they may exacerbate fragmentation and further stretch already limited staff capacity for marginal impact.

Governance

While IFAD’s governance has minimal participation by non-state actors—with the board of governors generally comprised of high-level government designees<sup>83</sup>—IFAD has a good track record of consultation with CSOs and producer organizations. Initiatives like the Farmers’ Forum and the Indigenous Peoples’ forum allow participation in development of policies, country strategies, project design, implementation, and monitoring.<sup>84,85</sup>

IFAD’s 2016 corporate evaluation (focused on decentralization reforms), IFAD undertook staff reassignment exercises in 2018-19 with a plan to increase field staff from 31% to 45% by 2022 through deployment from headquarters rather than through the recruitment of local staff.<sup>86</sup> However, the pool of staff to be decentralized was too small to allow for a critical mass of country presence, and technical staff were dispersed too thinly even after its regrouping in hubs. At the same time, technical capacity gaps were left at headquarters, which hampered IFAD’s capacity to work at the global level and share knowledge among regions. IFAD’s country-level policy engagement were also hampered by a lack of technical capacity to facilitate such engagements. IFAD’s technical capacity issues were also highlighted in its own corporate evaluations, which pointed towards the overreliance on consultants, the gradual loss of in-house technical capacity and the deterioration of portfolio quality. Interviews highlighted the changing roles resulting from decentralization, as the profile of staff in the field has been shifting from technical positions to administrative or managerial ones.<sup>87,88</sup>

Monitoring and Evaluation

A 2019 MOPAN assessment and IFAD’s own reporting show that the impact of IFAD projects was found to be strong for its targeted rural poor, with contributions to rural poverty reduction and gender equality. However, contributions towards good governance, human rights, and natural resource management are areas of IFAD’s strategic focus and M&E system where the agency has scope for improvement.<sup>89,90</sup>

IFAD has committed to conducting impact assessments for 15% of its portfolio.<sup>80</sup> An independent MOPAN assessment of IFAD in 2017-18 ranked IFAD’s evaluation and accountability very high, while highlighting its strong audit mechanisms. It also pointed to key areas of improvement that IFAD

needs to focus attention on, including improvements in project efficiency, speed of disbursements, and project sustainability; improved policy engagement at the country level, and improved targeting of beneficiaries.<sup>89</sup>

Impact

IFAD continues to focus on the poorest and vulnerable communities, including countries facing debt distress, climate change impacts, and fragility through a number of mechanisms and platforms. The current overarching goal of IFAD is “to invest in rural people to enable them to overcome poverty and achieve food security through remunerative, sustainable and resilient livelihoods.”<sup>26</sup> IFAD’s 2016-2025 strategic framework highlights three objectives—(i) increasing the productive capacity of poor rural people, (ii) increasing their benefits from market participation, and (iii) strengthening the environmental sustainability and climate resilience of their economic activities.<sup>91</sup>

IFAD’s 2019 development effectiveness report noted that during IFAD10, through its investments and projects, 50 million people had improved market access, 47 million experienced increased production, 62 million people had greater economic mobility, and 26 million showed greater resilience, exceeding all impact targets set for IFAD10.<sup>92</sup> However, adaption to climate change, government ownership (including their capacity and commitment), are areas where further improvement is needed. Sustainability and efficiency of IFAD project are two additional areas where IFAD10 targets were not met.<sup>92</sup>

Moving forward, to increase its impact on agricultural and rural development and contribute significantly to SDG2, IFAD will need to strengthen its technical capacity, review the effectiveness of its decentralization model, and better assess the development effectiveness of its various but relatively small initiatives. A closer collaboration between the three RBAs can help to not only build IFAD’s technical capacity, but also make the three agencies more effective. IFAD, FAO, and WFP have signed a number of agreements to draw upon each other strengths and there are examples of significant collaboration at the country level between the RBAs.<sup>50</sup> However, these collaborations have been ad hoc and not systematic, and are challenged by lack of alignment of business processes, weak staff incentives, continued fragmentation of funding flows, and the quest for leadership.<sup>53</sup>

Table 3: Summary of IFAD’s strengths, weaknesses and development potential

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



# International Development Association (IDA)

Figure 20: IDA Quick Overview

Launch	1960 - created to provide concessional lending support to poor and developing countries
Host	IDA is a concessional arm of the World Bank
Eligibility	Global
Sectoral scope	All sectors
Replenishment	Every three years
Disbursement	\$1.8 billion in 2018 for agriculture (Source: OECD CRS)
Funds mobilized	US\$82 billion raised through IDA19; commitments to agriculture ~13% in the period 2015-2019 (Source: World Bank)
Largest funder	UK (12.07%) is the top funder in IDA19; G7 countries accounted for 69% of total contributions (Source: World Bank)
Public financial instrument	Mostly sovereign loans
Private sector lending/ equity	Yes, via a new blended financing facility
Governance	Gov. Council (all MS.), Board (25 MS.), voting based on capital subscription

Source: World Bank

## Resource Mobilization

The World Bank Group (WBG) is one of the largest providers of agriculture funding support globally with more than 60% of total multilateral ODA for agriculture in 2018.<sup>93</sup> For this report, we focus on the agriculture portfolio of IDA, the concessional lending arm which provides grants and concessional loans to the poorest countries who cannot afford to borrow at the market rates offered by the WBG.<sup>94</sup>

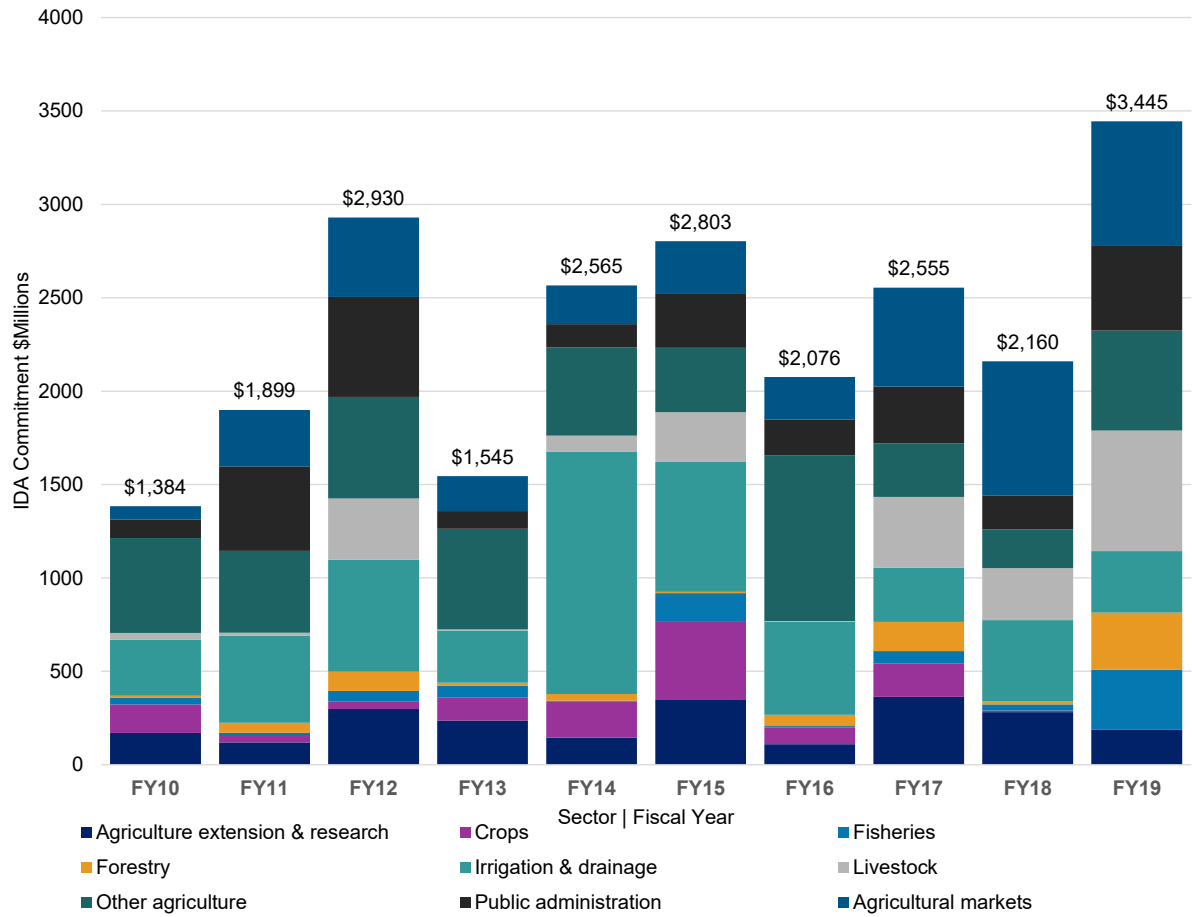
Contributions from developed and middle-income member-state governments have historically been the primary funding source for IDA and funds are replenished every three years. Apart from contributions and IDA reflows, transfers from IBRD and IFC also contribute to its total resources.<sup>95</sup> IDA has moved towards a more hybrid financing model and introduced debt into its business model through CPLs in IDA17, which amounted to US\$5.8 billion in 2018.<sup>96</sup> IDA18 marked the launch of IDA’s market borrowing program through IDA-issued bonds, after receiving a sound credit rating of AAA.<sup>97</sup>

The newly issued bonds allow IDA to leverage its equity and blended concessional contributions with capital market debt, thereby increasing the level of funding support available for countries.<sup>97</sup> It raised US\$22.1 billion from capital markets along with a replenishment of US\$75 billion through IDA18.<sup>98,99</sup> The IDA19 replenishment did even better with US\$82 billion for the period 2020-2023, of which US\$53 billion will go towards supporting the African region.<sup>100</sup> While the new hybrid model helps optimize IDA’s balance sheet, IDA recognizes the added risks associated with such borrowing and noted the need for careful management of its resources and capital adequacy requirements to withstand unexpected shocks.<sup>98</sup>

## Funding Modalities

IDA does not have any specific policy for guiding allocations to sectors. Sector-specific IDA allocations are decided at the country-level based on country needs, and sectoral allocation decisions are driven by deliberations between country governments and World Bank country offices. The World

Figure 21: IDA commitments to agriculture sector by sub-sectors over time, in US\$ millions



Source: Agriculture commitments data shared by the World Bank

Bank prepares systematic country diagnostics in collaboration with national governments and stakeholders, which guide the country partnership framework engagements, goals, and activities in each country.<sup>101</sup> While this leads to a demand-driven allocation of IDA resources based on country priorities, agriculture may not always be prioritized by country governments nor by the World Bank country director, leading to volatile sectoral commitments at the aggregate level. Annual commitments to agriculture have been around 13% of the total portfolio in the period 2015-2019.<sup>93,102</sup> Based on data shared by the World Bank, total IDA commitments for agriculture have fluctuated widely between US\$1.4 billion in FY10 to US\$3.4 in FY19, only to drop again to US\$2.4 billion in FY20 (**Figure 21**).

The use of sector action plans and strategies have been discontinued, but priorities of the last action plan continue to guide the work in agriculture. In 2019, agriculture markets and livestock sub-sector commitments were the highest. With an aim to improve growth and job creation, 66% of agriculture and agribusiness projects under IDA19 (2020-23) will support value chain participation connecting

producers to markets, along with a focus on climate smart agriculture. However, commitments for the sub-sectors fluctuate from year to year and vary based on regions.

IDA has several additional windows and dedicated additional funding sources to assist countries. Its Crisis Response Window helps to respond to threats ranging from natural disasters to public health emergencies and sudden economic crisis.<sup>103</sup> IDA18 introduced a private sector facility, a new blended financing facility formed in partnership with IFC and MIGA, which has been continued under IDA19. With US\$2.5 billion funding, this window will support private sector mobilization to create markets, including for agriculture, in LICs and fragile, conflict, and violence-affected (FCV) countries.<sup>104</sup>

IDA also leverages funding from other development partners and also from borrowing countries through project co-financing arrangements. While IDA’s share of project financing fell from 73% to 53%, between 2015 to 2017, country co-financing saw a significant increase over the years from 13% to 42%.<sup>105</sup> While IDA uses innovative mechanisms to attract funding

from a wide variety of donors for results-based loan buy-downs (a co-financing mechanism whereby donors commit to taking over a portion of principal and interest payments from a borrowing country, thereby reducing debt service obligations), such mechanisms have not been used in agriculture to date and are mostly concentrated in the health sector.<sup>106</sup>

Governance

IDA is overseen by the 189 shareholder countries as part of the WBG. Member countries, or shareholders, are represented by a Board of Governors, typically ministers of finance or development. IDA voting rights for decision making are commensurate with member country’s IBRD capital subscription and IDA contributions and hence not equal for all.<sup>107</sup> Given the large footprint of IDA projects and its impact on vulnerable communities and socioeconomic conditions, engagements with a variety of stakeholders including CSOs and citizens are important to improve development results, policy priorities, and country strategies, while ensuring accountability and transparency. Although the World Bank hosts CSO policy forums, engagement and consultations with non-state stakeholders remains an area of weakness with more recent calls for deeper and meaningful engagements around replenishment consultations, project design, and operations in fragile, conflict, and violence-affected countries (FCV).<sup>108,109</sup>

The World Bank reorganization of 2013 re-grouped the various sectors and thematic areas into 15 Global Practices (GP), including one for agriculture.<sup>110</sup> However, in the process, some key thematic areas were considered to have stronger affiliation with other sectors or that they should be treated as free-standing topics, such as irrigation, environment and natural resources, nutrition, rural finance, gender, etc. This may hinder agriculture and rural development from being looked at in a more holistic and integrated manner within the same GP, something that would be easier to do in IFAD or GAFSP as vertical funds. While cross-GP collaboration is always possible and encouraged, turf, budget, and leadership issues may emerge and make integrated approaches more difficult, as compared to being under the same roof.

Monitoring & Evaluation

IDA conducts self-evaluation through its Result Management System (RMS) which helps in

managing its services and operations effectively. The RMS uses an integrated results and performance framework and is the key tool for monitoring, reporting, and accountability as well as tracking results of the IDA replenishments.<sup>111</sup> IDA has a robust internal control architecture, which ensures compliance with fiduciary, social, and environmental safeguards. The Bank’s AAA credit agency rating is testimony to its financial strength. IDA demonstrates a clear commitment to transparency and accountability in its operations, which is evident from its high ranking among development agencies (second out of 47) based on the Aid Transparency Index, 2020.<sup>112</sup>

The Independent Evaluation Group (IEG) provides additional extensive reviews of IDA projects.<sup>113</sup> Additionally, independent evaluations of IDA are conducted by the Aid Transparency Index every year, including periodic assessments by MOPAN. The latest IEG assessment of IDA projects across different sectors noted that while development effectiveness of IDA is improving, it is lagging behind in FCV countries. IDA’s country program outcomes were found to be modest with some disconnect between country strategies and programs due to incomplete alignment with country partnership frameworks. While M&E quality was found to be improving, better results orientation was warranted by addressing design and country data gaps. An increasing number of IDA projects were found to engage citizens, but this needs to be enhanced through outreach, capacity building, and improved monitoring.<sup>109</sup>

Impact

IDA has been instrumental in shaping and improving international development through its financing and knowledge sharing. Within the agriculture sector, 4.4 million farmers have benefitted from improved agriculture technology through IDA projects in 2019.<sup>114</sup> It was found that IDA development policy financing for agriculture in LICs helped to improve the sector regulatory environment, including agriculture policy reforms, development and implementation of action plans and strategies, and adoption of agriculture research and education frameworks.<sup>109</sup> IDA investments in agriculture benefitted more than 30 million people, mostly smallholders, in previous replenishments and contributed towards supporting climate-smart agriculture, agribusiness, agriculture employment, value chains, and rural livelihoods. In order to help improve impact on agricultural development, IDA has contributed to various initiatives and partnered with

Table 4: Summary of IDA’s strengths, weaknesses and development potential

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

donors and other IFIs and development agencies. The COVID-19 crisis has created an opportunity to assess the capacity of multilateral aid to confront special challenges of unprecedented magnitude and of a global nature. Addressing GPGs and emergency situations, which can be recurrent in the agriculture sector (whether they are climate, price or conflict driven), may be one of the most important contributions to the achievement of SDG2 in order to avoid having decades of results wiped out by unforeseen events. The World Bank is the only one which is in a position to provide the scale and the intersectoral coverage needed at the global level to adequately confront such challenges. The recently launched Food Systems 2030 multi-donor trust fund to support sustainable food systems (while also addressing zoonotic diseases, biodiversity and climate change impacts of agriculture) is an example of how grant-based financing can support GPGs.<sup>115,116</sup> If anything, the World Bank potentially

could have capitalized more on its global convener role to better coordinate the multilateral response at the risk of fragmentation and transaction costs for the recipient countries. However, as the World Bank’s priorities are greatly determined by country-driven strategies, channeling financing towards cross-border global issues may be a challenge.

# African Development Fund (ADF)

Figure 22: ADF Quick Overview

Launch	1972
Host	African Development Bank
Eligibility	African countries that are LICs
Sectoral scope	All sectors
Replenishment	Every three years
Disbursement	US\$231 million for agriculture in 2018 (Source: OECD CRS)
Funds mobilized	US\$5.7 billion raised through ADF14. Agriculture portfolio was 11% in 2019. (Source: ADF)
Largest donor	UK (10.65%) is the top donor in ADF 14, US is the largest contributor in cumulative terms (Source: ADF)
Public financial instrument	Primarily sovereign loans
Private sector lending/ equity	Yes. Private Sector Credit Enhancement Facility was introduced in 2015
Governance	Board of Governors (all MS). Board of Directors (13 regional and 7 non-regional)

Source: ADF

## Resource Mobilization

This report focuses on the agriculture portfolio of ADF, the concessional window of the AfDB. Eligibility for ADF funding is determined in a similar way to the eligibility conditions of IDA and determined by GNI per capita and credit worthiness.<sup>117</sup> The ADF is funded by 27 states and 4 regional donors, and as of 2019, ADF funding was available to 37 ADF-only and ADF-blend countries.<sup>118,119</sup> The ADF contributes to poverty reduction and economic and social development in the least-developed African countries by providing concessional funding for projects and programs, as well as technical assistance for studies and capacity-building activities. The ADF strategy is embedded in AfDB policy frameworks. Supporting fragile states, strengthening agriculture and food security, and increasing the capabilities and opportunities of women and girls are the three areas of special emphasis for AfDB's Strategy for 2013-2022.<sup>120</sup>

The ADF is funded through donor contributions, and replenishment exercises constitute the most important form of resource mobilization.<sup>119</sup> The US, Germany, Japan, the UK, and France (in that

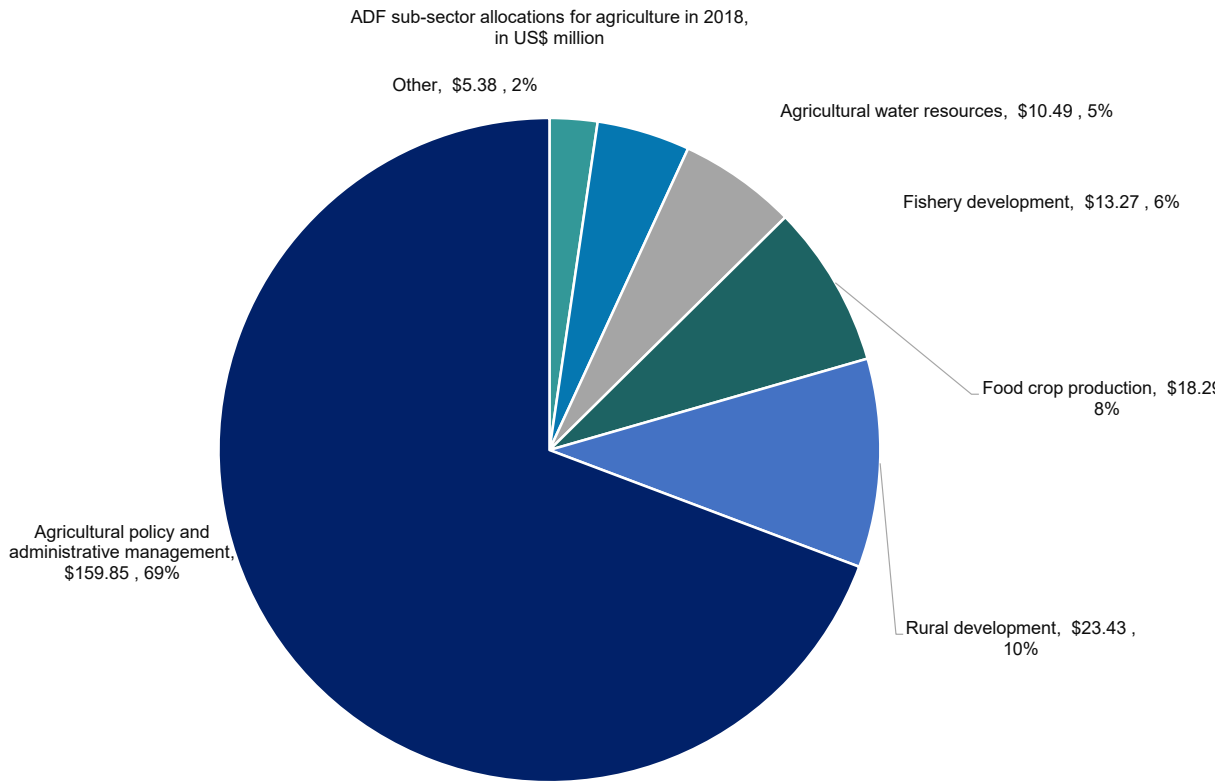
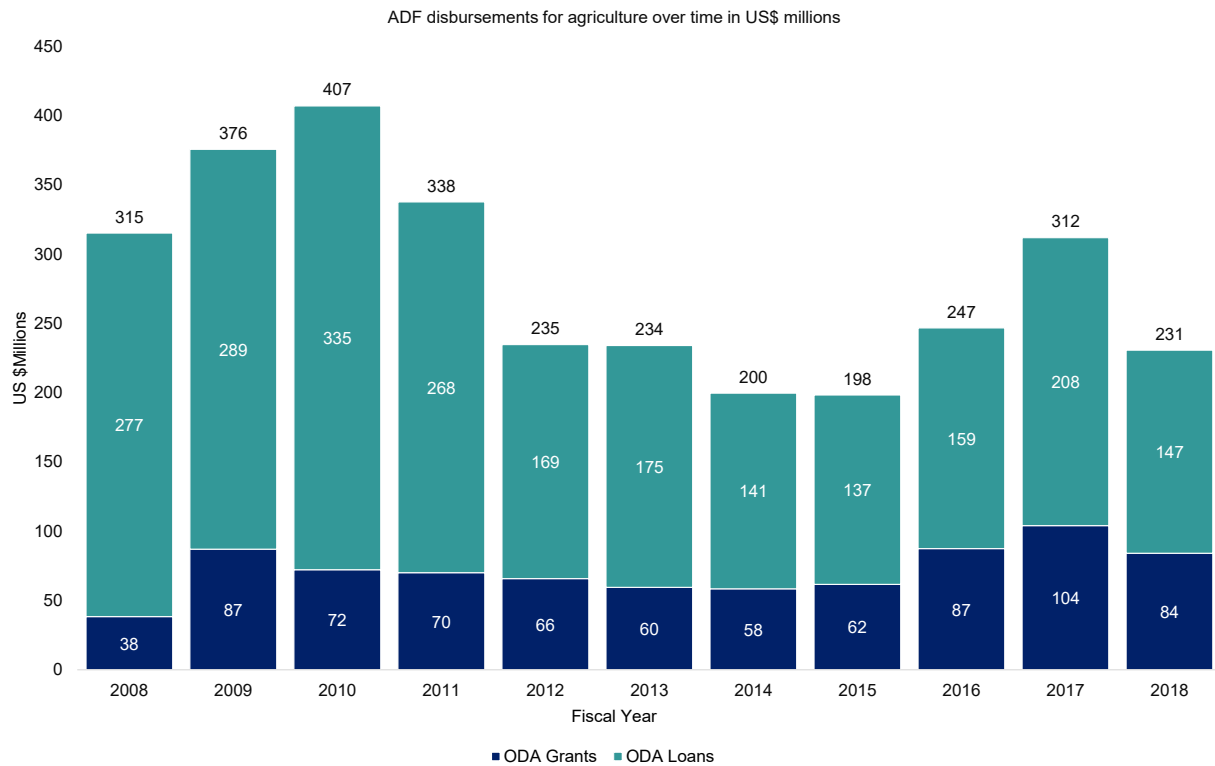
order) have the highest cumulative contribution to ADF's replenishments to date<sup>121</sup>. During ADF14 (2017-19), member states agreed on an ADF14 resource level of US\$5.7 billion.<sup>122,123</sup> ADF14 introduced concessional donor loans and bridge loans for the first time to increase donor contributions to replenishments. For ADF15 (2020-22), donors have committed US\$7.9 billion,<sup>124</sup> representing a substantial increase from the previous replenishment, and a vote of confidence in the ADF's capacity to play an enhanced role in the development of the region.

While ADF continues to have a strong performance in terms of its own revenue mobilization, the agriculture financing gap remains large in the African region and warrants greater support from the AfDB, other donors, as well as governments.

## Financing Modalities

The AfDB follows a similar categorization of countries as the World Bank whereby eligibility for concessional ADF resources is determined by a combination of a country's GNI per capita and its creditworthiness.<sup>117</sup> Allocations of ADF funds

Figure 23: ADF disbursements for agriculture over time, and sub-sector allocations in 2018



Source: OECD CRS. Disbursements, US\$ millions (constant 2018 prices). ODA. Agriculture: Agriculture, Forestry, and Fisheries (310) and Rural Development (43040). Developing countries total.

to countries are based on a Performance-Based Allocation system.<sup>48</sup> The ADF has the challenge of having nearly half its client countries as fragile states that face one or more internal and/or external shocks. Hence, the performance of the Fund hinges on its capacity to develop the right approaches, dialogue and financing tools to confront special circumstances and crisis situations, might they be driven by conflict, climate, prices, epidemics.

As per the AfDB's annual report 2019, agriculture accounted for only 11% of the total portfolio in 2019.<sup>125</sup> Based on the ADF disbursements data on agriculture from the OECD CRS database, total agriculture disbursements by ADF have halved from US\$407 million in 2010 to US\$231 million in 2018, of which the amount of grants have remained relatively stable at around UD\$80 million, or 36% of the total in 2018 (**Figure 23**). In terms of agricultural sectoral priorities, ADF disbursements were highest for agricultural policy and administration (69%), followed by rural development (10%) and food crop production (8%).

Agriculture was not a high-priority sector for the AfDB until recently, when it was included as one of the “High 5” priority sectors in the AfDB's ten-year strategy, called Feed Africa.<sup>120</sup> Under the Feed Africa Strategy for agricultural transformation, ending hunger and malnutrition in Africa by 2025, sustainability, and inclusivity have been identified as an important trio of cross-cutting enablers that should underpin all Feed Africa actions. The Feed Africa strategy aims to position the AfDB to support four ambitious CAADP goals—(i) contribute to end extreme poverty in Africa by 2025; (ii) end hunger and malnutrition in Africa by 2025; (iii) make Africa a net food exporter; and (iv) move Africa up along export-orientated value chains. The goals are consistent with, and build on the efforts made by the 2003 Maputo Declaration and 2014 Malabo Commitments.<sup>126</sup>

The AfDB has also emphasized that private sector investment in ADF countries is crucial for delivering the “High 5” priorities, which requires scaling up partnerships with the private sector and addressing market failures. With an aim to attract private sector financing, the Private Sector Credit Enhancement Facility was introduced in 2015 to encourage private investments in LICs and fragile countries for sectors including agriculture.<sup>127</sup>

## Governance

The agreement establishing the ADF designates the Board of Directors as the Fund's highest policy-making organ. The Board of Directors, comprised of 20 members, including seven from donor countries, meets at least once a year and it oversees ADF's general operations.<sup>128,118</sup> As per the articles of agreement, capital subscriptions - and thus voting shares - of the AfDB between regional and non-regional members would be maintained at a 60:40 ratio.<sup>129</sup> To maintain this split, new non-regional (non-borrower) member countries would need to buy shares from existing non-regional members within the 40% envelope. For non-regional members, even very wealthy new emerging donors, this rule provides very little incentive for greater contributions, as large contributions do not translate to greater influence.<sup>130</sup>

## Monitoring & Evaluation

The AfDB's new Results Measurement Framework (RMF) provides the framework, management tools, and incentives to promote a performance-oriented culture to increase its developmental impact. The RMF is structured around the ‘High 5's and will assess development impact, leverage private sector development impact, and strengthen the focus on gender equality.<sup>131</sup>

Assessments of the AfDB, including ADF projects, show that it has strong financials and reporting tools. However, M&E systems are typically weak which affects the reliability of portfolio assessments. Projects in general suffer from implementation delays, financial sustainability, and difficulty with in-country institutional arrangements. There is room for improvement in areas of social and environmental safeguard compliance.

A 2019 evaluation of AfDB's self-evaluation system and processes (SESP) by Independent Development Evaluation (IDEV) found that the AFDB incorporates strong systems and procedures at par with other comparator institutions. However, limited M&E resources, positive biases, and low compliance are the key challenges of the SESP for the AfDB. The evaluation also noted that the AfDB's project rating system and use of project completion rates leads to more positive assessments than the reality and differs from most comparators.<sup>132</sup>

The IDEV review of project completion reports synthesis in 2017 found that agriculture projects had high relevance of development objectives.

However, agriculture projects suffered from large implementation delays and tended to have overambitious outcomes, impacting effectiveness and results. The average time between planned and actual completion date was 33 months, the highest among all sectors. The key reasons for delays were related to underestimated infrastructure costs and overestimated technical readiness and institutional capacity. This, coupled with inadequate project supervision and monitoring, led projects to fail to deliver planned outputs and outcomes. An important finding for agriculture projects was that projects designed with a high level of community participation on small-scale infrastructure, productivity enhancement, or marketing, worked better than projects designed using top-down approaches.<sup>133</sup> However, there is little flexibility to support producer organizations directly and consultation processes can be improved.

A 2016 MOPAN assessment concluded that the AfDB is an effective regional multilateral institution which has made significant development impact while working in a challenging environment. The AfDB has been a vital source of funding and has provided valuable policy advice and leadership across critical domains of development in the region. The AfDB's key strength lies in its active engagement in national processes in the region which has helped to align its own strategies with regional and country-level priorities. The financial soundness of the regional development institution is reflected by its AAA rating, complemented by compliance to social, environmental, and fiduciary safeguards.<sup>134</sup>

## Impact

The AfDB has a strong impact on the region (including the ADF-eligible countries) contributes to improvements in the agriculture sector, and catalyzes private sector funding. However, technical capacity constraints have been a challenge to increase overall impact in the agriculture sector. If the AFD wants to live up to its commitment towards the ambitious goals of the agriculture “High 5” initiative and the agriculture transformation agenda, it will need to revamp its agriculture technical skills and staff capacity.

Under the Feed Africa program, 19 million people benefitted from improvements in agriculture, of which 9.3 million are women; 1,700 tons of agriculture inputs were provided and 100,000 people were able to improve their farming. While Africa has seen significant improvements in its net trade balance, progress towards reducing hunger and malnutrition

needs a significant push.<sup>135</sup> Operations implemented during ADF14 provided water management support to 197,000 additional hectares of land and access to new technology to over 40 million people. This contributed to improving agriculture productivity, increasing income, and reducing poverty in rural areas. The AfDB intends to mainstream the adoption of climate smart innovations in all its flagship projects, including those financed with ADF resources. In addition, ADF14 resources were catalytic to implementing its overall objective of strengthening inclusive public-private partnerships for priority agricultural commodity value chains, with a strong linkage to smallholder agriculture.<sup>123</sup>

The Feed Africa strategy notes that agricultural transformation in Africa would cost between US\$315-US\$400 billion, equivalent to annual investments of US\$32-US\$40 billion per year over the period 2016-25.<sup>136</sup> Given the high and rising prevalence of hunger and undernourishment in the region,<sup>137</sup> filling the funding gap and coordinating agriculture and food security investment efforts in Africa will be critical. Although in terms of size of funding, the AfDB and ADF are smaller compared to other bilaterals and multilateral donors, the AfDB should leverage its position as a “preferred partner”<sup>138</sup> in the region. The AfDB can utilize its unique country engagement and regional convening power to identify agriculture priorities in the region and coordinate agriculture funding efforts of different stakeholders. Coordination efforts can help to reduce duplication of funding and programs, reduce inefficiencies, and help to bring together strategic partners to create a pathway towards achieving the ambitious goals of the Feed Africa strategy.

Nearly half of ADF's client countries are fragile states facing one or more internal and/or external shocks.<sup>119</sup> This calls for more dedicated and differentiated support especially in the agriculture sector for FCV countries. 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 or be the cause of severe food insecurity situations. ADF could further capitalize on its country presence to develop more dedicated expertise, financing tools, and 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.

Table 5: Summary of ADF’s strengths, weaknesses and development potential

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



## Comparative analysis of the four multilaterals

This section assesses the above multilateral funding mechanisms’ comparative advantages and disadvantages from both desk research and interviews under the broad categories outlined below. Approximately 35 interviews were conducted with 30 individuals, 11 of which were from recipient-country contexts. Quotes included below are meant to be illustrative examples from interviews and themes below were included only if multiple interviews supported the theme.

### Mobilization of Resources

**FINDING:** IDA and ADF’s agriculture portfolios are smaller than other sectors. Opportunities may exist to broaden projects to access climate or gender-related financing recently prioritized by donors.

The financing gap remains an imposing hurdle in the agricultural development space as we only inch to close it.<sup>57</sup>

Although the hope was for GAFSP to serve as a kind of global fund pooling additional donor funding for agriculture, contributions to GAFSP were ad-hoc after its first endowment in 2010 and some donors had not made new contributions for the past five years or more. A new replenishment cycle was launched in October 2020 and has managed to mobilize US\$300 million so far.<sup>61</sup> In IFAD, donor contributions have been steady over the last two replenishments, but the expectations under the Debt Sustainability Framework (DSF) were not met which could threaten IFAD’s financing model, prompting it to adopt measures to protect its capital base and explore other resource mobilization avenues. Borrowing resources will represent an expanding line of business, but it may also limit the scope to work with the poorest countries and to contribute towards the SDGs, as IFAD may have to limit the availability of grant resources and increase lending at ordinary/commercial terms.

IDA and ADF are not facing imminent resource mobilization issues (and IDA contributes by far the most to agriculture ODA), but the share of agriculture in both development banks is smaller than other sectors like energy, health, education, and infrastructure. This is due to country-determined strategies of sectoral allocation. ADF’s Feed Africa strategy, although ambitious, is not adequate for fulfilling the region’s financing needs, with other sectors receiving the lion’s share of allocations. Similarly, IDA allocations for agriculture have remained stagnant at 13% of total commitments

compared to over 33% towards infrastructure. According to interviews, making the case that agriculture plays a key role in combatting climate change and ensuring interventions are more gender-sensitive could help mobilize some additional resources for IFAD and GAFSP as those topics are increasingly prioritized in donor communities (as IFAD has done with climate change).

### Grants vs Loans

**FINDING:** Multilaterals mostly use loans for their agriculture programs – the only exception being GAFSP – but the unique value-added of grants could be far better utilized, including for leveraging private funds.

The majority of the funding portfolio of the three IFIs being analysed are loan-based rather than grants, although they focus on the world’s poorest and serve countries threatened by fragility and economic shocks (**Figure 10**). GAFSP is largely grant-based but its portfolio is small and largely finances the same type of public projects as those of the IFIs. The general trend of multilaterals providing more ODA in loans rather than in grants is in stark contrast to other sectors, especially health, where the majority of ODA support through multilaterals is through grants (**Figure 9**). This is striking considering agricultural development efforts are targeted at the poorest and most vulnerable communities in the focus countries of these multilaterals, whose livelihoods and production face imminent threats from natural forces and disasters.

In explaining the higher prevalence of loans in the agriculture sector, interviewees noted that loans are fundamental to the financial sustainability of the multilateral funding institutions. Without loans and the returns they bring, these institutions would have far less resources to distribute, and would be further dependent on donors (thus putting them in a less stable situation).

Many interviewees agreed that the commercial nature of the agriculture sector compared with a sector like health explains the dominance of loans (although the health sector also has heavy commercial interests). This side contests agriculture must generate a return, as opposed to health. However, if we consider food as in international fundamental human right—an argument that positions the agriculture sector as achieving social objectives<sup>146</sup>—the case for increased grants could be valid.

**“This brings about questions of whether to subsidize industry. But it is a social objective and not a production objective, so grants are justified in this space. A vertical fund in agriculture should be for that segment in society and for a productive purpose that is for social objectives.” – Interviewee**

Adverse impacts on LICs and LMICs are somewhat mitigated as bilateral funding (which makes up a majority of agriculture ODA) is grant-based (see **Figure 6** and **Figure 13**). However, there are problems with bilateral funding streams, as is discussed in previous sections.

**“Everyone is looking for grants but they are simply not available. We’ve seen this with GAFSP. GAFSP has been struggling with the need to mobilize grants.” – Interviewee**

Several interviewees spoke to the need for increased assistance of poor indebted countries with more grants. The multilateral organizations being examined (IDA, ADF, and IFAD), are already using mechanisms that allow them to blend and mix loans with grants with different degrees of concessionality when they finance projects depending on the income levels of recipient countries. Irrespective of the loans/grants mix, these resources are provided to and implemented by governments (the borrower). These organizations could review the composition of the mix if they thought that increasing the grant composition was deemed financially feasible.

On the other hand, GAFSP only uses grants and the current programming could be utilized in a more strategic way to exploit their unique advantages compared to loans (beyond the fact that they are not to be repaid). On the other hand, GAFSP only uses grants and the current programming could be utilized in a more strategic way to exploit their unique advantages compared to loans (beyond the fact that they are not to be repaid). A unique benefit of grants is that they may not necessarily have to go through governments. They can also be deployed to leverage additional funds and allow for more creative and diversified governance structures. Overall, interviewees recommended grants be used for:

- a. De-risking private sector investment through blended mechanisms or first loss funds
- b. Direct funding for smallholder organizations and CSOs
- c. Soft investments that governments would not use loans for, such as technical assistance, capacity building, beneficiary consultation, M&E efforts
- d. Strengthening GPGs for agriculture through investment in agriculture research and piloting of new technologies and approaches
- e. Flexible funding in response to emergencies, such as the ongoing COVID-19 pandemic.

**“Avoiding supervising entities is the only way to provide some originality and unicity to what GAFSP is doing. But if the cost comes too high, do it through supervising entities making sure that what you do with the money is for the purpose that you decided, and not just to finance the same things these institutions are already doing.” – Interviewee**

**“Why can’t we use the grants for what they are good at—for doing things you normally don’t do with loans because loans are more difficult to handle; you have to go through governments and align with many things.” – Interviewee**

## Consultation with POs and CSOs

**FINDING:** Across all of the mechanisms there remains a lack of consultation with CSOs, grassroot organizations, and POs throughout the full project cycle (including M&E), which is hampering impact.

According to all interviews with individuals from recipient countries, beneficiaries needed to be consulted far more throughout the project cycle. A common refrain was that consultation was done often in name only, with a lack of transparency.

**“These organizations say they performed civil society consultation, but really often the governments are just checking a box and not really doing the work. I will ask the government representative and they will not give me the names of the groups. I will ask around and community groups will say they were not consulted or did not know about the project.” - Interviewee**

GAFSP received accolades from many interviewees for their inclusive governance structure and efforts to consult with beneficiaries during project design. However, during implementation this dropped off. IFAD also was praised for its forums for consulting with POs and CSOs, and for its efforts at the headquarters level to consult with beneficiaries. However, there was concern that this was not happening at the country-level offices.

The four multilaterals consult closely with governments, but often governments do not consult deeply with POs and CSOs. Interviewees from recipient countries felt many of the government officials were out of touch with issues in communities or the real needs on the ground; this was exacerbated by high turnover of these officials in office. Grants could potentially be used to assist with the additional costs associated with deeper relationship-building and consultation at a project’s outset and during implementation. While deeper

consultation comes with larger costs, sidestepping this too much for efficiency’s sake can lead to wasted project funds. One interviewee gave the example of a recently-constructed market (funded by one of the four multilateral funding mechanisms) sitting empty because it was not placed where community members would access it.

M&E was also heavily criticized as needing to be done more in collaboration with the government ministries, POs, and CSOs starting at project design. Often the evaluations occurred at the end of the project within a short frame of time or were conducted by external consultants brought in at the end. If we are really to learn what is making impact and what is not, a larger share of the project budget may need to be apportioned to evaluation for all projects.

## Perceptions of Competition

**FINDING:** There is some perceived competition for donor funding between GAFSP and IFAD, but not so for IDA and ADF.

Our interviews and focus group discussion indicated some doubt as to whether GAFSP is helping SEs mobilize additional resources for the sector or whether GAFSP is actually competing with the SEs for scarce funds, mostly from the same donors. The perception of competition is strongest between GAFSP and IFAD since they are both vertical funds. However, several donors emphasized the need for both financing mechanisms and a clear need for both GAFSP and IFAD in the system.

Many interviewees perceived competition for funding between GAFSP and IFAD, but did not feel the same was true for IDA and ADF. While donors mentioned separate tracks to fund these entities within their governments, they also often asked them to explain how they were different from one another. Several interviewees saw this as a fragmentation in the donor system that needs to be resolved. No other evidence in our case studies supported this, but the perception clearly persists.

Reviews of both GAFSP and IFAD to address their operational and governance challenges are currently underway. Although reforms may help address internal fragmentation or resource mobilization challenges that are unique to each of them, it is not

evident how these reforms are trying to address perception of overlaps and duplication between the two. Interviewees felt that the mechanisms had similar mandates and funded similar projects. Jointly developed messaging explaining when donors should support one over the other would help clarify their roles.

## Measuring Progress

**FINDING:** The four multilaterals lack a common results framework and metrics to measure results and their impact on reaching the SDG2 targets.

The results monitoring frameworks and metrics used by the four multilaterals do not provide comprehensive information on tracking progress towards the SDG2 targets. Currently these funding channels use different sets of metrics and result monitoring indicators. For instance, under the IDA Results Measurement System, farmers adopting improved agricultural technology is an indicator for which progress is tracked, but the specific SDG2 indicators are not directly measured.<sup>111</sup> GAFSP has integrated the Food Insecurity Experience Scale, an official SDG2 outcome/impact indicator, in its program-level M&E framework.<sup>70</sup> The AfDB's results monitoring indicators capture some of the SDG2 indicators under the Feed Africa priority program, but do not comprehensively measure all indicators or uses the exact official SDG2 indicator metrics in all instances.<sup>139</sup> Similarly, IFAD's result monitoring framework (measuring impact on global poverty, food security, and agricultural investment outcomes) includes some SDG 2.1, 2.2, 2.3 and 2.4 indicators.<sup>92</sup> A more harmonized system of measuring SDG2 progress will help to compare and improve development effectiveness and impact of the four multilateral funding mechanisms with respect to the SDG2 targets.

## Capacity

**FINDING:** Among the four funding mechanisms, IFAD and ADF face technical capacity constraints which impact their project performance and effectiveness at the country level. ADF needs to expand technical expertise and capacity to fulfill their ambitious agricultural transformation agenda. Collaborations and knowledge sharing between the four mechanisms and the Rome-based agencies can help to fill technical gaps.

A key finding from the review of various evaluation and project performance reports highlighted that both IFAD and ADF face internal capacity constraints that are impacting the performance of their project portfolios. IFAD's decentralization and attempts to spread the technical staff thinly across headquarters and country offices have resulted in project and policy engagement quality declines. Similarly, ADF technical capacity is not commensurate with its ambitious Feed Africa strategy goals that will need significant technical support. GAFSP does not implement projects and uses a TAC of experts to evaluate its concept notes. Thus, GAFSP has to rely on the capacity of the other institutions to prepare and supervise their projects. The World Bank Group has a good track record of technical capacity and the development effectiveness of projects are generally improving. For the AfDB to be a regional leader, building capacity (as it undertakes an ambitious agriculture and food agenda) will be important. Exploring ways to collaborate with other multilaterals (e.g. other IFIs, the RBAs) and key strategic technical partners can help to address some of the technical capacity gaps. The FAO Investment Centre<sup>140</sup> was frequently mentioned as an organization that can help to provide technical capacity support to the multilaterals.

**“IFAD country directors [previously called country program officers] are no longer expected to be technical experts, they are managers... There is a missing profile in terms of staff profile. There could be more efforts, the more [IFAD] engages with the private sector, to learn and strengthen staff profiles in these categories.” – Interviewee**

## Emergency Responses & GPGs

**FINDING:** Separate multilateral responses to the COVID-19 pandemic further demonstrate fragmentation and argues for stronger WBG coordination and leadership.

The COVID-19 crisis has created an opportunity to assess the capacity of the four mechanisms to confront special challenges of unprecedented magnitude and of a global nature. Each responded quickly in developing COVID-19 response programming under fast-track procedures or through a restructuring of the existing portfolio. To date, not enough information is available to assess the effectiveness of this response.

Multisectoral organizations (IDA, AFD) are often better equipped to respond to such situations through more integrated packages which include other sectors (especially health) as well as via policy dialogue and knowledge management. The World Bank is the only one which is in a position to provide the scale needed at the global level to adequately confront such challenges. If anything, one could argue that the World Bank could have

capitalized more on its global convener role to better coordinate the multilateral response. Every institution seem to have developed its own COVID-19 response program in an effort to mobilize additional resources but at the risk of adding fragmentation and transaction costs for the recipient countries.

It is possible that country-driven approaches to financing may limit capacity to address cross-border global issues in an efficient manner. The bulk of the financial commitments of the three IFIs have to be in the form of sovereign loans to borrowing countries through formula-driven allocation methods, meaning that most of their financing is earmarked and difficult to move around. Potentially GAFSP, which operates through grants, could be playing a much greater role in supporting GPGs and addressing emergency situations, but this is not currently part of its mandate.

Addressing GPGs and emergency situations, which we have seen can be recurrent in the agriculture sector – whether they are climate or conflict driven – may be one of the most important contributions to the achievement of SDG2, preventing decades of steady progress from being wiped out by unforeseen events. Multilateral funding mechanisms clearly have a key role to play beyond the humanitarian support which is already provided by organizations such as WFP. This calls for a revision of their respective roles, the promotion of coordination efforts that go beyond declarations of good intent, and building on each others' respective strengths.



## 7. Recommendations/Conclusion

### Recommendations

#### Overall financing landscape and architecture

- 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 to convening a broad stakeholder group, including donors, LMIC governments, multilateral financiers, technical agencies, POs, and other key stakeholders to discuss and create a roadmap.

- 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).

- 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.
- 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.
- 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.

- 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.
- 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.
- 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).

## Multilaterals Case Studies

### GAFSP

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

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.

### IDA

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, natural resources management.

### ADF

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, AFD 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.

## Conclusion

The information in this report was limited by our ability to acquire data directly from the four multilateral funding mechanisms (we received 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 LICs and LMICs. 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 representatives, 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.



# Annex 1: Methods for external financing analysis

The OECD CRS database was used for all reported external financing figures in section 3. Data was downloaded from the CRS on May 4, 2020. All amounts are reported in **gross disbursements, US\$ (millions/billions), constant 2018 prices**. All figures report ODA by all official donors, unless otherwise noted. In some graphics, we also include other official flows (OOF), which are official sector transactions that do not meet ODA criteria. Definitions of ODA and official donors can be found here: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm>. The definition of OOF can be found here: <https://data.oecd.org/drif/other-official-flows-oof.htm>.

The OECD DAC collects project-level aid flow data and classifies each project based using a standard methodology and agreed upon definitions (see <http://www.oecd.org/development/financing-sustainable-development/development-finance-standards/purposecodessectorclassification.htm>.) This methodology allows for true apples-to-apples comparisons across donors. We have used the agreed upon purpose codes to define the parameters of certain sectors in our analysis. Specifically, we used the following combination of purpose codes. For all other sectors, we do not combine any codes - all sectors are reported as presented in their corresponding DAC 5 code.

**Agriculture:** We include all data classified as DAC 5 code 310 (Agriculture, Forestry, Fishing). Additionally, we included all data classified under CRS code 43040 (rural development). The combination of 310 and 43040 is considered “agriculture aid” in this report. As such, we used OECD DAC’s definition of aid to agriculture (see <https://www.oecd.org/development/stats/agriculture.htm>). The definition of aid to agriculture excludes aid to other sectors which may have a direct or indirect effect on it such as food security, developmental food aid and emergency food aid (see <https://www.oecd.org/development/stats/agriculture.htm>) DAC 5 code 310 includes several subsectors: 311 (agriculture), 312 (forestry), and 313 (fishery).  
**Health:** We include all data classified as DAC 5 codes 120 (health) and 130 (population policies/ programs and reproductive health) as “health aid” in this report.

For multilateral and bilateral reporting, we classified EU Institutions as a bilateral rather than a multilateral donor, which is the default setting. The CRS counts bilateral and multilateral aid in a way that avoids double counting, ensuring that bilateral donor contributions to a multilateral fund are not counted as both multilateral and bilateral aid. More details on the approach the CRS takes to classifying bilateral and multilateral aid can be found here: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/faq.htm>.

For other dimensions of the database, we defaulted to the following settings.

Parameter	Our selection
Channel	All channels
Flow type	Gross disbursements
Type of aid	All types, total
Amount type	Constant prices
Recipient	Developing countries, total

## Method for projecting ODA for agriculture

Projections of future ODA was based on the World Economic Outlook (WEO) data from the International Monetary Fund (IMF) and the DAC databases, which includes GDP projections for 2020 and 2021 (downloaded on May 1). The aim of this analysis was to estimate the potential impact of the COVID-19 crisis on ODA levels in 2020-2021 and to inform discussions on the role of donor funding going forward. We developed two scenarios: Scenario 1 assumed that the reduction in ODA would only come from the reduced GDP of donors. The second scenario GDP drop are followed by further ODA cuts resulting from reallocations to domestic spending, the ODA loss in 2020/21 could be as high as US\$29.9 billion or 16.3% (assuming a 5% drop in the ODA/GNI ratio).

# Annex 2: Key informant interview questionnaire

General questions are listed below. Questions were tailored to each participant individually.

## Qs for those working at one of the four multilaterals

- (Questions in parentheses are to be used as follow-ups depending on how the primary question is answered by the respondent)
- How does [org] make its funding decisions?
    - Are 3rd party experts employed in decision-making? If so, how?
    - Do donors control decision-making?
    - Are recipient governments and/or CSOs involved?
  - How well do the current [grants or loans] offered align with potential users' nationally developed plans and strategies? (What steps does [the org] ensure they are aligned?)
  - To what extent has [org] successfully mobilized new resources for the agriculture sector?
  - To what extent do you think [org] has comparative advantages over [other orgs]? (are there any advantages/disadvantages to the aid modalities offered?)
    - Where is there complementarity/duplication?
  - How does [org] interact with other key organizations in the AgDev system (e.g., FAO; R&D mechanism) and where might they be competing or overlapping unhelpfully? (10c/d) How could this be improved?
  - What type of accountability/evaluation do the four funders have? Do the accountability vary by aid modality (grants vs. loans)?
  - Are evaluations being regularly conducted, and what is their quality?
  - Are results of evaluations linked to new grants and/or loans? If so how?
  - What is working well in the current system as far as creating impact with these investments? What is not? (Where are the gaps?)
  - What is needed to increase impact? What are areas to strengthen/further support vs. areas to reformed? (Are any of these changes structural (i.e., realignment of institutions or their mandates))?
  - How might we drive further investment in available funds such as those at [org]?
  - Where was political will right before COVID-19 regarding replenishment of the fund and the schedule for it?
  - How do you think COVID-19 could affect the organization's funding strategies?

## Qs for experts or interviewees on the general financing landscape

- What are the main aid modalities in AgDev financing (grants vs. loans)? What are the general comparative advantages/disadvantages to each?
- How do recipients' perceptions of each type of financing, mech, org vary? Includes questions around transaction costs, sustainability, ownership – essentially the pros and cons of the different mechanism. Do certain terms, conditions, or delivery mechanisms seem to be preferred by certain actors or for certain types of projects?
  - What are the main trends in donor funding for AgDev, including vis-à-vis other sectors, such as health?
  - What are the priorities within AgDev funding?
  - Where is complementarity/duplication?
  - Is there anything that we can learn from other sectors, such as health? Any transferable innovations?
- To what extent have the four main multilateral mechanisms (AFDF; IDA; IFA; GAFSP) successfully mobilized new resources for the agriculture sector?
- What (if any) are the comparative advantages of these four multilaterals (incl. regarding aid modalities)?
- Where might they be competing or overlapping unhelpfully?
- How do these donors raise funds?
- What is in the literature on aligning replenishment cycles?

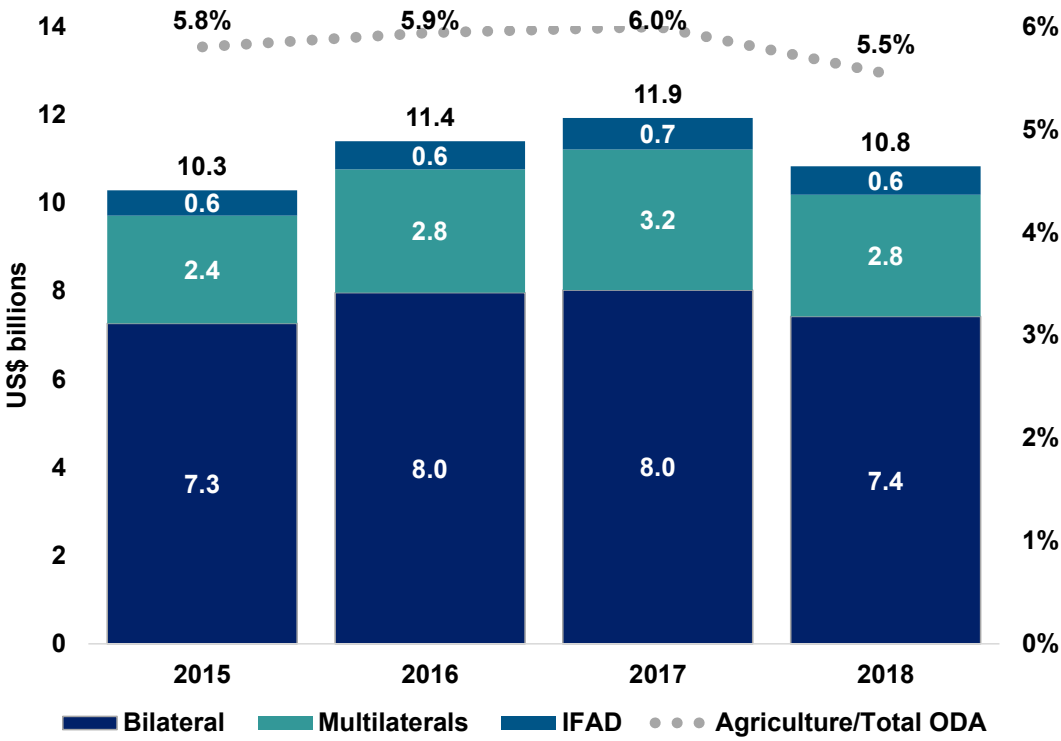
# Annex 3: Expert convening participant list

Name	Last Name	Organization
Dougou	Keita	Values Chains Development & Operations Agronomist, Bamako, MALI (Independent Consultant)
Johannes	Linn	Brookings Institution
Adolfo	Brizzi	Independent Consultant
Mamadou	Goita	Executive Director of IRPAD/Africa (Institute for Research and Promotion of Alternatives in Development)
Guy	Evers	Independent Consultant
Karen	Mathesien	Johns Hopkins University School of Advanced International Studies and Georgetown University, McCourt School of Public Policy
Clemence	Landers	Center for Global Development
Nadim	Khouri	Independent Consultant
Prabhu	Pengali	Cornell University
Uma	Lele	Institute of Economic Growth, Delhi
Scott	Morris	Center for Global Development

# Annex 4: Additional analysis on agriculture ODA over time

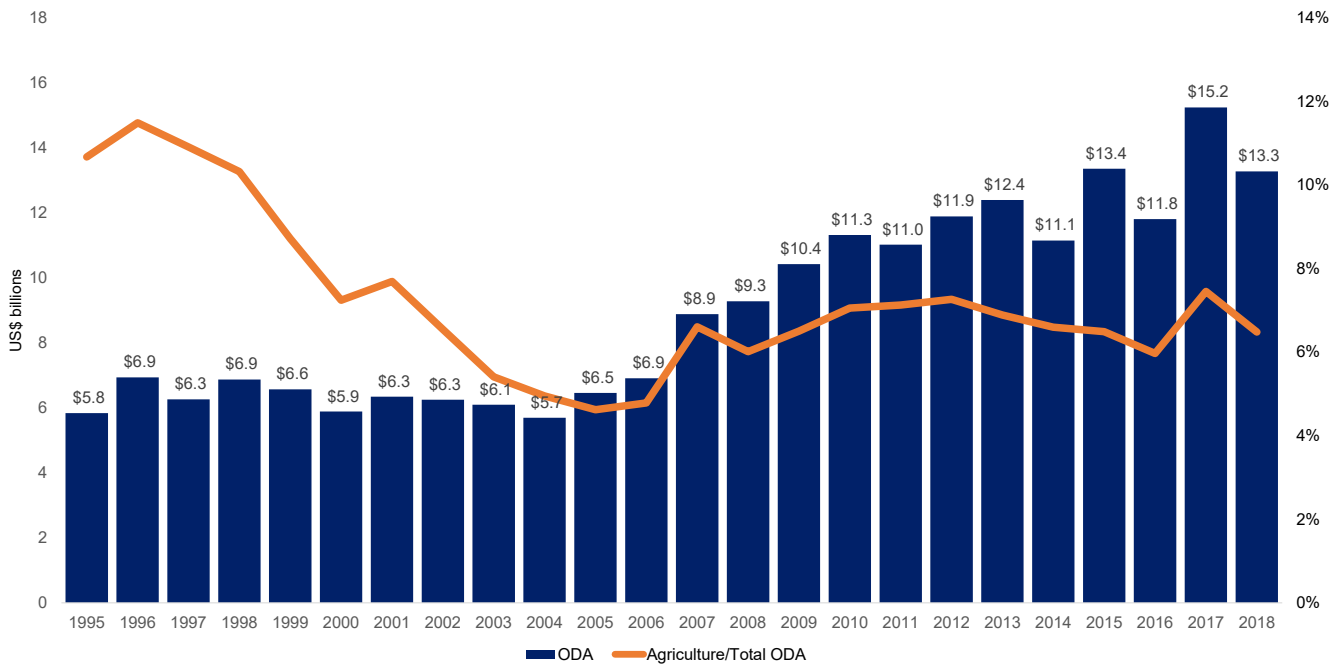
IFAD data is only included in the OECD DAC from the year 2015 onwards. In addition, IFAD does also not report on the purpose of its funding, i.e., it does not provide a breakdown by DAC5 code or by CRS purpose code (see Section 2 on limitations). The graph below includes funding by IFAD and assumes all IFAD flows are agriculture specific.

ODA disbursements for agriculture, including IFAD funding, 2015-2018



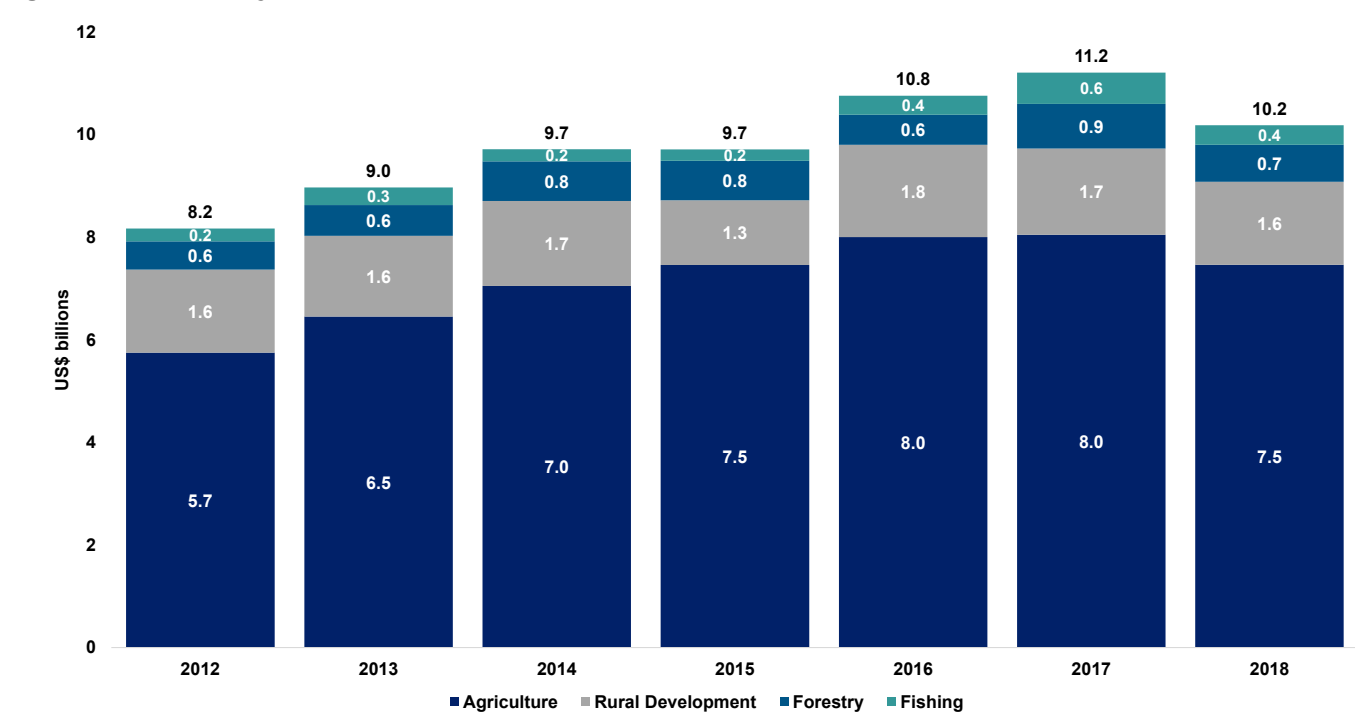
The graph below shows ODA commitments for agriculture in the period 1995-2018. It shows that commitments peaked in 2017 but then declined again in 2018. In 2018, agriculture commitments totaled US\$13.3 billion – a similar level as in 2015. The share of ODA commitments for agriculture out of total commitments remained roughly stable at around 6-7% since 2007.

ODA commitments for agriculture, 1995-2018



# Annex 5: Breakdown of agriculture ODA by subsector

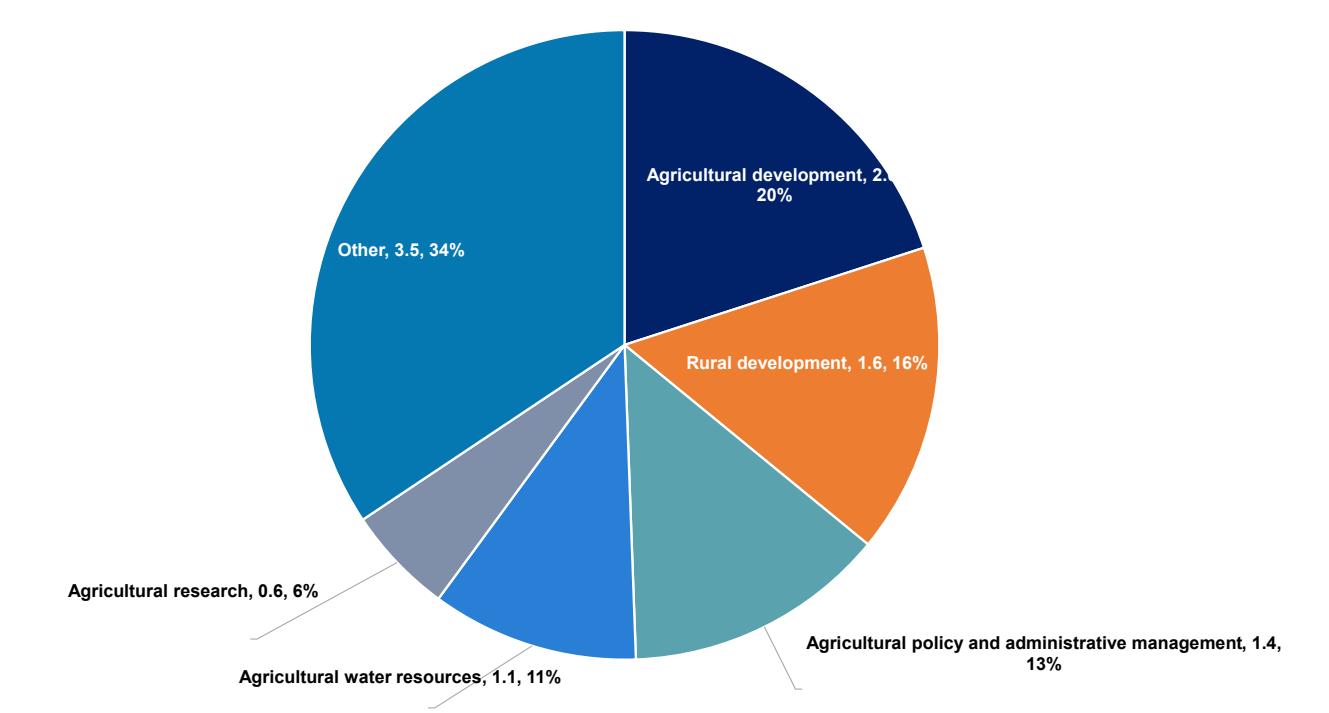
Agriculture ODA by subsector, 2012-2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040).

A more fine-grained analysis of the data shows that agricultural development and rural development are the two largest subsectors (or “purpose codes” in the CRS database), accounting for 20% and 16% of all agriculture ODA in 2018 respectively. Other large subsectors are agriculture policy (13%), agriculture water resources (11%), and agriculture research (6%). The top 5 subsectors account for about two-thirds (66%) of all agriculture ODA.

Agriculture ODA by CRS purpose codes, 2018



Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040).

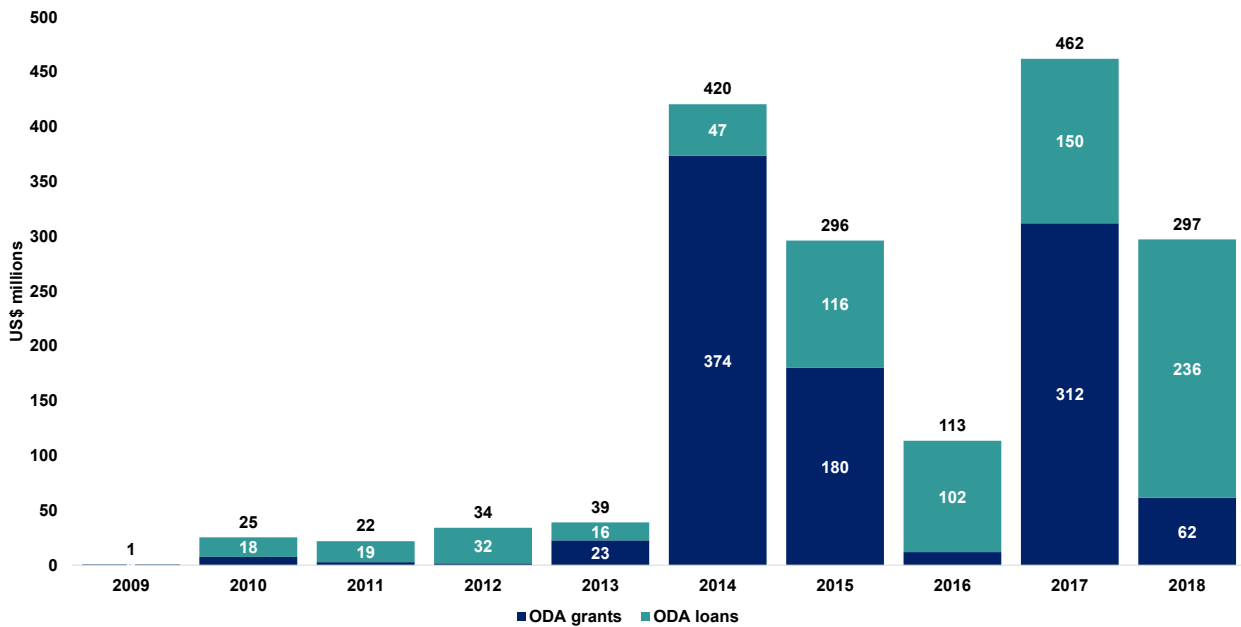
# Annex 6: Agriculture funding by emerging donors

Non-DAC countries that report to the CRS primarily began reporting as recently as 2014. Funding from non-DAC countries has been volatile and inconsistent (Figure 1). Agriculture support from these donors has increased in recent years but is highly variable. Non-DAC agriculture ODA was primarily loans based in 2018 (79%). However, in other years grants have far outpaced loans (e.g., 2016). Non-DAC donors do not support agriculture support through OOF.

Over the past decade, emerging (i.e., non-DAC donors) have begun contributing more towards global development. This group of donors is diverse, including donors with relatively new aid budgets, some that are simultaneously both recipients and providers of ODA, and others including Arab countries that are increasingly contributing to social sectors.

Non-DAC donors provided US\$21 billion (11%) of total ODA in 2018. Agriculture ODA by non-DAC donors totaled US\$297 million in 2018, equal to just 3% of all ODA disbursements by non-DAC donors in this year, reflecting the low priority of agriculture among non-DAC donors in 2018. The largest non-DAC donor for agriculture in 2018 was Kuwait (US\$156 million), followed by Saudi Arabia (US\$69 million), and the United Arab Emirates (US\$67 million). Overall, agriculture support from non-DAC donors has been highly volatile since 2014.

Non-DAC Agriculture support, 2009-2018

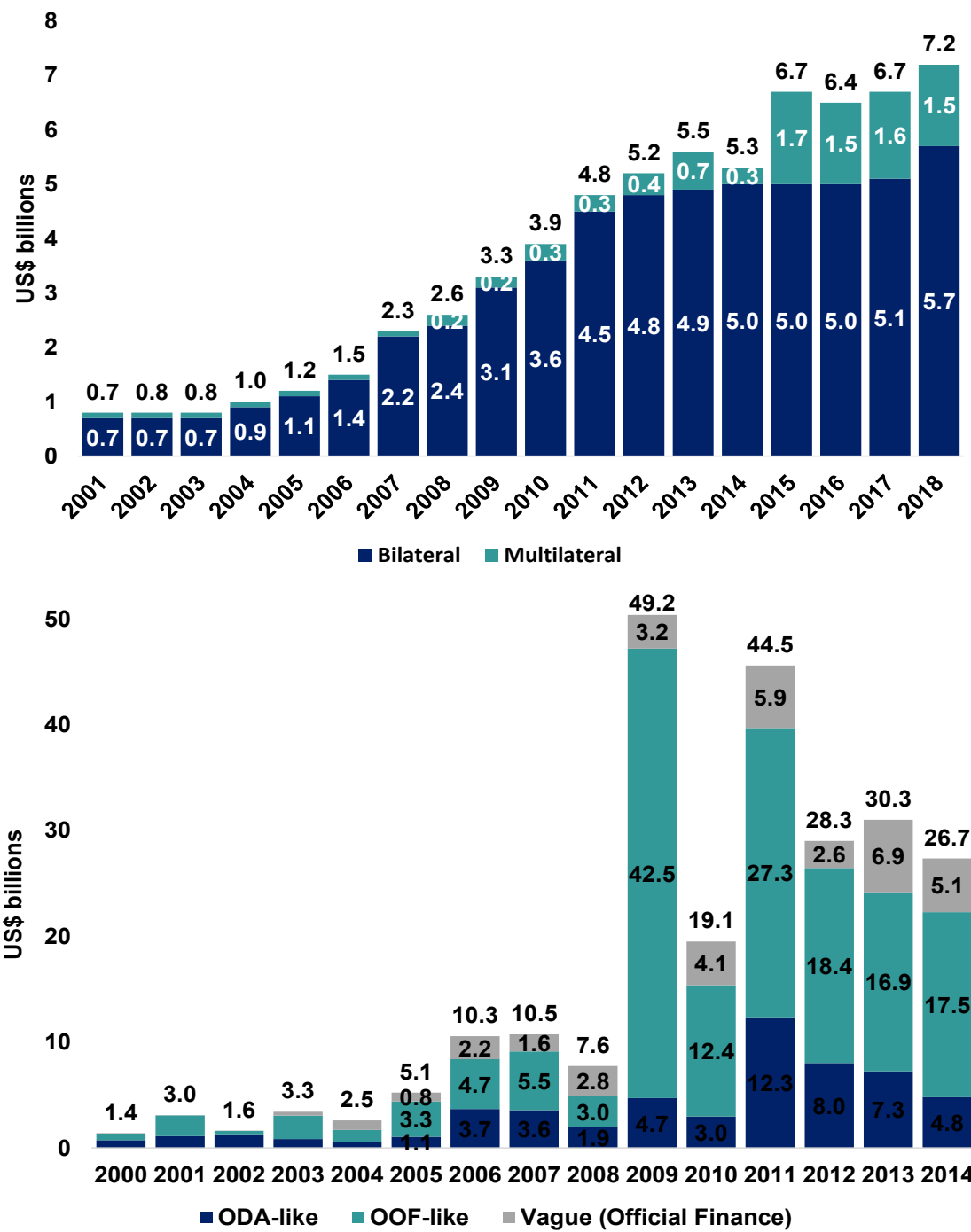


Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Non-DAC donors. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040).

One major non-DAC player that is not captured in these figures is China. China does not report to aid databases such as the OECD CRS. Therefore, several estimates attempt to align Chinese foreign aid figures with widely accepted OECD CRS aid standards. Using such estimates, we find that China is a major player in ODA-like support: compared to ODA from other DAC and non-DAC bilateral donors, in 2017, China would rank 7th overall, spending more than donors such as Sweden, Korea, Australia, and Canada (see Annex 6 for more details). However, China’s OOF support dwarfs its ODA portfolio (2014: ODA ~US\$5billion, OOF ~US\$23billion).

China’s financial support is not captured in aid databases such as the OECD CRS. Therefore, several estimates attempt to align Chinese foreign aid figures with widely accepted aid standards. In terms of ODA, China is a major player: compared to ODA from other DAC and non-DAC bilateral donors, in 2018, China would rank 7th overall, outpacing players like Sweden, Korea, Australia, and Canada (Figure 2). However, China’s OOF support dwarfs its ODA portfolio (2014: ODA ~US\$5bn, OOF ~US\$23bn).

Chinese official finance over time

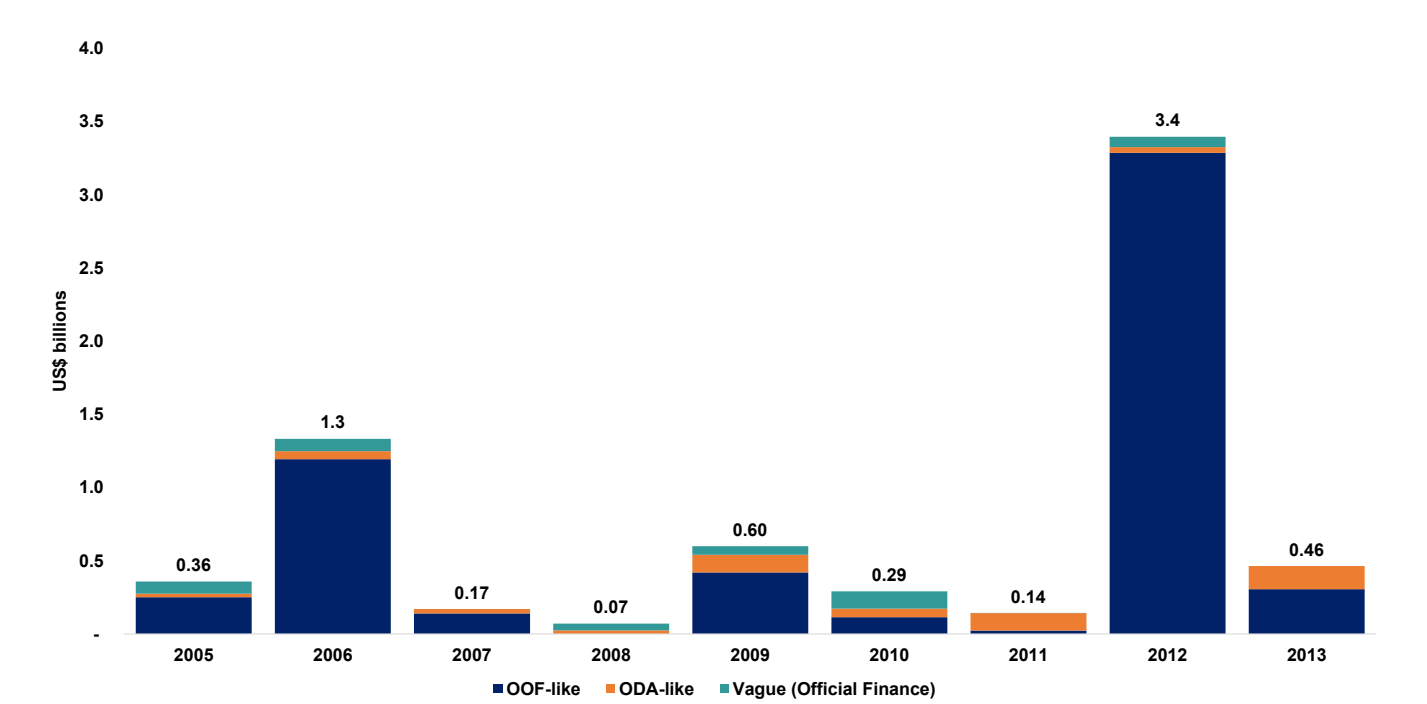


Source graphic 1: JICA Research institute. Kitano et al. Estimating China’s Foreign Aid: 2017-2018 Preliminary Figures. Gross foreign aid. Source Graphic 2: Aid Data Global Chinese Official Finance Dataset, 2000-2014, Version 1.0. US\$ billions (constant 2018 prices). Projects: completed/in implementation.

Given our interest in sector-specific Chinese aid flows, we analyzed AidData’s Global Chinese Official Finance Dataset (2000-2014, Version 1.0).<sup>141</sup> This project-level database has a wide geographic reach (5 regions), includes sector-specific aid flows (e.g., agriculture, health), and categorizes projects according to level of concessionality in a manner that aligns with the OECD CRS database (e.g., ODA-like, OOF-like). AidData uses the ‘Tracking Underreported Financial Flows’ methodology to identify open-source information for individual aid projects.<sup>142</sup> The latest data in this database lags the OECD CRS by several years; therefore, comparative analysis is only possible for the years with which the two databases overlap (2002-2014.) The database does not distinguish between commitments and disbursements; as a proxy for disbursements, we’ve only included projects that are considered complete or in implementation.<sup>143</sup>

Similar to trends seen in China’s broader official finance portfolio, Chinese agriculture financial support is overwhelming supported through OOF (Figure 3). However, China funds considerably more ODA-like projects, albeit for much smaller sums for each project. Large amounts of OOF for one or two projects skews the total amounts, likely leading to the erratic trends for agriculture support. For example, Ukraine is the largest recipient of OOF flows due to a single loan valued at US\$3 billion. Even within ODA-like support, loans tend to makeup the greatest amount of financial assistance. However, most agriculture projects are provided via either technical assistance or grants.

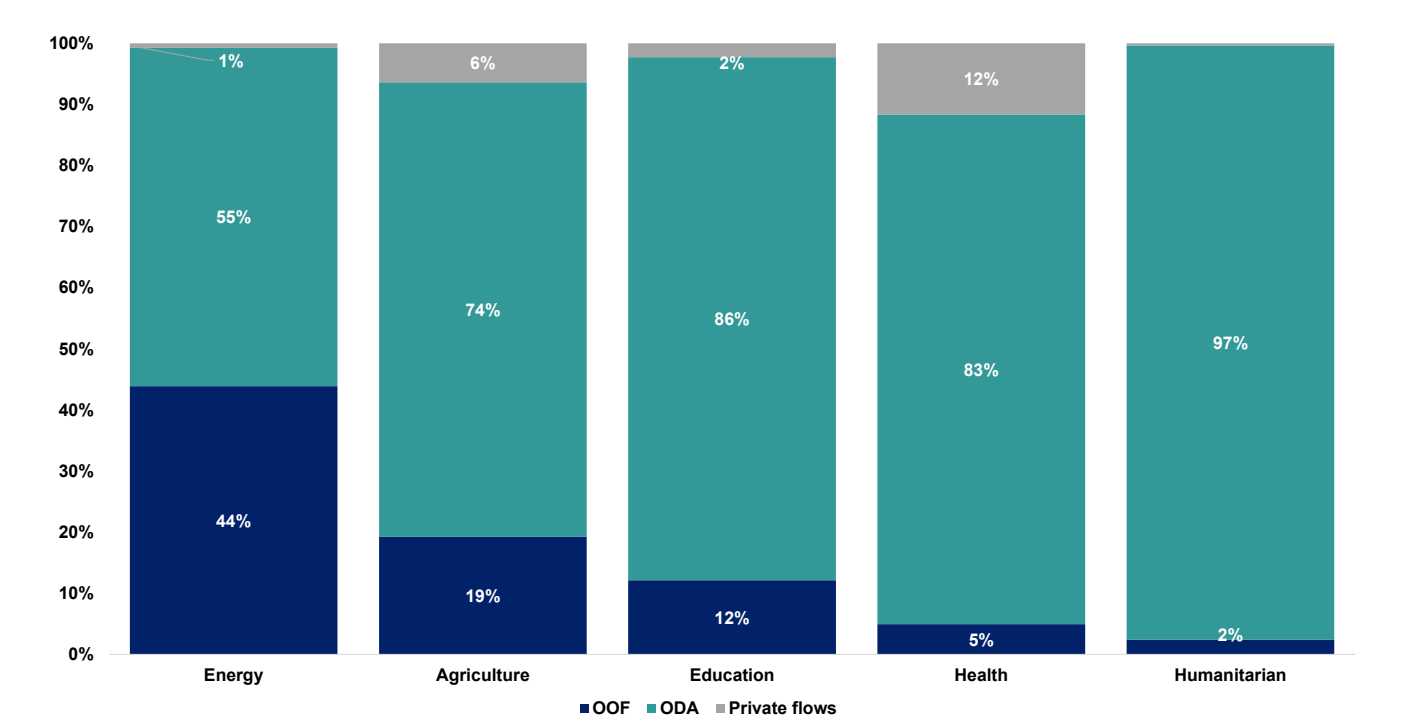
Chinese agriculture support by flow type



## Annex 7: ODA, OOF, and private flows across selected sectors

Different sectors have varied contributions from non-ODA sources. For example, 19% of all official flows to agriculture in 2018 were OOF and 6% were private flows. OOF plays an even more important role in the energy sector, making up 44% of all flows in 2018. OOF plays a much smaller role in education, health, and humanitarian sectors (12%, 5%, and 2% in 2018 respectively.)

Agriculture flows by sector, 2018

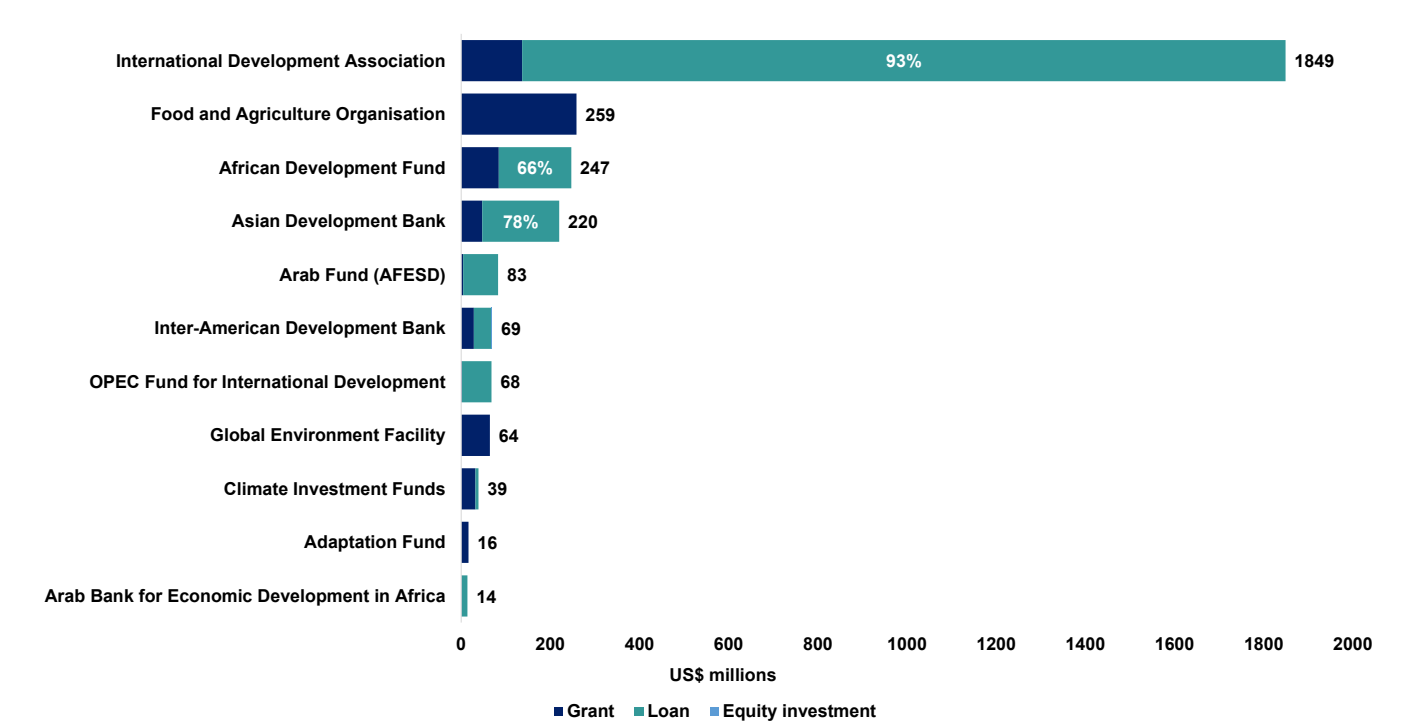


Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors and private donors. ODA, OOF, private grants. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040). Health: 120 and 130.

# Annex 8: Overview of bilateral and multilateral funders

Multilateral institutions heavily support agriculture via loans. The largest multilateral supporter, IDA, provides the vast majority of its aid via loans (93% in 2015-18). Two thirds (66%) of the ODA provided by the ADF also comes in the form of loans. IFAD does not accurately report to the DAC: it does not provide disaggregation by sector. However, if we consider all ODA from IFAD to be agriculture focused, in 2018, IFAD ODA was 70% loans (US\$448M) and 30% grants (US\$196M). GAFSP does not report to the DAC and therefore is not captured in this figure.

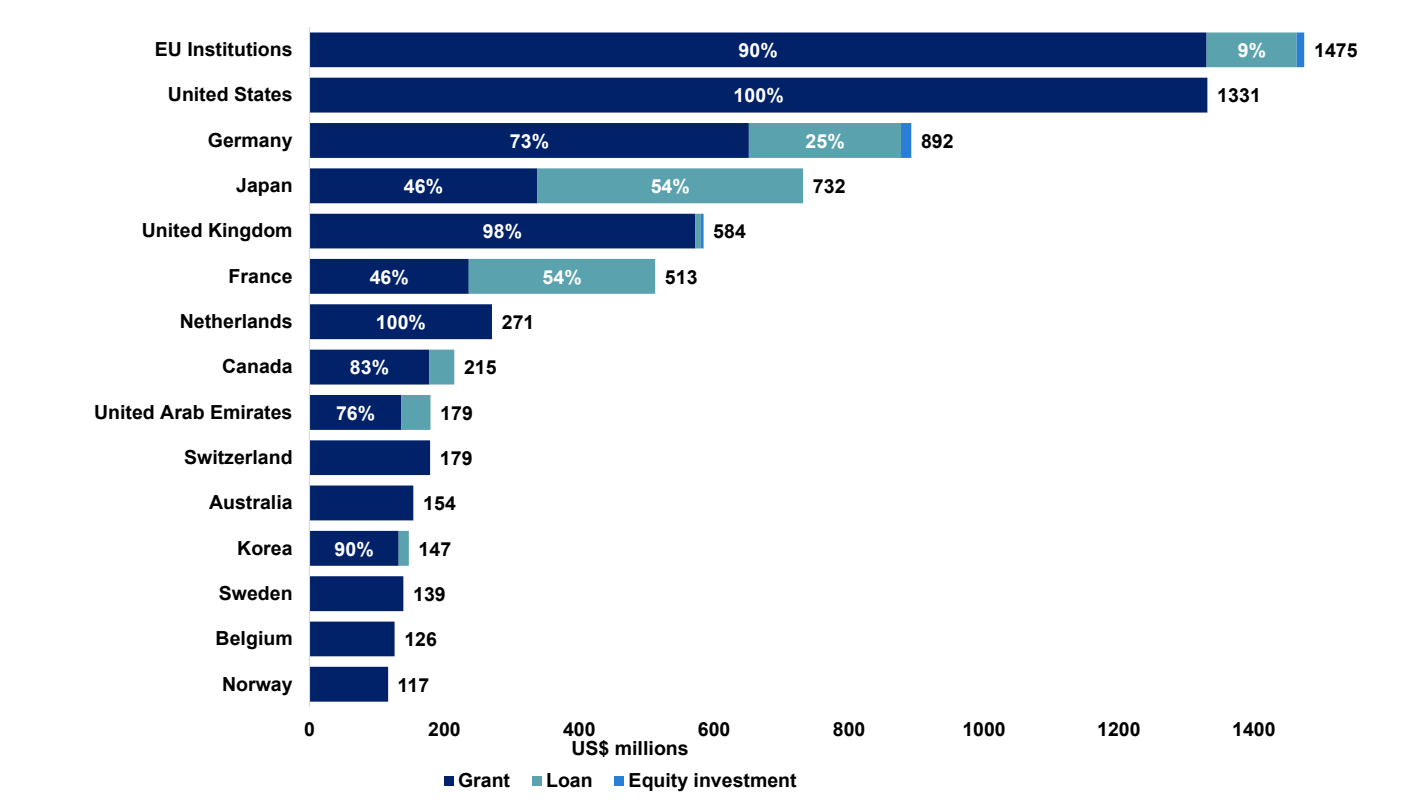
Top multilateral donors: average agriculture ODA, 2015-2018



Source: OECD CRS. Disbursements, US\$ millions (constant 2018 prices). Multilateral donors. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040).

Bilateral donors largely provide grant funding for agriculture. However, some donors have a large loan to grant ratio. Japan and France provided more than half (54% each) of their agriculture ODA in the form of loans. Germany (25%), Canada (17%), UAE (24%), Korea (10%), and EU Institutions (9%) also make use of ODA loans for agriculture. Some donors, like the US, provide 100% of their agriculture ODA in the form of grants.

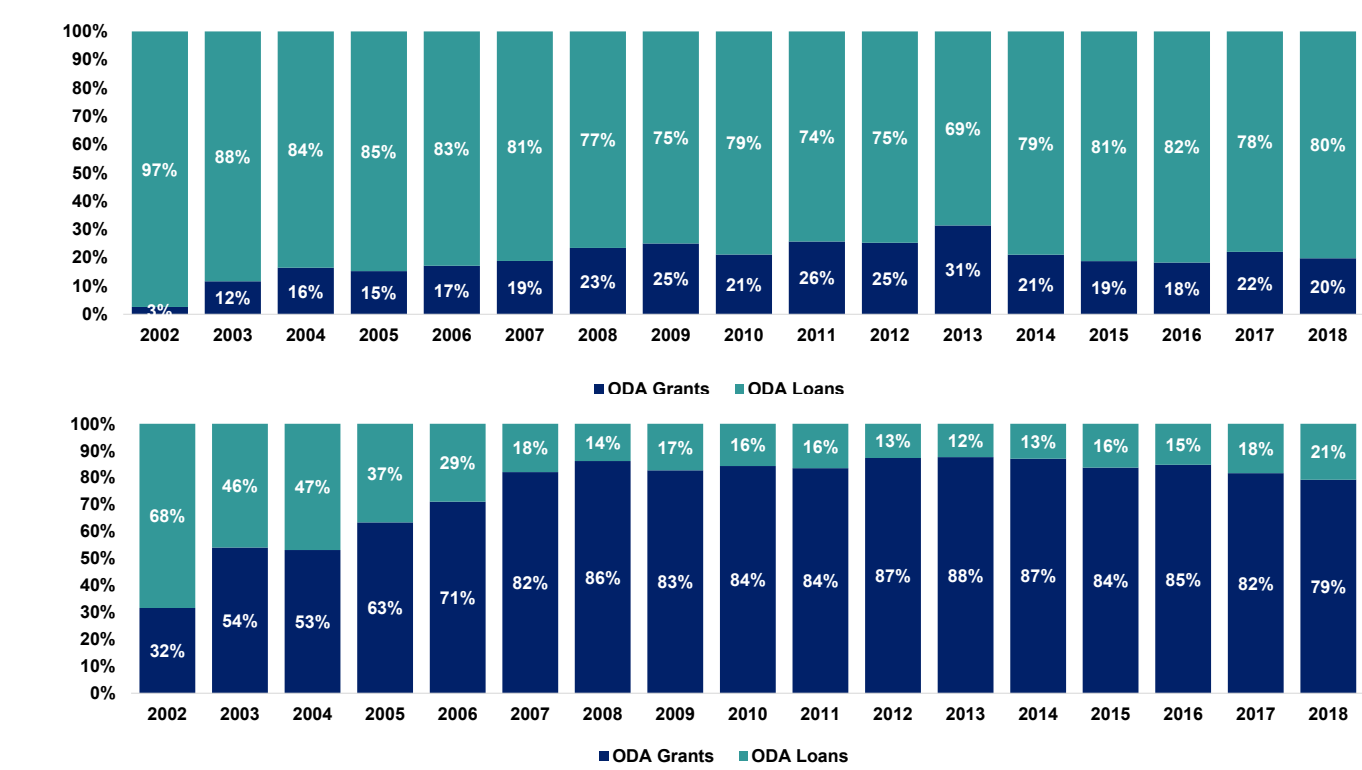
Top bilaterals and EU: average agriculture ODA by finance type, 2015-2018



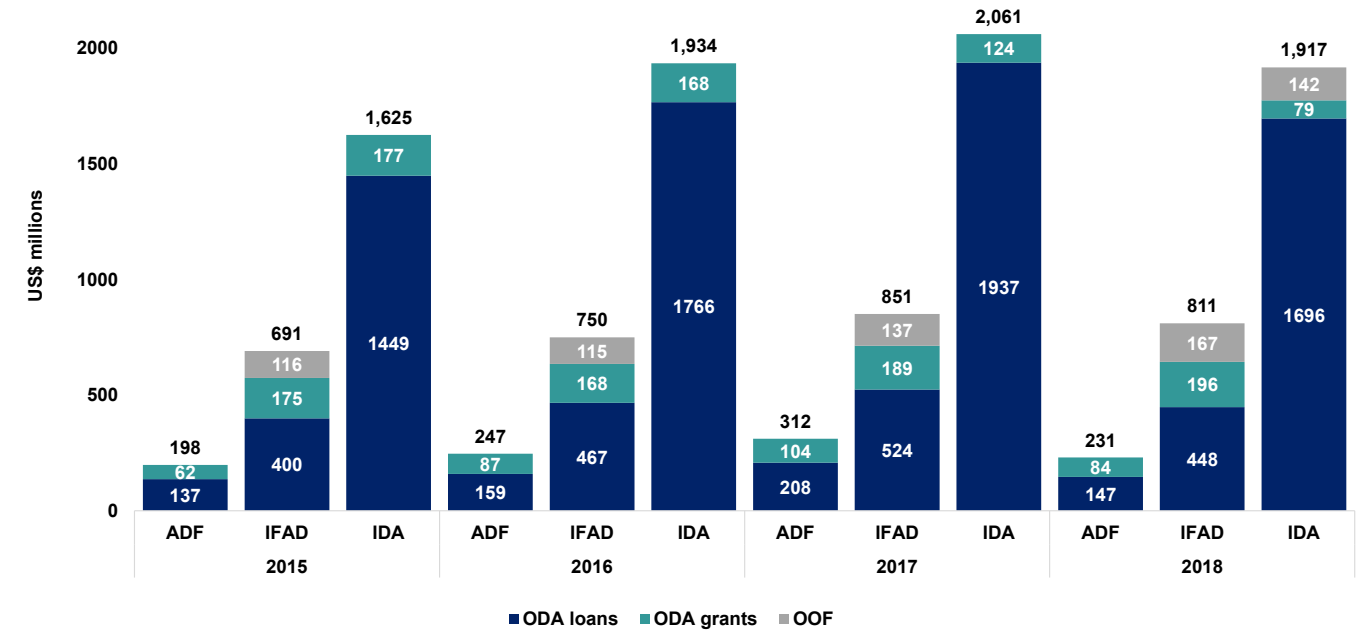
Source: OECD CRS. Disbursements, US\$ millions (constant 2018 prices). Bilateral donors. ODA. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040).

# Annex 9: ODA and OOF provided by multilaterals

Agriculture (top) and health (bottom) multilateral aid, 2002-2018

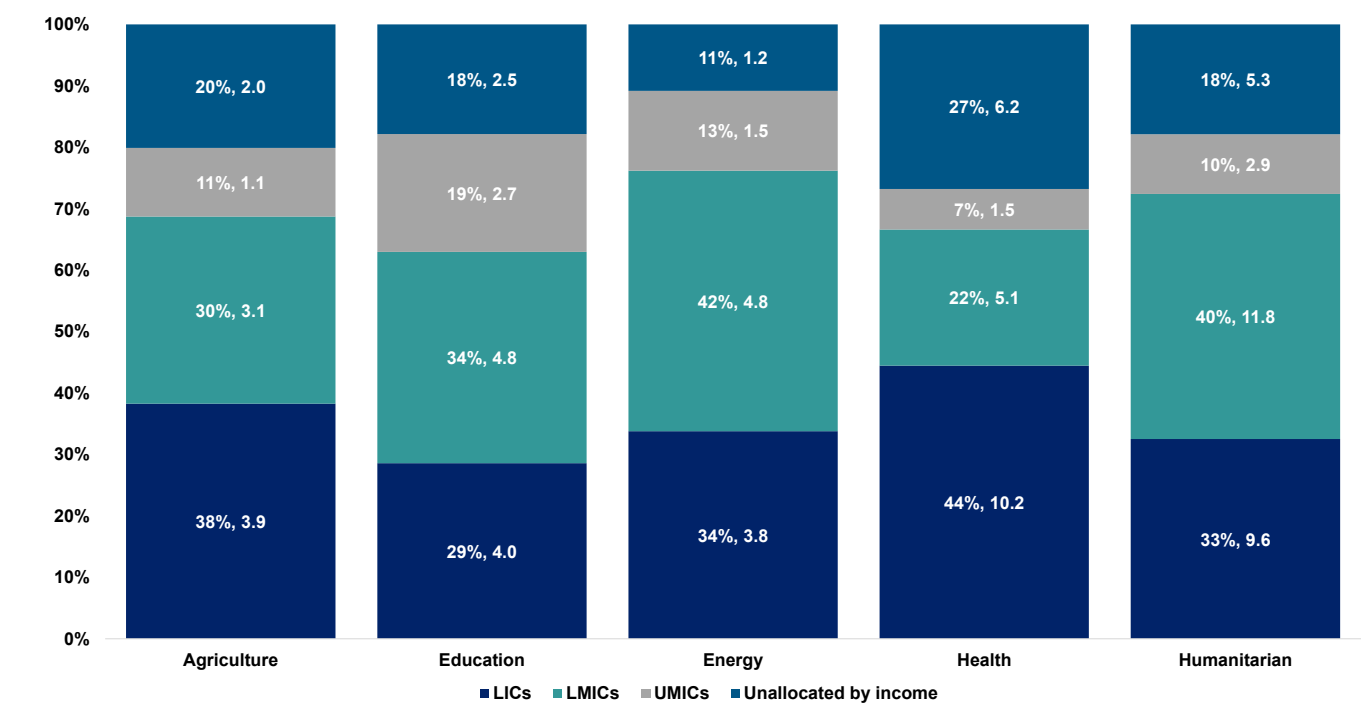


Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130. EU Institutions considered bilateral. Equity investments are <= 1% and therefore not pictured.



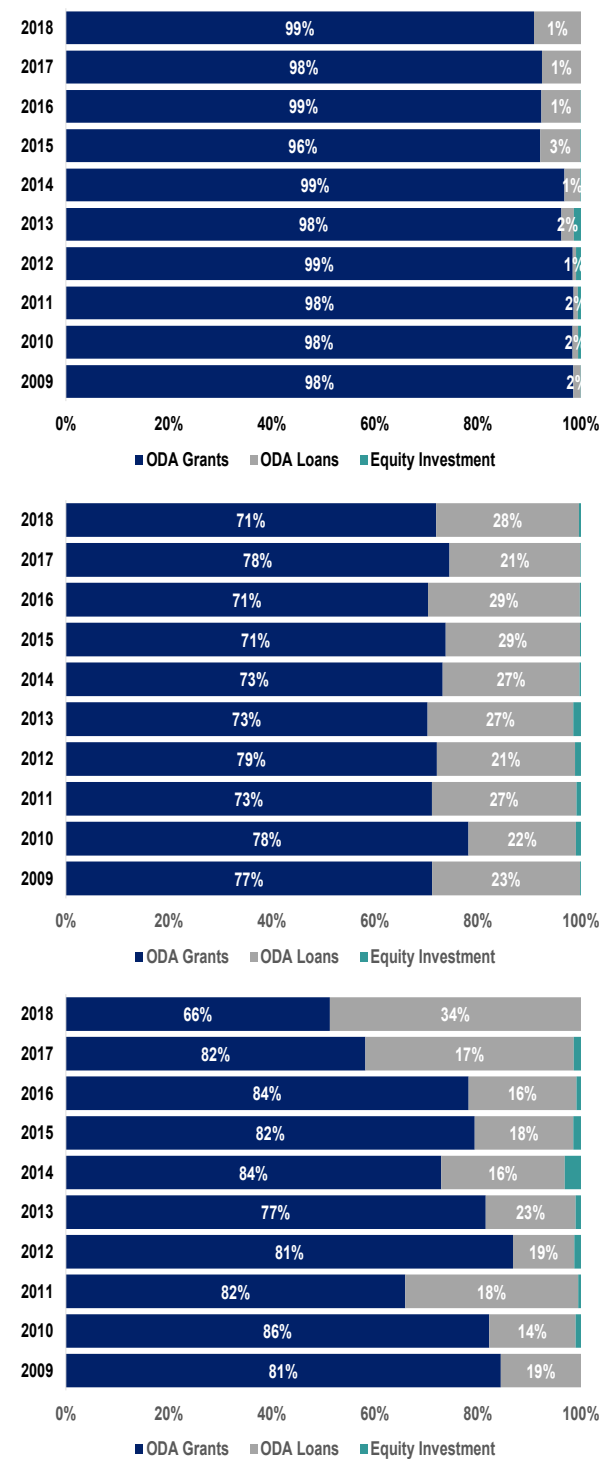
# Annex 10: Bilateral and multilateral aid by income group and instrument

ODA by country income group across selected sectors, 2018

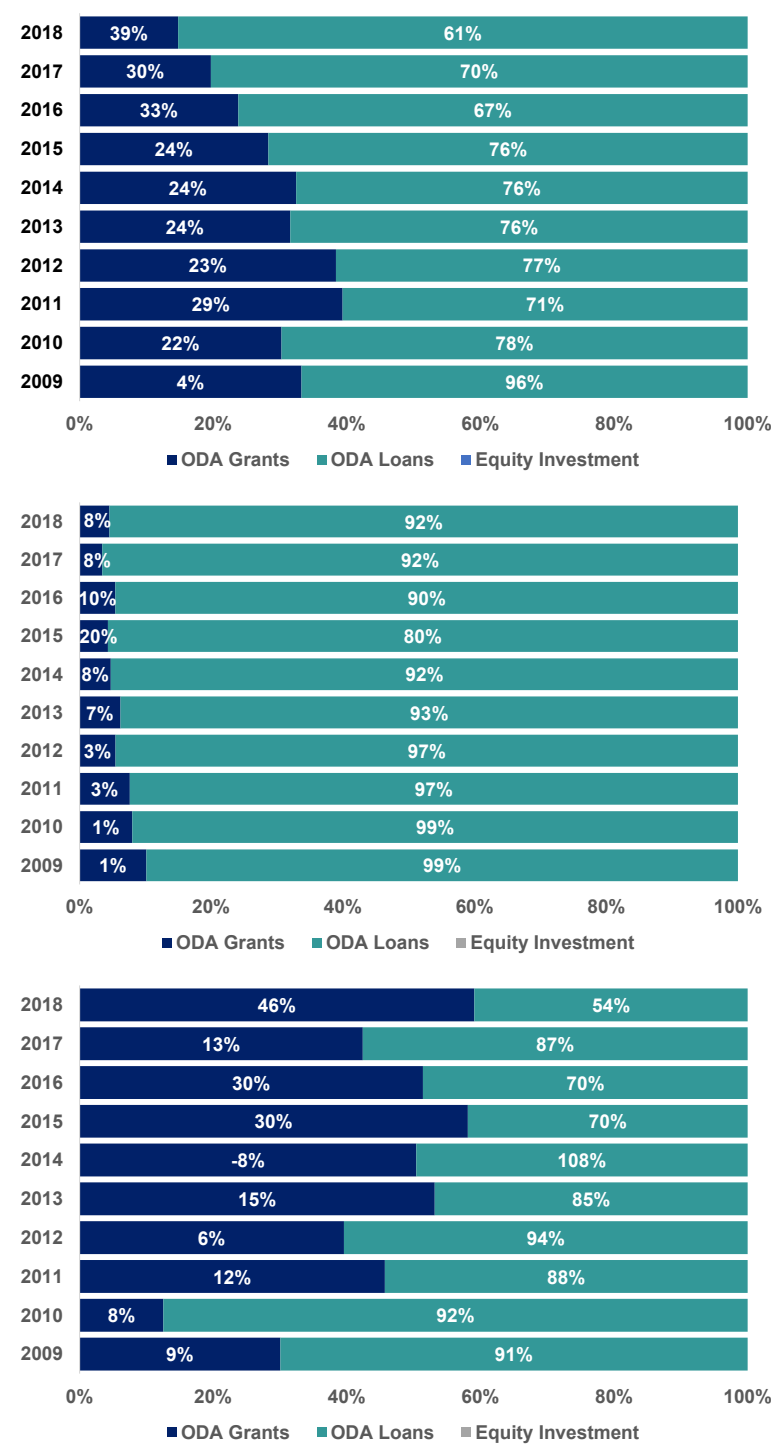


Source: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. 2018. ODA. Agriculture: Agriculture, forestry, fishing (310) and rural development (43040). Health: 120 and 130. LICs: sum of ,LDCs' and ,Other LICs'.

## Bilateral



## Multilateral



SOURCE: OECD CRS. Disbursements, US\$ billions (constant 2018 prices). Official donors. Bilateral donors include DAC and non-DAC countries. ODA only. Agriculture: Agriculture, Forestry, Fishing (310) and rural development (43040). LDCs and Other LICs combined into LICs category. UMICs includes MADCTs. EU institutions included as bilateral.

## Annex 11: Domestic agriculture expenditures

Overall, domestic financing data availability and reliability is rather mixed. We used the IFPRI SPEED dataset to analyze domestic expenditures on agriculture out of a country's total expenditures. These figures, while informative, rely on small subsets of countries that could skew the data.

Overall, countries spend a small share of their total budget on agriculture (Figure 1). On average, LICs and LMICs spend around 6% while UMICs and HICs spend a smaller share (3% and 1% respectively). In 2014, African countries committed to spending 10% of their budgets on agriculture as part of the Malabo Declaration. However, the majority of countries are far from reaching this target.<sup>144</sup>

There are lost opportunities to use donor funding strategically to incentivize increased domestic funding.

### Domestic agriculture expenditures by income group and region

Country category	Average share of agriculture expenditures out of total expenditures (2014)	Average per capita agriculture expenditures (2014)	# of countries included in analysis
By income group			
LIC	6%	US\$9.12	17
LMIC	6%	US\$32.63	22
UMIC	3%	US\$65.23	32
HIC	1%	US\$167.47	44
By region			
Africa, South of Sahara	5%	US\$28.47	30
East Asia and Pacific	5%	US\$50.19	10
Europe and Central Asia	2%	US\$81.16	12
High-income European countries	1%	US\$199.61	28
Latin America and Caribbean	4%	US\$54.00	13
Middle East and North Africa	2%	US\$59.82	9
Other high-income countries	1%	US\$187.10	5
South Asia	6%	US\$29.23	8

Annex 12: Overview of innovative mechanisms for the mobilization of global health financing

Innovative financing instrument	Focus	Approach	Funding disbursed 2002-2015 (US\$)
International Finance Facility for Immunisation	Vaccine-preventable diseases and health system strengthening	Raises funds with “vaccine bonds,” which turn long-term contributions by donors into immediately available cash	2517.2
Advanced Market Commitment Pilot for Pneumococcal Disease	Vaccines for pneumococcal disease	“Long-term purchase commitments are used to encourage vaccine manufacturers to invest in needed vaccines. Payments are pre-negotiated and are subsidized by donors and recipients.” <sup>23</sup>	920.8
PRODUCT (RED)	HIV, TB, malaria	Partner companies put the PRODUCT(RED) brand on their products (e.g., mobile phones, food, clothing <a href="https://www.red.org/products">https://www.red.org/products</a> ) and then channel a percentage of profits to the Global Fund and UNITAID	304.7
Debt2-Health	HIV, TB, malaria	Debt swap agreement between creditors, LMICs, and the Global Fund; creditors forgo repayment of part of the loan to an LMIC provided that the country invests an agreed amount in health	96.2
IDA Buy-Back	Oral polio vaccines	Donors “buy down” a country’s IDA loans if a country achieves pre-specified polio eradication program targets	413.9
Gavi Matching Fund	Vaccine-preventable diseases and health system strengthening	Incentivizes private sector investments; by matching private sector contributions in cash or in kind, “this mechanism helps Gavi secure the resources and expertise required to modernise vaccine delivery systems.” <sup>174</sup>	40.9
Airline Solidarity Levy	HIV, TB, malaria	The levy is a contribution that passengers make when they purchase their airline ticket; the contributions go to UNITAID	1678.9
Affordable Medicines Facility for Malaria	Malaria	A donor funded subsidy mechanism to lower the cost of effective malaria therapies (artemisinin-based combination therapies)	484.1
Japan International Cooperation Agency (JICA) ODA Loan Conversion Program for Polio	Polio vaccination	JICA provides an ODA loan to an LMIC government to support polio eradication; via a “loan conversion” mechanism, the Gates Foundation repays JICA if the project is successfully implemented	135.4
Children’s Investment Fund Foundation	Children’s health and nutrition, education, climate change, environment	Philanthropic organization that generates income from investment instruments	887.7
TOTAL			7479.8

Annex 13: GAFSP restructuring and reforms towards GAFSP 2.0

Revised GAFSP Structure

Governing entity	Funding track/window	Supervising entity	Funding request	Evaluation process	Type of support
GAFSP FIF at the World Bank					
GAFSP Steering committee	Grant-based financing track	World Bank, AfDB, ADB, IDB, IFAD, FAO, WFP	Call for proposals. Led by government and producer organizations Steering Committee decides if CoP will be open to government, producer organizations, or both.	Call for proposals. Evaluated by TAC based on opportunity analysis.	Grant to-up for SE-led projects. Option for technical assistance or advisory services.
	Business-investment based financing track	IFC, AfDB, ADB, IDB *Only SEs with private sector investment arm applying Enhanced Blended Concessional Finance Principles eligible	Call for proposals. Led by SE	Call for proposals. Evaluated by TAC based on business investment case, budget and timeframe proposed.	Delivered as a range of concessional financing tools. A portion of the portfolio may also be offered as advisory, rather than investment services
IFC-managed GAFSP Private Sector Trust Fund					
Donor committee	Private sector window	IFC only	Private sector firms and financial institutions submits requests to IFC		Loans, credit guarantees, equity capital

Source: Based on information shared on GAFSP2.0 in Restructuring, GAFSP 2.0 brief, and interviews

Overall objectives and principles for GAFSP 2.0:

The GAFSP Steering Committee approved a revised operational model to address fragmentation issues in governance and operations and create better linkages between the public and private sector to make the program fit for purpose to help deliver on the SDGs through 2030. The GAFSP 2.0 reforms hope to achieve the following objectives:

- Enable increased access to public and private financing by smallholder farmers and producer organizations (POs).
- Enable SEs operating on blended financing principles to have access to financing for the development of the private sector.
- Follow principles of [maximizing financing for development](#) and catalyze additional investment from other sources alongside GAFSP project financing.
- Improve complementarity between available GAFSP instruments, technical assistance and advisory services.
- Strengthen justification for using scarce grant financing more efficiently and identify opportunities for private sector finance.
- Continue reliance on existing SEs and their policies and procedures for appraisal and implementation support of the projects.<sup>69</sup>

The approval of the GAFSP restructuring documents by the SE was pending when the report was released, but the following key features have emerged based on currently available information and interviews.

The updated structure under GAFSP 2.0 is illustrated in the table.

Funding tracks under GAFSP 2.0:

Essentially, in place of two funding windows, GAFSP 2.0 will have three funding tracks.

The **GAFSP public sector window** has been replaced by a dual-track funding model, while the **GAFSP private sector window** will continue to operate as usual. Instead of two windows, there will be three tracks under GAFSP 2.0

1. The **Grant-based financing track** which will fund public sector or producer organization-led proposals. The option for PO-led proposals represents the scaled- up of the MMI pilot.
2. The **Business investment financing track** which will offer multi-year budget envelopes which will be managed by SEs to support business-led private sector financing. SEs eligible for this track should have a private sector investment arm or department and are applying the [Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations](#). Eligible SEs include ADB, AfDB, IDB and IFC. Other existing SEs, IFAD, FAO and WFP are not currently eligible.
3. The **GAFSP private sector window** will continue to operate parallel to the business investment financing track, with IFC as the sole SE.

Funding sources:

GAFSP 2.0 will continue to have two funding sources – **FIF** with the World Bank serving as Trustee for grant contributions from donors for the dual financing track; the **IFC-administered Trust Fund** will continue and private sector window donors will contribute to that IFC-trust fund for private sector activities.<sup>69</sup>

Governance:

The Steering Committee (SC) will oversee and make decisions on the dual-track funding model, and the Donor Committee will govern the private sector window. There are no plans immediate plans to change the composition of the Steering Committee. SC will have the authority to decide if call for proposals would be open to governments or producer organizations or both. Donors contributing to only private sector window

will not have an oversight role in the business investment financing track or on the SC. There will be close coordination and continuation of joint Steering and Donor Committee meetings.

Project evaluations:

Project evaluation processes have been updated for the dual-track funding model:

1. **Grant-based financing track:** Call for proposals from governments and/or **producer organizations**. Proposals will be evaluated based opportunity analysis. Proposals will be evaluated by the Technical Advisory Committee (TAC). Key indicative parameters for evaluation include, but not limited to:
  - Rationale for transformative, efficient and effective use of the GAFSP public grant financing
  - Key bottlenecks being addressed through the proposed public-led activities and scope for private solutions to be introduced
  - Clear and credible plans in government-led proposals to introduce a private sector solution where appropriate, or plans to overcome constraints for private sector engagement
  - Sustainability and scale of private solutions
2. **Business investment financing track:** Call for proposals from eligible SEs. Proposals will be evaluated based on an investment plan, proposed funding envelope and timelines submitted by SEs. Proposals will be evaluated by the TAC, which will be reconstituted for each call for proposals and include experts with private sector and blended concessional finance experts.

M&E systems:

Current M&E system may be reviewed by the CU once the restructuring is formally approved by the SE. Until then, GAFSP 2017 M&E framework<sup>70</sup> will be used. Impact on smallholders will be evaluated and measured at the project level and reported at the program-level following the metrics laid out in the 2017 M&E plan.

# Annex 14: Main targeted IFAD platforms and facilities financed through Supplementary Funds

Mechanism	Target group	Purpose
Adaptation for Smallholder Agriculture Programme (ASAP)	Smallholder farmers	Channel climate and environmental finance to smallholder farmers US\$300 million in contributions from 10 donors
Adaptation for Smallholder Agriculture Programme (ASAP+)	Smallholder farmers	Adopt climate approach with focus on mitigation and resilience, and addressing the interlinkages between climate, fragility, nutrition and social inclusion
Private Sector Finance Programme (PSFP)	Rural communities	Bring together both private sector investment and innovation, with a particular focus on job creation for youth, gender empowerment and strengthened resilience.
Agri-business Capital Fund (ABC)	Small and medium enterprises (SMEs) and rural youth	Independent private investment fund managed by external investment advisors to provide loans and equity to rural SMEs, famers' organizations, rural financial institutions Aims to mobilize EUR 200 million from public & private investors over 10 years
Climate and Commodity Hedging to Enable Transformation (CACHET)	Smallholder farmers	Risk management and revenue protection against climate-related disasters and price shocks
Rural Poor Stimulus Facility (RPSF)	Rural poor	Short term multi-donor COVID-19 strategy to improve food security and resilience of rural poor. 85% RPSF funds will support most impacted countries based on UN's COVID-19 risk index
Facility for Refugees, Migrants, Forced Displacement and Rural Stability	Displaced and host communities	Address forced displacement, poverty and food security; increase the self-reliance of displaced persons, and strengthens the resilience of host communities
Indigenous Peoples Assistance Facility	Indigenous communities	Innovative funding instrument to provide agriculture support and solutions to special communities
Farmers Forum	Farmers Organizations	Platform for consultation and networking with federations of farmers organizations
Weather Risk Management Facility	Smallholder farmers	Joint UN partnership between IFAD and WFP to mitigate against weather and other agricultural production risks
Financing Facility for Remittances	Migrants communities	Maximize the impact of remittances on development, and to promote migrants' engagement in their countries of origin.
Nutrition Sensitive Agriculture	Smallholder farmers	Mainstreaming of nutrition into IFADs operations
Farmers' Africa: • Support to Farmers' Organizations in Africa • Farmers Fighting Poverty Program	Farmers organizations	Food Security Initiatives of Farmers' Organizations in a Regional Perspective
The Rural Women's Economic Empowerment (RWEE) programme	Smallholder farmers	To accelerate progress towards the economic empowerment of rural women
South-South and Triangular Cooperation	Member countries	Leverage developing countries own experience and knowledge in support of social and economic transformation in the South.
Rural Poor Stimulus Facility	Smallholder farmers	Prevent a food crisis in some of the world's poorest and most marginalized rural communities in the wake of COVID-19
Food loss reduction	Smallholder farmers	Mainstreaming food loss reduction initiatives for smallholders in food deficit areas
Mainstreaming gender equality	Rural women	Reaching more rural women through gender-sensitive programme design and implementation

Source: IFAD website

# Annex 15: Governance structure across the four multilateral mechanisms

	ADF	IDA	GAFSP	IFAD
Main governing body	Board of Governors Governing Council	Board of Governors Governing Council	Steering Committee	Governing Council Board of Governors
Composition	Governing Council (all member states) Board of Governors (14-member states)	Board (25-member states) Representative from all 173-member states	Voting members (8 donors and 8 recipients); non-voting observers (UN agencies, 7 SEs, GAFSP administration, 3 CSOs)	Governing Council (all member states) Board (18-member states)
Voting power	Proportionate to capital subscriptions of member states	Based on IDA contributions, IBRD subscriptions & other parameters	Equal voting rights	In accordance with paid contributions of member states
Recipient country participation in decision making	Yes	Yes	Yes	Yes
CSO/Smallholder representation	No	No	Yes	No

# Annex 16: Financing standards across the four multilateral mechanisms

## African Development Fund

Country type	Eligibility	Type of financing	Maturity period (years)	Grace period (years)	Interest rate (%)	Amortization	Commitment charge (%)	Service charge (%)
Regular non-gap	GNI pc < average non-gap GNI; not creditworthy for non-concessional finance	ADF only resources	40	10	0.00%	2% p.a. for yrs.11-20; 4% p.a. for yrs. 21-40	0.5	0.75
Advanced non-gap	GNI pc > average non-gap GNI, not creditworthy for non-concessional finance	ADF only resources	40	5	0.00%	3%	0.5	0.75
Gap country	GNI pc > operational cut-off; not creditworthy	ADF only resources	30	5	1.00%	4%	0.5	0.75
Blend country	GNI pc < operational cut-off; creditworthy	ADF and AfDB resources	30	5	1.00%	4%	0.5	0.75
AfDB only	GNI pc > ADF operational cut-off; creditworthy							

## International Development Fund

Country type	Eligibility	Type of financing	Maturity period (years)	Grace period (years)	Interest rate (%)	Amortization	Commitment charge (%)	Service charge (%)
Non-gap	GNI pc < operational cut-off; not credit worthy (non-gap)	IDA only grants	NA	NA	NA	NA	0 - 0.50	NA
Small economy		Small economy	40	10	1.39%	2% p.a. for yrs. 11-20; 4% p.s. for yrs. 21-40	0.75	NA
Regular IDA-only		Regular IDA only resources	38	6	1.43%	3.125% for yrs. 7-38	0.75	NA
Gap country	GNI pc > operational cut-off for 2 consecutive years; not creditworthy	Blend	30	5	1.42%	3.3% for yrs. 6-25	0.75	1.46
Blend country	Credit-worthy; mix of IDA and IBRD	Blend	30	5	1.42%	3.3% for yrs. 6-25	0.75	1.46
IBRD only	GNI p.c. > IDA operational income cut-off for at least 3 years and positive creditworthiness	Non-concessional	Up to 35 yrs. maximum maturity; up to 20 yrs. average maturity	Market rate + spread	Flexible	Variable	Variable	

Acceleration clause: doubling of principal payments from creditworthy borrowers where per capita income remains above eligibility thresholds

## International Fund for Aricultural Development

Country type	Eligibility	Type of financing	Maturity period (years)	Grace period (years)	Interest rate (%)	Amortization	Commitment charge (%)	Service charge (%)
Highly concessional	GNI pc <= operational cut-off	Highly concessional	40	10	0%	4.5% p.a. for yrs. 11-30; 1% p.a. for yrs. 31-40		0.75
Small state economy	Small state economy	40	10	0%	2% p.a. for yrs. 11-20; 4% p.a. for yrs. 21-40		0.75	
Blend	IDA blend or gap	Blend loans	25	5	1.35%	5% p.a. from yr. 6-25		0.75
Ordinary		Ordinary loans	Variable with max 35 years and average repayment period of 20 years <ul style="list-style-type: none"><li>• Up to 8 years</li><li>• &gt;8 to 10 years</li><li>• &gt;10 to 12 years</li><li>• &gt;12 to 15 years</li><li>• &gt;15 to 18 years</li><li>• &gt;18 to 20 years</li></ul>	Variable; max 10 years				

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