

FINANCE FOR A SUSTAINABLE & INCLUSIVE GLOBAL FOOD SYSTEM & AGRICULTURE



WORLD BANK GROUP

THE WORLD BANK
IBRD • IDA

IFC

International
Finance Corporation

October 2016

Agriculture more than any other sector, plays a catalytic role in reducing poverty

Eradicating extreme poverty sustainably

- Agriculture GDP growth has **2-4 times more impact** on poverty reduction than non-agriculture GDP growth
- There are **2.5 billion people involved in agriculture in developing countries**, among the 3 billion people living in rural areas
- **700 mln + rural poor to be lifted out of poverty by 2030**
- Agriculture development key to ensure **food security and nutrition, especially in FCV countries**, but sector faces multiple challenges

- Agriculture can account **for more than half of GDP growth** during the early stages of development
- Agriculture can help **inclusion and reduce inequality** by boosting incomes of poor
- **But low investments in agriculture** in Global South
- Significantly more **agriculture financing requirements** required from different sources

Boosting Shared Prosperity sustainably

Major Trends and Transitions Pose Significant Challenges for Agriculture

- **Demographics**: 9.7 bln in 2050; large % population increase in LICs. 70% more food needed
- **Youth**: By 2030, the number of youth to grow by 7%, to ~ 1.3 bln. In both Sub-Saharan & North Africa, ~70% of population is <30 years old. In some countries in “fragile situations”, almost $\frac{3}{4}$ of the population is < 30; share of 15-29 year olds will persist for decades
- **Ageing Farmers**: globally the average age is put at 53 years and expected to go up to 58 years in the coming decades
- **Feminization of AGR**: women comprise ~43% of agricultural labor force globally; >60% of female employment in SSA & SAR yet lag in Opportunities, Access, Endowments & Voice
- **Involuntarily Displaced**: 2 bln live in countries where development outcomes are affected by fragility, conflict, and violence. World facing the largest numbers of displaced persons since WWII (65 mln o/w ~22 mln refugees)
- **Rising Urbanization**: 70% of global population will be urban by 2050. Today, 150 cities, each have populations of 3 mln + (o/w 12 cities >20 Million each)
- **Slums & Informality**: 1 bln living in slums today. 2 bln people expected to be living in slums by 2030 with attendant informality of jobs and poor infrastructure or services

Major Trends and Transitions Pose Significant Challenges for Agriculture

- **Jobs Needed:** Large number of Youth entering the job market in Sub-Saharan Africa, South Asia. ~100 mln jobs needed for Africa's youth over next decade. By 2030, there will be 400 million more young people looking to join the labor market; 600 million + jobs needed by 2030 (World Development Report, 2013)
- **Technology -Drones to Phones:** Beyond basics, cost and capacity challenges; what are implications for rural jobs?
- **Middle-Class Shaping Food System:** Rising middle-class (from ~2 bln today to 5 bln by 2030) => demand for more & diverse foods; especially in Asia (66% of the global middle-class population and 59% of middle-class consumption -OECD)
- **Persistent Triple Burden of Malnutrition:** The world's poorest spend as much as 60 per cent of their income on food -> Yet, some 800 mln go to bed hungry; 2 + bln suffer from micronutrient deficiencies. Globally ~1/3rd are obese. NCDs are rising. Attention to zoonotic diseases and pandemics needed
- **Agriculture's Extreme Vulnerability to Climate Change:** AGR consumes 70% of freshwater resources, 40% of arable land, & with land use change emits 25% of GHGs. Negative impacts are already being felt-> reduced yields & extreme weather events, affecting crops/livestock alike

Where are the Opportunities?

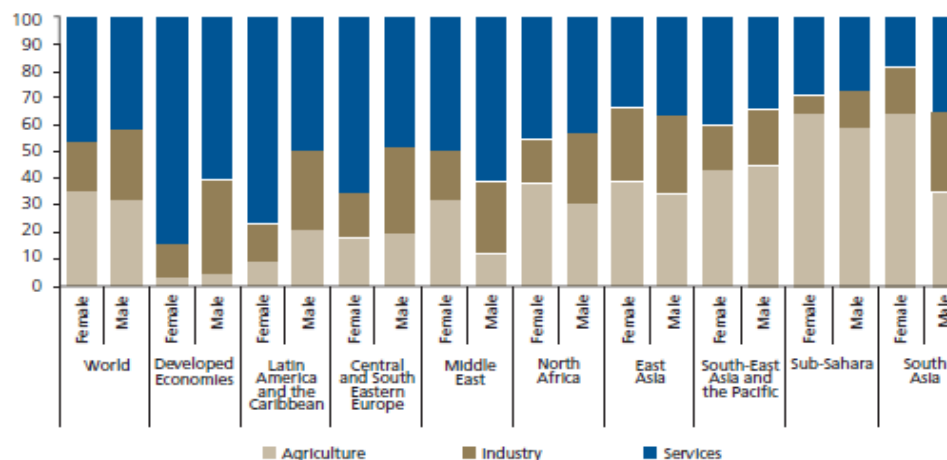
Demand for agricultural products

- **Growing global population** -> increased demand for higher value agricultural products
- **A growing middle-class + global rise in demand** for processed foods, animal protein. Also growing consumer interest in food quality, safety & demand for organic, fresh and novelty foods

Structural changes and public policies

- **Urbanization/migration trends** offer an opportunity for enhanced on-/off-farm efficiency
- **Better organized value chains** create opportunities for developing countries
- **Role of governments key** as they need to more proactively facilitate not only ODA, but ensure better fiscal management & crowding in the private sector while also helping poor farmers and enabling the business of agriculture

Agriculture drives Jobs & Incomes of poor

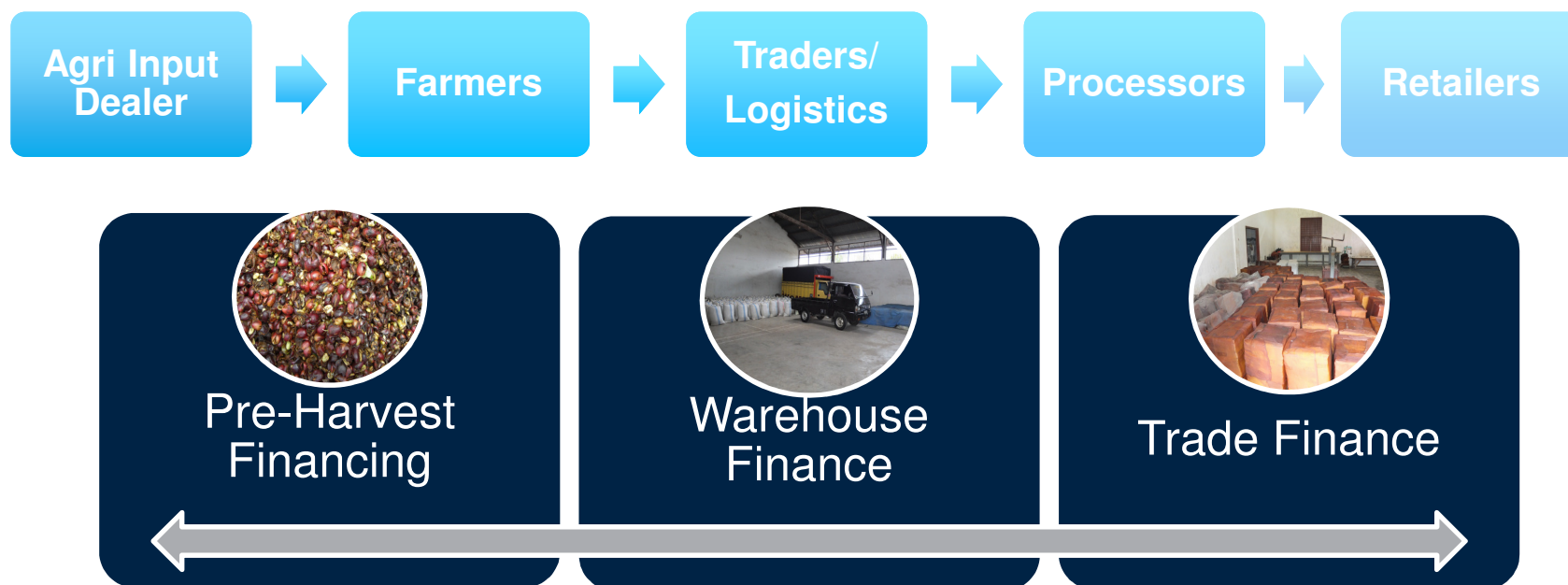


IFC Jobs Study Assessing Private Sector Contributions to Job Creation and Poverty Reduction (2013) based on 2009 ILO statistics.

Partnerships & Innovations

- **Ambitious and transformative vision** for Public-Private-Civil Society Partnerships
- **Innovative products reshaping Aid Architecture and can help address gaps** in financing for food systems and agriculture.
- **Technology** reduces transaction costs for partners and for making funds flow across the system

At a Country Level: what are the financial needs of each market segment?



Significant opportunity to harness the food system as an engine for jobs and enterprise

- **But, financial Institutions are more reluctant to participate in pre-harvest financing**
- **Risks generally decrease as chains move forward**

A New Paradigm for Finance for Food Systems & Agriculture

- **SDG 17: Partnerships for the Goals** - Strengthen the means of implementation and revitalize the global partnership for sustainable development
 - ✓ *SDG 17.3*: “Mobilize additional financial resources for developing countries from **multiple sources**”
 - ✓ *SDG 17.16* : “Enhance the global partnership for sustainable development, complemented by **multi-stakeholder partnerships** that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries”
- **Addis Ababa Action Agenda**: Realize the ‘*whole of finance*’ agenda
 - ✓ *Private domestic investments and international capital flows* are vital complements to national development efforts.
 - ✓ *Also commit to increasing public investment*, which plays a strategic role in financing research, infrastructure and pro-poor initiatives.

Rethinking Finance for Food Systems & Agriculture

Exactly how much needs to be spent globally on CSA, nutrition, agriculture, rural development & urban transition, particularly in the developing world?

Is it \$80 bln p.a. or \$265 bln p.a.?

- ✓ *Make “billions to trillions” a reality* by significantly increasing mobilization. Progress on the SDGs, Twin Goals and Financing for Development agenda will depend on increasing the engagement of the private sector to create jobs, provide solutions and capital across most client segments and partner with the public sector who deliver public services and tackle public goods/bads.
- ✓ *Encourage impact investing*, which combines a return on investment with non-financial impacts. Build on the growing number of businesses that embrace a core business model that takes account of the environmental, social and governance impacts of their activities, and urge all others to do so. [AAAA]
- ✓ *Ensure the best possible use of each dollar from every source & foster development of apt financial products*, while also mobilizing concessional/development finance and ensuring that it goes to those who most need it.
 - *WBG has committed to increase climate financing* from the current 21% of the Bank Group’s portfolio, to 28% by 2020 -> an increase of several billion p.a. for climate projects

Rethinking Finance for Food Systems & Agriculture (Innovative Ideas)

Creative new financial structure with IDA-18

- IDA18 presents a transformative policy and financing package that responds to the challenges and commitments embodied in the SDGs, COP21 agreement and Sendai framework.
- A new, joint initiative with IFC and MIGA could help mobilize more private sector investment in the most challenging sectors and countries by taking on some of the risks that constrain the private sector in these markets.
- A key element of the financing package is a proposal to [raise funds through capital markets against IDA's equity, enabling IDA to provide clients with billions of dollars in additional resources.](#)
- In September 2016, IDA received triple-A credit ratings from S&P and Moody's—an important first step to enable IDA to access capital markets.
- ✓ [This groundbreaking proposal is the most radical transformation in IDA's 56-year history and represents a paradigm shift in development finance.](#)

Rethinking Finance for Food Systems & Agriculture (Innovative Ideas)

Global Concessional Financing Facility (GCFF)

- Today Middle-income countries host ~6 mln refugees; over 80% are in the Middle East and North Africa or in Turkey, with the host countries straining, but with difficulty in accessing concessional finance for meeting the costs.
- The Global Concessional Financing Facility (GCFF) helps to [fill the gap providing concessional finance for](#) and ensuring a coordinated international response to [future refugee crises in middle-income countries](#), wherever they occur.
- The GCFF is part of the newly launched Global Crisis Response Platform, developed by the WBG to enable more systematic and scaled-up support in the face of a range of crises by bringing together knowledge, resources, and current and emerging financial tools under a single umbrella.
- The GCFF leverages each \$1 in donor grant to provide about \$4 in concessional financing for development projects in middle income host countries.
- ✓ [For low income countries, the Platform aims to significantly increase the crisis response capacity of the International Development Association \(IDA\), the Bank's arm for the world's poorest countries.](#)

Rethinking Finance for Food Systems & Agriculture (Innovative Ideas)

Returnable Capital Fund (RCF) for the CGIAR System

- CGIAR is a global research partnership comprising 15 centers for a food-secure future. CGIAR science is dedicated to reducing poverty, enhancing food and nutrition security, and improving natural resources and ecosystem services.
- Capital will be invested into a new RCF Trust Fund managed by the World Bank. [Donors collectively contribute equity capital to an open-ended fund invested in the capital markets.](#) This fund invests in stocks, bonds and other securities.
- To the extent possible, funds are co-invested alongside the IFC into qualifying new loans in Agribusiness, Forestry and Food sectors.
- Investors hold shares in that Fund and will be able to withdraw their capital, should this be necessary. The investment portfolio passes all investment returns to the RCF Trust Fund.
- ✓ [The returns generated by these investments will be used to annually grant a dividend to the CGIAR Fund from the overall portfolio return.](#)

Agriculture & Food System are an Important Part of the Solution

“Wins” via policies, finance, incentives, programs & partnerships needed:

Climate Smart Agriculture for <2° Warmer World:

1. Improve Productivity Sustainably
2. Enhance Resilience and facilitate adaptation
3. Reduce Emissions -> Low Carbon Growth w/o impacting food production
4. Apply CSA across landscapes—crops, livestock, forests, and fisheries—to be effective

Nutrition Sensitive Agriculture for Better Physical & Cognitive Health:

1. Attend to “triple burden” - hunger, micro-nutrient deficiency & Obesity/NCDs. Zoonosis
2. Mainstream NSA in Policies and Programs, build Capacity
3. Ensure Policy Convergence and Coherence across sectors (Agr, Water, Health) & actors

Enabling the Business of Agriculture for More & Better Jobs:

1. Strengthen Rules, Regulations, Governance & Institutional Frameworks & Capacities
2. Enhance Infrastructure, Finance and Skills for Farmers and Agribusinesses
3. Transition to Formality for Food System Actors - notably SMEs

Bridging National Policies & Local Needs/Practices for Food Security & Nutrition:

1. Define (w/ data) the dynamic, diverse questions of rural-urban features & linkages
2. Understand & Identify the levels at which policy, regulatory, institutional, or investment actions are best addressed given local needs, challenges & initiatives
3. Tackle the underpinning governance framework and capacity issues at City-Region levels



75% of the world's poor are rural and most are involved in farming. In the 21st century agriculture remains fundamental for poverty reduction, economic growth and environmental sustainability.

www.worldbank.org/agriculture

THANK YOU!

ありがとうございました