

Fostering the transformation of agri-food systems

2020 DID Intervention Framework



Table of contents

Background	2
Our vision	3
Our approach	4
Our theory of change.....	4
Moving from theory to action	5
Our six levers of intervention	6
Definitions	13

"Sensible policies, programmes and regulations considering the needs of present and future generations must protect and expand the agency, inclusion and economic capacity of family farmers, putting their diversity at the centre of sustainable development and contributing to the Agenda 2030."

Food and Agriculture Organization of the United Nations
United Nations Decade of Family Farming 2019–2028

Background

The agricultural sector is well positioned to meet the many challenges of the coming years. Farming activity¹ is a key driver in the push toward Sustainable Development Goals (SDGs), starting with poverty reduction and improved food security.



Farming is the main source of income for 80%² of the world's poor. It has a major effect on ecosystems and climate (water use, deforestation, pollution) and a direct impact on population health (nutrition and food safety). Women are major contributors to agriculture, but their work is often informal and undervalued. In addition, women and children are particularly vulnerable in terms of access to food, and the gender gap is growing. In order to achieve SDGs, a transformation of agri-food systems is needed, requiring innovation, know-how, financial resources and meaningful policies.

Current agri-food systems, which include input suppliers, producers, processors, distributors and consumers, are not always sensitive to the concept of sustainability. The sustainability principle aims to increase (i) environmental sustainability, (ii) economic sustainability and (iii) the social sustainability of communities. To encourage the innovative transformation of agri-food systems, it is essential to incorporate the principles of sustainability, which requires implementing a multitude of technical support mechanisms, environmental measures, improvements to gender equality and inclusive financing, and the development of quality food.

DID has been supporting the inclusive finance sector in rural areas around the world for 50 years. DID has mobilized its extensive agricultural financing expertise in many large-scale projects, helping to restructure financial systems to better meet the needs of producers in emerging countries. The current Intervention Framework is an extension of this work. It seeks to define key concepts for developing sustainable agri-food systems and sets out DID's intervention approach, which touches on the entire sustainable agricultural value chain. The Framework's aim is to create wealth and better financial autonomy for agricultural and rural entrepreneurs. Drawing on the theory of change, the Intervention Framework also seeks to improve interconnectivity among interventions and to educate decision makers, donors and all concerned stakeholders.

¹ The term «farming» includes agriculture, livestock and aquaculture

² <https://www.banquemonddiale.org/en/topic/agriculture/overview>

Our vision

Developing high-performance agri-food systems requires transformative action that addresses the root causes of poverty and hunger, guided by the principles of sustainability.

DID believes that along with opening the door to financial inclusion for agricultural producers, we must help improve sustainable agricultural practices, encourage entrepreneurship, establish sustainable value chains, increase access for women and young people to economic opportunities, and deploy agricultural innovations. These are all effective levers for creating sustainable agri-food systems.

Financing for the agri-food sector is a priority for all players in the value chain. Factors that impede the development of financial services in the agricultural sector are numerous and well defined, both in terms of supply and demand:

- Limited availability and accessibility of agricultural credit products: lack of adequate sources of financing, particularly for medium- and long-term credit, lack of flexible payment schedules, reluctance on the part of financial institutions to extend agricultural credit.
- Lack of bankable agricultural projects: low crop productivity, high risks, lack of technical skills and managerial capacity of producers, poor industry organization.

These challenges are compounded by the fact that agricultural activities are often located in isolated areas, characterized by low population density and a lack of infrastructure. Other hindrances include the dependence on weather conditions and the timing of production cycles, the seasonality of income and, more generally, the limited share of monetary income, the volatility of agricultural product pricing, and the lack of reliable legal and economic guarantees. The inadequacy of financial services available to rural women and young entrepreneurs is also a real barrier to agricultural financing.

Demand for agri-food products is growing in line with population growth. To meet this demand, we need to build resilient food systems based on local productions.

Worldwide, agricultural producers' financing needs are estimated to be USD 240 billion annually. While there has been some progress in rural and agricultural financing, approximately 70% of smallholder financing needs remain unmet.



Our approach

DID's transformative approach consists of integrated strategies that combine several forms of intervention, with the goal of fostering the emergence of sustainable agri-food systems. Our approach incorporates the three principles of sustainable development:

- Economic sustainability;
- Social sustainability;
- Environmental sustainability.

Our theory of change

DID believes that if access to financial services is combined with:

- the development of rural entrepreneurship,
- the development of climate-smart agriculture,
- the development and optimization of sustainable food value chains,
- increased access for women to economic opportunities,
- the deployment of agricultural innovation;



The intervention strategy will likely lead to:

- the bolstering of economic conditions for rural populations,
- enhanced agri-food systems;



And ultimately:

- improved nutrition and reduced hunger,
- poverty reduction through economic growth.

Moving from theory to action

Through DID's interventions, producers boost their ability to respond to given situations, thereby improving the profitability, efficiency and financial autonomy of their operations and revenue-generating activities.

DID advocates a systemic, three-pronged approach:

- Intervening directly with agricultural producers or with the associations, groups or cooperatives they belong to. Proximity to producers allows DID to provide more targeted, needs-based support.
- Intervening with financial institutions and with upstream and downstream service providers, which constitute the extended value chain. Cooperation between the various stakeholders is key to ensuring the effective marketing of agricultural products.
- Intervening with government bodies to implement policies and programs that will spur the growth of agricultural business activities, structure the agricultural sector as a whole and achieve sustainable development objectives.



Transforming the sector with a global approach

Launched in 2014, the Supporting the Agricultural Financial System in Colombia project (PASAC) mobilized some of the largest entities in the Colombian agricultural sector, including the Finagro fund for financing the agricultural sector, the Banco Agrario de Colombia agricultural state bank, various producers' federations, as well as 40 cooperatives and other inclusive financial institutions. Through PASAC, DID helped local financial institutions adopt a more efficient credit methodology, while new public policies were introduced to boost the financial inclusion of agricultural producers. The project also helped improve the financial literacy of 15,000 farmers (the majority of them women) and supported the development of post-conflict zones.

Our six levers of intervention

DID's approach to developing sustainable, gender-sensitive and nutrition-sensitive agri-food systems is based on six cross-sector intervention levers, with a focus on ensuring better access to financial services.

The six levers for developing sustainable agri-food systems



1. Access to financial services

Access to financial services has always been at the heart of DID's activities. For the past 50 years, we have been helping financial institutions develop methodologies and services tailored to their clienteles. These include savings and credit products, digital financial services, financial education opportunities, agricultural insurance and guarantee funds. DID has extensive experience creating innovative financial products (including green products) that target agricultural customers. We have seen how this approach fosters the financial autonomy of clienteles, such as small agricultural producers, women and young people, who are often considered higher-risk by financial institutions.

Scope of financial services

Establishing guarantee funds to back agricultural loans is a powerful lever for rural development and a proven risk mitigation tool for lending institutions. Financial institutions are more inclined to finance the agricultural sector provided they have the right tools. There is still a hesitancy when it comes to extending credit to women and young people, or in less well-known agricultural sectors. Mitigating the risks associated with so-called higher-risk loans promotes the financial inclusion of a greater proportion of agricultural clients.

Implementing inclusive digital financial solutions is an important lever for development and accelerates financial inclusion, especially among women and young people. DID is therefore making efforts to develop digital services such as mobile money, online banking, savings, payments, and electronic insurance and credit.



Improving farmers' living conditions through better access to financial services

Between 2011 and 2019, DID joined with several partners to implement the Agricultural financing and insurance system in Haiti (SYFAAH) project. This major initiative improved the supply of agricultural credit throughout Haiti, encouraged the adoption of efficient and environmentally friendly production practices, and improved food security by increasing high-quality local production.

At the end of the project, over 85,000 agricultural credits totalling more than CAD 100 million had been granted, and some 4,000 agro-entrepreneurs had received direct or indirect support to upgrade their technological operations. An impact assessment identified SYFAAH's positive effects: among them, 100% of the agro-entrepreneurs surveyed reported an increase in income, 67% of women reported greater autonomy in financial decision-making, and 63% of participants reported improved living conditions.

2. Developing rural entrepreneurship



DID's Support Services for Entrepreneurs (SSEs) are active within the ecosystem of rural and agricultural micro, small and medium-sized enterprises (MSMEs), fostering business startups and growth. Harnessing MSMEs' improved access to financing, SSEs help to strengthen business performance, boost market access and encourage competitiveness.

DID works to ensure that local support and financing services meet the needs of agricultural producers and rural entrepreneurs throughout every stage of their development. Our activities have had a real impact on the growth and leadership of the businesses we have supported.

Supporting MSMEs in Haiti

In April 2020, the National Support Program for Organizing Haitian Entrepreneurship (PANSEH) ended after six and a half years. Since 2013, PANSEH has helped strengthen the offer of financial products and services adapted to the needs of entrepreneurs, supported the implementation of a business centre within the Fédération des caisses populaires haïtiennes Le Levier, solidified the support services offered to rural MSMEs and guided the Haitian government in implementing a business environment that fosters the development of Haitian entrepreneurship. Ultimately, this initiative led to a 17% increase in the number of jobs created by the micro, small and medium-sized enterprises that were coached.

3. Developing climate-smart agriculture (CSA)

DID helps producers to develop sustainable and ecological agricultural practices. We also support the marketing of local products. This shortens and diversifies food chains, revitalizes communities, provides better access to safe and fresh food, supports low-emission food systems, strengthens resilience to shocks and reduces food waste and loss. DID's initiatives increase financial institutions' ability to offer financing based on sustainable best practices, such as crop diversification, soil revitalization, agroecology and family gardens. This improves the capacity of small farms to generate income and reduce their greenhouse gas (GHG) emissions.

At the same time, financial institutions' services must adapt to these principles of sustainability, by incorporating environmental and social risk management and green financial products. This in turn will encourage farmers to follow CSA practices and acquire new technologies that are more resilient to climate change.



4. Implementing and optimizing sustainable food value chains

With its extensive experience assessing and developing value chains, DID believes in focusing on value chains with high development potential, where women are strongly represented. DID also believes that the coordination of value chains is a catalyst for the farming business sector and a powerful lever for growth.

By joining a farmer organization or other type of association, small producers can aggregate their offer, which allows them to better integrate into and participate in the value chain. Establishing and strengthening these organizations is therefore a key success factor. It enables small producers to improve their performance by (i) providing quality inputs in sufficient quantities and delivered on time, (ii) enjoying improved access to markets and (iii) obtaining fair prices for their crops.

Strengthening women's economic power through increased control of the value chain

As part of the Agricultural and Rural Financing in Mali (FARM) project, DID developed an integrated approach to help women-operated farmers' organizations get better access to financial products and services and to quality, timely inputs, while also developing negotiating skills to improve the marketing of their products. By addressing every link in the value chain, DID empowers women to be more active in their community. Our support activities encourage best agricultural and environmental practices, improves financial decision-making and strengthens the interconnectivity of all value chain players. DID also partnered with financial institutions to develop a credit product designed to meet the needs of women operating within the value chain, including a kit of advisory services, quality inputs and crop insurance to boost yields.



5. Increasing women's access to economic opportunities

DID believes that promoting gender equality in the agri-food sector helps to achieve sustainable development objectives. Women producers must have equitable access to productive resources and to smart climate practices, services, technologies, and opportunities. They must also be able to take advantage of investments in rural infrastructure.

With more of their day devoted to basic domestic chores, women have less time to participate in income-generating activities, skills development or community decision-making. However, women are also a source of innovative solutions, which is why it is important to involve them in defining and implementing initiatives. DID is therefore working to empower women and boost their ability to act, while reducing gender-specific barriers that impede women's access to and their use and control of financial products and services.

Young people in agriculture

DID recognizes that with their energy and dynamism, young people help to increase agricultural productivity and enhance the rural economy. It is therefore important to equip and support financial institutions to meet the needs of youth, who are considered higher-risk due to their lack of experience and assets.

By integrating innovative approaches, such as providing access to Support Services for Entrepreneurs (SSEs), boosting financial education capacity and strengthening digital financial services, financial institutions can drive change by developing credit products adapted to the needs of this non-homogeneous clientele. In making farming more attractive to young people, we will encourage a new generation of farmers and create jobs in rural areas.



Supporting young rural entrepreneurs in Cameroon

As part of the Program for the Promotion of Agropastoral Youth Entrepreneurship (PEA-Jeunes) in Cameroon, DID was tasked with setting up and managing a business start-up fund of over CAD 13 million for young agricultural entrepreneurs aged 18 to 35. We also strengthened the capacities of 10 participating rural financing institutions (RFIs) and set up a refinancing fund of nearly CAD 9 million for partner RFIs to encourage them to lend to young people. At the end of the project, DID had validated the business plans of close to 1,200 young agricultural entrepreneurs, nearly 800 of whom received more than CAD 2.2 million in start-up credit to make agricultural investments totalling CAD 6 million in four regions of Cameroon.

6. Deploying agricultural innovation

DID's experience shows that the combination of inclusive finance, research and innovation increases agricultural productivity and food security. It is therefore important to facilitate collaboration between the research sector, the financial sector, input suppliers and business partners. In this context, financial institutions play a key role in uniting stakeholders and ensuring the sustainability of change.

For DID, it is important to increase investments in agricultural research and development, extension services and capacity building to foster the adoption of innovations.



Accelerating the deployment of agricultural innovations with better access to financial services

Under the Financial Services and Deployment of Agricultural Innovations in Burkina Faso (SFDIAB) project, DID demonstrated that the large-scale deployment of innovations requires a holistic approach involving agricultural producer groups, financial institutions, research centres and suppliers. A specialized credit product—the Agricultural Production Intensification Credit (CIPA)—was developed to promote the adoption of innovative agricultural practices by small producers, especially women. This 36-month research project was carried out in collaboration with the Institut de l'environnement et recherches agricoles (INERA), the Réseau des caisses populaires du Burkina Faso (RCPB) and Université Laval. This collaboration saw impressive results, including an increase in seeded areas and yields, a reduction in post-harvest losses, the adoption of more environmentally friendly practices and improved food security for affected families.

Developing gender- and nutrition-sensitive farming and agri-food systems

To effectively address the causes of food insecurity, it is necessary to implement an integrated and coherent set of nutrition-sensitive interventions within the food system.

DID's intervention begins with an analysis of the local context. We focus on preserving and improving natural resources, fostering the empowerment of women, encouraging diversification and increased productivity, improving processing and storage techniques to reduce post-harvest losses, and promoting the financial inclusion of businesses that collaborate throughout the food system. A holistic approach fosters the development of sustainable agri-food systems and helps achieve many of the sustainable development objectives.

The Integrated Nutrition Project for the Kolda and Kedougou Regions (PINKK)

This project's goal was to improve the population's nutritional security, with a focus on women and young children. It was implemented in two regions with one of the highest rates of chronic malnutrition in Senegal. It was carried out over a five-year period in conjunction with Nutrition International, under the supervision of the Cellule de Lutte contre la Malnutrition (CLM). Under this initiative, DID worked to improve beneficiaries' sustainable access to adapted financial and support services, providing them with the means to produce and consume micronutrient-rich foods.

Definitions

Financial inclusion

According to the World Bank, financial inclusion provides individuals and businesses with affordable access to a range of useful and tailored financial products and services (transactions, payments, savings, credit and insurance) from reliable and responsible providers.

Climate Smart Agriculture (CSA)

CSA is an approach aimed at transforming and redirecting agricultural development under the new realities of climate change. CSA integrates the three dimensions of sustainable development (economic, social and environmental) by simultaneously addressing food security and climate challenges.

Agroecology

Agroecology refers to agricultural techniques that are more environmentally friendly and respectful of ecological specificities. At the crossroads of agronomy, agriculture, scientific ecology, economics and social sciences, agroecology seeks to restore balance to agricultural practices by reducing the negative effects of certain activities and by respecting the logic of ecosystems, so that soil, assisted by fauna and flora, becomes sustainably rich and fertile.



Sustainable food value chain

This consists of all agricultural holdings and agri-food businesses that, through their successive and coordinated value-adding activities, produce raw materials of agricultural origin and turn them into food products intended for final consumers and disposed of after use, in a way that fairly distributes income and risks among participants in the chain. A sustainable food value chain has an overall positive effect on society and does not permanently deplete natural resources.

Nutrition-sensitive agriculture and food systems

Nutrition-sensitive agriculture is an approach that seeks to ensure the production of a wide range of nutritious, culturally appropriate, healthy, high-quality foods in sufficient quantities and at affordable prices to meet the food needs of populations on a sustainable basis. To improve nutrition, action is needed at all stages of the food chain, from production to consumption to processing and marketing. Recognizing this allows for a broader scope of action that considers the food system in its entirety.



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