

Maximizing Finance for Development

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Maximization of Finance for Development (MFD)

- Commercial agriculture is not a standalone sector it is dependent on water, energy, infrastructure and ICT.
- Furthermore, private finance for the sector is limited primarily due to these factors (among others):
 - Risk Profile – including climactic and market risks, especially with perishable products.
 - Political interference – importance to economies and food security.
 - Scale – commercial investments are small in relation to other sectors (on-farm are even smaller).
 - Fragmentation – supply chains are disjointed and rely on multiple intermediaries.
- MFD is not just about finance.

MFD – WHY, WHAT and HOW

- Current levels of investment in agriculture value chains are insufficient to achieve the potential contribution of agriculture to key development goals.
 - Need to increase from billions to trillions in investments, spanning public and private, local and global.
- Crowding-in private investment requires:
 - Increasing space for private sector activities by, including by better focusing scarce public finance on public goods/services
 - Improving policy and regulatory environment which contribute to market failures and limited private sector participation
 - Improving incentives and reducing transaction costs and risks for private investment
- Requires diagnostics that are more oriented to private sector, and include a structured, inclusive public-private dialogue to inform a robust reform and investment program.

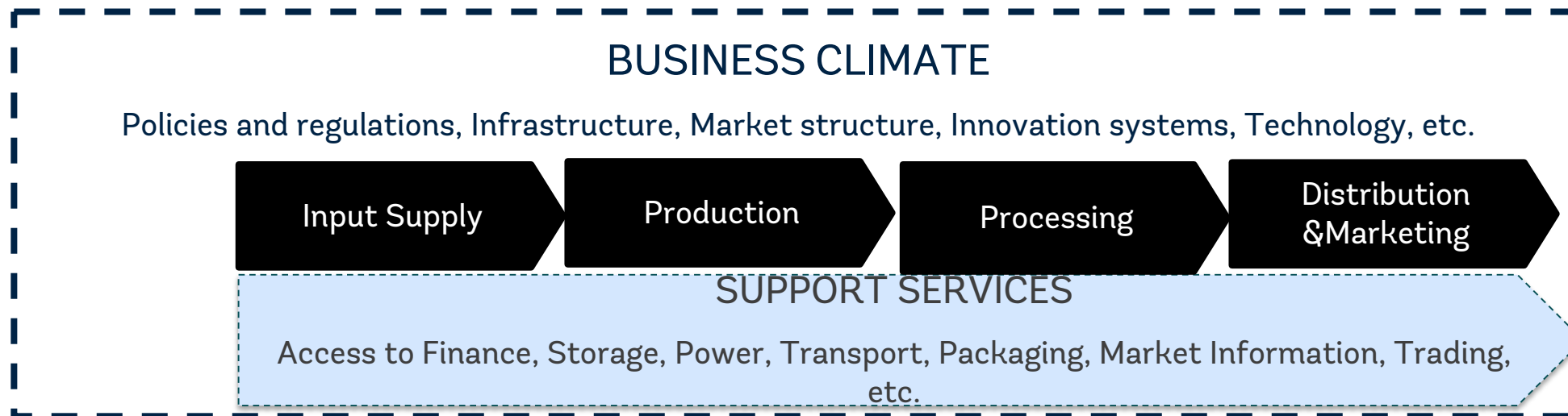


‘To use public sector funds for private sector activities is taking away potential investment and business opportunities’

David Rosenberg, CEO AeroFarms

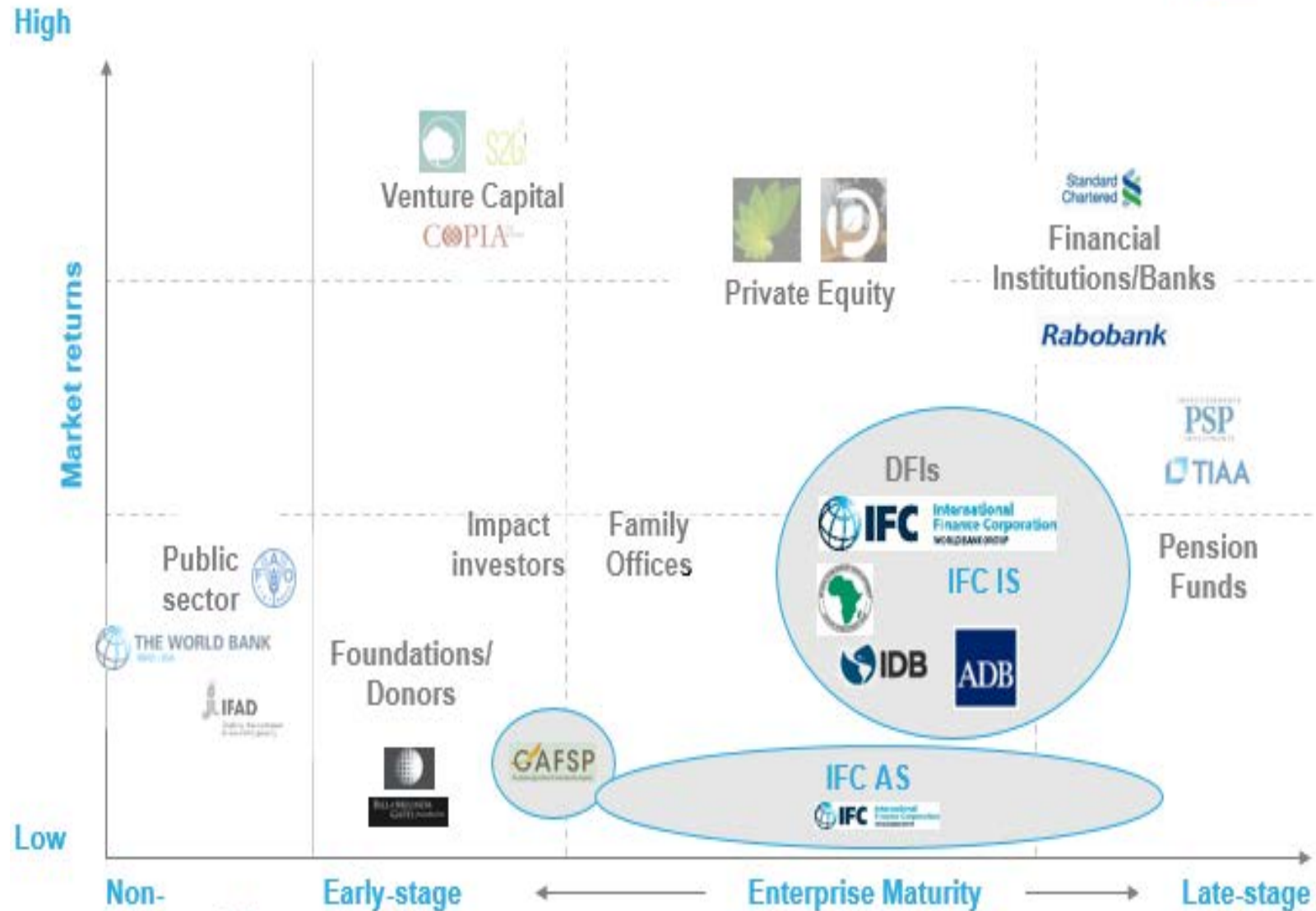
Agricultural Value Chain “Ecosystem”

- Agriculture value chains comprised largely of small-scale and some large-scale participants
 - 450 million private smallholder farmers—subsistence and commercial
 - SMEs dominate input suppliers, traders, processors, distributors and marketers
- Value chain is an interdependent “ecosystem”
- Potential “disruptive” changes to agriculture value chains:
 - Urbanization and changing dietary preferences
 - Technology – digital, physical, scientific



Agriculture Sector Financiers – current position

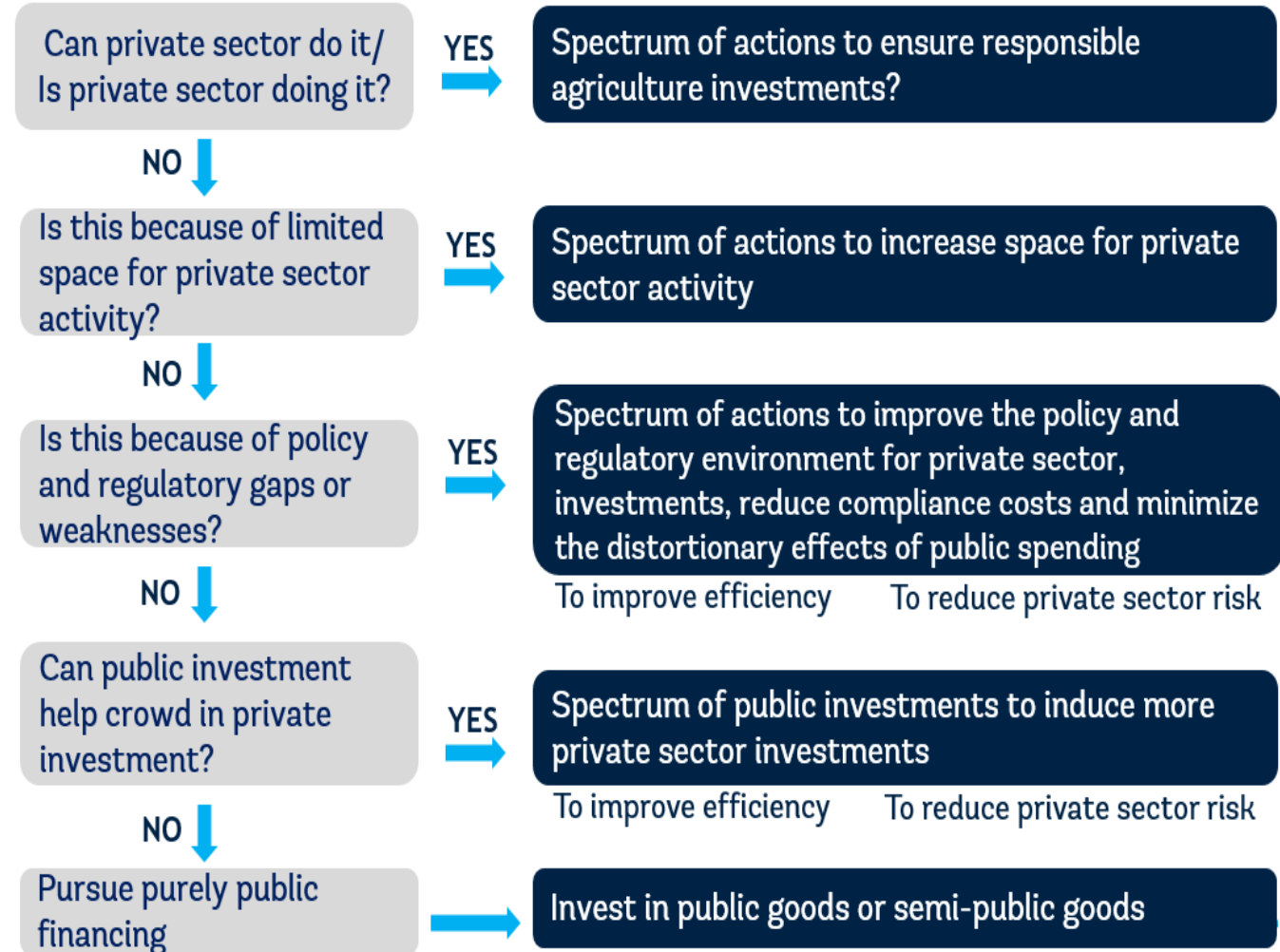
(for illustrative purposes)



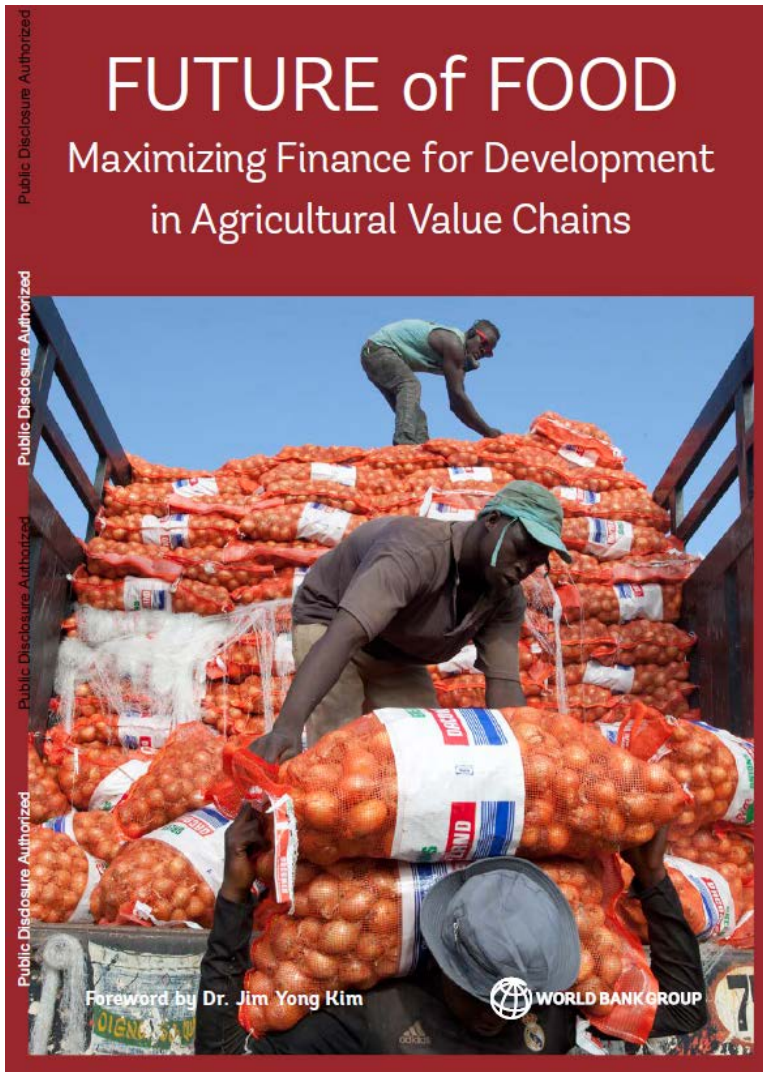
Assessing underlying causes of market failure

- Environmental and social concerns
- Concentrated market power, and reduced competition due to direct public participation
- Public policies and regulations that exacerbate market failures
- High transactions costs and risks
- Limited public goods and service

The “Cascade” in Agriculture Value Chains



Future of Food: MFD in Agricultural Value Chains



Townsend, Robert; Ronchi, Loraine; Brett, Chris; Moses, Gene. 2018.

Future of Food : Maximizing Finance for Development in Agricultural Value Chains.

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Thank you

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