

Promoting Nutritious Food Systems in Pacific Islands

Finance and Business Environment for Value Chain and Agribusiness Development

Regional Action Plan

Impact Aims	<p>Improving the policy and institutional framework for financing agribusiness / VC development in the Pacific that benefits smallholder farmers and SMEs.</p> <ul style="list-style-type: none"> ▶ Increasing access to agribusiness/value chain financing through blended finance mechanisms (public-private collaboration). ▶ Developing an enterprise incubation ecosystem that benefits policymakers, entrepreneurs and financiers.
Key Innovations/ Critical Success Factors	<ul style="list-style-type: none"> ▶ Blended finance (collaboration between governments, development finance Institutions (DFIs), donors, commercial banks micro-finance); IT based financial services (FinTech; mobile payments); MoUs / contracts between VC actors as guarantees (e.g. between farmers from buyers). ▶ Good understanding of VC financing; pitfalls (inefficiencies) and opportunities. ▶ Redirecting donor funding to DFIs to support agri-enterprise and VC development. ▶ Secure financial support / budgets from governments for agriculture/agri-enterprise development. ▶ Financial literacy/ capacity building for farmers associations and SMEs (hand-holding) and for contract negotiation. ▶ Improved capacity and higher accountability of DFI funds for sustainability of development initiatives. ▶ Willingness of commercial banks to make funding available (on easier terms) to farmers/SMEs. ▶ Enabling policy and regulatory framework (Foresighting / leadership of Central banks). Enforcement of SRD requirements. ▶ Champions / proponents of Value chain financing, finance technology (fintech) (e.g. banks, telecommunications companies). ▶ An incubation ecosystem for start-ups and piloting innovations to iron out kinks before full roll out.

Action	Partners involved	Stakeholders targeted	Resources Required	Time frame	Method of Verification
Develop policy position papers / statements creating the enabling environment for Agriculture, Value Chain/Agribusiness financing in the Pacific	Ministries for Agriculture, Trade/Economy/ Finance Donors / Development partners DFIs Reserve / Central Banks	Reserve Banks; Development Banks Private /commercial banks	Technical Assistance (TA)/ Lead consultant	1 – 2 years	Policy formulated & endorsed by governments and stakeholders



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	Farmers Org Private/agribusiness sector (e.g. PIPSO, Chambers of Commerce)				
Organize high level consultation(s) for financiers (public, private) including donors, DFIs and commercial banks	Donor agencies DFIs, Banks Central Banks Key players in Ministries of Agriculture, Finance, Trade/Economy	Policy and decisions makers from respective partners	TA; Funding	1-2 years	Pathway agreed for blended finance and a MOU established.
Develop / design innovative financial products / instruments for farmers /SMEs.	Financial Institutions Ministry of Agriculture/Finance Farmers 'farmers organizations SMEs	Financial Institutions	TA	1-3 years	No. of new financial programs / products developed; No. of farmers/ SMEs applying and using the new/improved financial services.
Map finance leverage points in priority Value chains (Crop / Fishery/ livestock) to determine finance product opportunities to organize/connect/ match make requirements and offerings of each actor Identify different financing opportunities along the value-chain: <ul style="list-style-type: none"> • Inputs • Insurance • Asset Acquisition • Marketing • Logistics 	Ministry for Agriculture, Trade, Commerce, Finance, Industry; Input suppliers, Traders, Processors, Farmers' Org, Insurance companies, Financial institutions	Farmers Org, SMEs, Trader/processors	Tech Assistance	1-2 years	Value chains mapped and business financing and partnership opportunities identified; MoUs and other informal agreements among actors; formalized contracts for target market (domestic/export);



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Develop & implement capacity-building for VC actors – including adoption of Fin tech products	Farmers Org/ SMEs Financing Institutions	Farmer Traders Processors	TA	1-3 years	Curriculum developed. No. of Capacity building / Programs implemented & People trained
Monitoring and Evaluation	Ministries of Ag; Finance; Trade/Economy Farmers Org Traders Processors Insurance Companies Financial Institutions	Farmer Traders Processors	TA	1-3 years and ongoing	Monitoring and Evaluation reports to determine changes in the enabling environment; use of financial products and performance and growth of agro-based enterprises

NEXT STEPS

1.0 Draft policy position papers for creating an enabling environment and regulatory framework for enhancing VC and agribusiness financing:

1.1 Blended financing to include a review of existing institutional arrangements between donor agencies and national DFIs to identify areas to systemize collaborations to augment financial support in the agricultural sector.

1.2 Encouraging Central Banks to (i) allocate a portion of Statutory Reserve Deposits SRDs) to the MSMEs and SMEs in the agriculture sector (ii) to direct banks to allocate a certain percentage of savings mobilized from rural communities back to the rural areas and (iii) provide a framework for the development of financial technology (IT) in the finance sector.

1.4 Encouraging governments put a levy on imports (food import tax) to be used for financing agricultural activities.

1.5 Based on a feasibility study for joint ventures involving FIs (Inc DFIs) to adopt financial technology platforms for service delivery.

2.0 Undertake a Gap analysis and develop a road map for financing agricultural value chain and agribusiness development, which should include the following:

2.1 Capacity-building programs for various stakeholders based on gap analysis, e.g., FIs, Farmers, and Farmer Associations, etc.

2.2 An incubation ecosystem for start-up agro-based MSMEs and SMEs to flourish and institutionalize business advisory services.

2.3 Innovative finance products (blended finance mechanism) piloted in at least 3 strategic value chains for selected countries involving a donor agency, a national DFI, a commercial bank and relevant farmer organization.

