IMPACT HARVEST FORUM
INVESTING IN INCLUSIVE BUSINESSES

23-24 MAY
UNITED NATIONS CONFERENCE CENTRE
BANGKOK, THAILAND
Nurturing the Environment Track

Co-creation Workshop

Designing Innovative Financing Mechanisms for Inclusive Businesses

SESSION 1
09.30 – 11.00, 24 MAY
UNITED NATIONS CONFERENCE CENTRE
BANGKOK, THAILAND
<table>
<thead>
<tr>
<th>Time</th>
<th>Agenda</th>
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| 09.30-09.45 | **Opening presentation**  
Introduction to the session and overview of financial mechanisms for impact |
|         | **Presenter:**  
- Mr. Girish Aivalli, CEO, Impact Investors Council, India |
| 09.45-10.30 | **Interactive exploration: Focused Group Discussions**  
Participants will be divided into groups with the agenda of finding solutions to problems persistent in the space. Each group shall deliberate and discuss to answer the following questions:  
1. **Sharing Experiences and Challenges:**  
   - What key challenges have you encountered when investing in or seeking investments for inclusive business models?  
   - What opportunities do you see, from an investment lens, for scaling impact in the agriculture sector?  
2. **Identifying Gaps and Challenges:**  
   - What are the 3 major gaps, in your opinion, in current financing mechanisms for inclusive businesses?  
3. **Co-creating Solutions:**  
   - What concrete steps can be taken to enhance investment policy and tools for inclusive businesses? |
|         | **Facilitators:**  
- Mr. Girish Aivalli, CEO, Impact Investors Council, India  
- Ms. Neha Bhatnagar, Vice President - Partnerships, Impact Investors Council, India  
- Mr. Subhadeep Sanyal, Partner, Omnivore  
- Mr. Jierong Tham, Assistant Chief Executive, raiSE  
- Ms. Fai Wechayachai, Head of Market Development, GSG  
- Ms. Rowena Reyes, Sweef Capital |
| 10.30-10.55 | **Open sharing and Q&A**  
**Facilitator:**  
- Mr. Girish Aivalli, CEO, Impact Investors Council, India  
**Commentator:**  
- Mr. Subhadeep Sanyal, Partner, Omnivore |
| 10.55-11.00 | **Closing**  
- Ms. Marta Pérez Cusó, Economic Affairs Officer, ESCAP |
Impact Harvest Forum:

Designing Innovative Financing Mechanisms for Inclusive Agri Businesses

Presented by
Girish Aivalli
Date:
May 24, 2024
About

The Impact

Investors Council (IIC)
Established in the year 2014, Impact Investors Council (IIC) is a member-based industry body.

IIC is registered as a not-for-profit entity and is funded through membership fees from members, with an objective to build the impact investing eco-system in India.

IIC today enjoys active support from over 65 prominent Impact Investors and Ecosystem Players.
Indian Agriculture

Agriculture in India plays a vital role - employing a significant portion of the workforce and contributing substantially to the GDP.

- Agriculture’s contribution to GDP (%): 16.7%
- India’s total agriculture GDP: ~$567 billion

Source: Investopedia

~35% to 53% of financing to small & marginal farmers is from Non-Institutional sources

More than 75% of full-time farm workers are women

Source: Agriculture Census, Ministry of Agriculture and Farmers Welfare (2000-2016); NABARD, 2021,
Financing Challenges

**Lenders & Investors**
- Perceived high credit risk, due to absence of a suitable credit rating mechanism
- High seasonality in business leading to inconsistent cash flows
- Operationally intensive and high costs incurred, to serve farmers at the last-mile
- Limited visibility on farm and farmer level data
- Limited availability of meaningful security collateral from agri-borrowers

**Farmers**
- Time taking process in accessing organised credit
- Limited availability of documentation and data required to furnish to organised lenders
- Post harvest finance not fully developed or accessible to SMFs
- Under-developed financing avenues for women farmers
- Limited availability of meaningful collateral to provide lenders
Agri-Initiatives by The State
Focus Areas of Government Schemes

Multiple Flagship Prime Minister’s Schemes:
- To bolster Agriculture Infrastructure, Crop Insurance, Minimum Support, Interest Subvention, Fertiliser Subsidy, among others.

Priority Sector Lending (PSL):
- 18% of total PSL towards agriculture.

Multiple Initiatives by the National Bank For Agriculture And Rural Development (NABARD)
- Interest Subvention Scheme
- NABSAMRUDDHI & NABVENTURES
- Agriculture Accelerator Fund (AAF)
- Agri Infrastructure Fund

- Minimum support price
- Concessional loans
- Formation of FPOs
- Crop insurance
- Creating modern agri infrastructure
- Climate resilient initiatives
The Critical Role of AgTechs
## INDIA VIEW: EQUITY IMPACT INVESTING

- **$2 Billion**: Equity investments over 3 years (2021-2023)
- **Full-stack agri solutions**: Drawing Increased Investments
- **Midstream & Upstream Solutions**: Gaining Gradual Interest
- **Storage & Warehousing**: Emerging as Areas of Focus
- **Building Farmer Livelihoods**: Emerging as a Critical Impact Outcome
- **Climate lens**: Being integrated into solutions

Prominent Investors:

- **Prominent Investors:**
  - Grameen Capital
  - British International Investment
  - Caspian
  - Lok Capital
  - Menterra
  - Rivirex
  - Omnivore
Agri Landscape of Vietnam & Thailand
Agtech Investments Towards

**Vietnam**

Equity Investments in 2022

- $15 Million across 8 deals

**Thailand**

Equity Investments in 2022

- $290 million across 4 deals

- Agri Inputs
- Farm Monitoring, Management & Advisory
- Market Linkage

Source: Agfunder
One of the most water-intensive food crops in the world

Rice cultivation - 55% of the agricultural emissions

Growing demand, falling supply - Rice critical for food security

Climate change causing harvests to fail

Increasing need for sustainable farming solutions adapting to climate change & improving yield

### The Landscape of Rice

- **Top rice varieties produced**
  - Basmati, Ambemohar, Sona Masuri
  - ST25, Fragrant Essence, Golden Flower Sticky Rice
  - Kho Hom Mali, Khao Niew, Khao Dum

- **Global position in rice exports**
  - Leading exporter
  - Second largest
  - Third largest

- **Exports of rice in 2023**
  - 19.5 million tonnes
  - 7.2 million tonnes
  - 8.2 million tonnes

- **Authority**
  - APEDA
  - Vietnam Food Association
  - Rice Department of Thailand

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*Source: Trademex*
Innovative Financing Mechanisms
Co-Lending Model:
Co-lending has been introduced by the Reserve Bank of India to create strategic alliances between NBFCs and Banks to jointly extend credit facilities to Priority Sectors.

It Enables:
- Increased liquidity and credit penetration
- Risk sharing mechanism between the lenders
- Operational synergies leveraging resources & expertise of the lenders

Recent Co-lending Arrangements

Samunnati (SAMFIN) + State Bank of India → Financing FPOs

Agriwise Fintech Pvt. Ltd. + Central Bank of India → Financing Underserved farmers
India COVID Response Program for Agriculture Transition

About: The program aims to address the economic impact of COVID-19 through loans to FPO, ag-tech companies, and companies engaged in food loss solution and clean energy solution in agri sector.

Blended Finance Instrument: Partial Risk Guarantee

Duration: 8 years

Fund Size: $55 million

Implementing Partners: IKEA Foundation, Shell Foundation, Rabo Foundation, US DFC and other Financial Institutions

Source: As shared by Rabo Foundation in Transforming Agriculture through Blended Finance: Building Climate Resilient Ecosystems report

Innovative Approach:

• Technical assistance to Financial Institutions and Borrowers for capacity building

• Grant capital to support capacity building across the value chain

• Credit guarantees from DFIs to provide loans to FPOs, Agtechs, Food Loss management providers and clean tech solutions providers
The Regenerative Agroforestry and Livelihoods (REAL) Fund

About: The outcome-linked financing facility aims to create an environmentally and financially scalable model of bamboo value chains, with a focus on women-led empowerment. It includes sustainable bamboo plantation, creation of value-added products and sales via collectives of farmers and producers in rural Maharashtra, who together own and manage the entire value chain.

Blended Finance Instrument: Development Impact Bond (DIB)
Duration: 5 years
Fund Size: $15 million
Implementing Partners: KOIS, Industree Foundation, USAID, Grant Funders, Risk Investors & Outcome Funders

Financing Approach:
• Catalytic funding for structuring the project & covering financing costs
• Private (risk) investors provide upfront financing to setup operations
• Outcome funders provide capital repayment to private investors upon achievement of outcomes

Results (As shared by KOIS in November 2023):
• Environmental Development: 1,250 ha of bamboo planted sequestering ~20k tons of CO2 annually
• Women Empowerment: > 50% women farmers; 4 producer enterprises established employing & empowering 800 women
• Livelihoods Upliftment: 11,300 rural beneficiaries uplifted socially & economically

Source: As shared by KOIS & Industree Foundation in Catalysing Change: Blended Finance for Climate Action report
Agri3 Fund

About: Agri 3 fund aims to provide smallholder farmers access to financing and skills to transition to sustainable and climate smart agriculture.

Blended Finance Instrument: Partial Risk Guarantee and Technical Assistance

Geography: Brazil, Indonesia, and India

Implementing Partners: UN Environment Programme, Rabobank, IDH - The Sustainable Trade Initiative, FMO, HSBC

Innovative Approach:

• Technical assistance for development of agriculture focussed enterprises

• Grant capital from donors & investors mobilised for Technical Assistance facility and Junior capital in the Finance Fund

• De-risking mechanisms, subordinated financing structures and innovative financing mechanisms to catalyse additional private non-concessional funding

• Capacity-building of agriculture focussed enterprises to accelerate the development of investable opportunities
Recommendations
FINANCIAL RECOMMENDATIONS

- Devising cash flow based supply chain financing in place of collateralised based lending
- Developing agri-focused alternative credit scoring models
- Patient capital to innovative Agtechs
- Concessional finance and risk mitigation to agri-focussed financing intermediaries
- Designing data-driven frameworks and processes to implement weather-linked crop insurance models
- Institutionalising blended finance frameworks
• Knowledge building of small and marginal farmers on emerging financing and technological innovations
• Designing sector focused impact measurement frameworks
• Facilitation and building of ecosystem partnerships
• Building bankability of early-stage agri enterprises
• Geography-aligned capacity building programs to local government for developing FPOs
TECHNOLOGICAL RECOMMENDATIONS

- Focused incubation programs for innovative agtechs, helping build on-ground demonstration effect with farmers
- Developing a carbon credit programme for small and marginal farmers
- Building digital solutions enabling sharing of farm level data, across ecosystem players
- Technical assistance and advisory support to lenders for developing agri-focused lending practice
Open Discussion

Facilitators:

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THANK YOU