GUIDANCE NOTE

INFFs and Agriculture Finance

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About integrated national finance frameworks

Integrated national financing frameworks (INFFs) are a planning and delivery tool to help countries implement the Addis Ababa Action Agenda at the country level. INFFs lay out the full range of financing sources – domestic and international sources of both public and private finance – and guide countries in developing a strategy to increase investment, manage risks and achieve sustainable development priorities, as identified in national sustainable development strategies.

To help build cohesion and encourage knowledge exchange between countries implementing INFFs around the world, the United Nations and the European Union, in cooperation with a growing network of partners, are developing joint approaches to bring together expertise, tools and relationships in support of country-led processes. For more information about INFFs, visit www.inff.org.

Acknowledgements

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SUPPORTING PARTNERS
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## Abbreviations

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<th>Description</th>
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<tr>
<td>AAAA</td>
<td>Addis Ababa Action Agenda</td>
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<tr>
<td>AgPER</td>
<td>Agricultural Public Expenditure Review Toolkit</td>
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<tr>
<td>AMIS</td>
<td>Agricultural Market Information System</td>
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<td>ASTI</td>
<td>Agricultural Science and Technology Indicators</td>
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<td>CCBT</td>
<td>Climate Change Budget Tagging</td>
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<td>CRS</td>
<td>Creditor Reporting System</td>
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<td>DAC</td>
<td>Development Assistance Committee</td>
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<td>DFA</td>
<td>Development Finance Assessment</td>
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<td>DFI</td>
<td>Development Finance Institution</td>
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<td>DFS</td>
<td>Digital Financial Services</td>
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<td>DRA</td>
<td>Disaster Risk Assessment</td>
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<td>FAO</td>
<td>Food and Agricultural Organization of the United Nations</td>
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<td>GAPS</td>
<td>Global Agricultural Perspectives System</td>
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<td>GCF</td>
<td>Green Climate Fund</td>
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<td>GEA</td>
<td>Government Expenditures in Agriculture</td>
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<td>GRBT</td>
<td>Gender Responsive Budget Tagging</td>
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<td>IDS</td>
<td>International Development Statistics</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>IFPRI</td>
<td>International Food Policy Research Institute</td>
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IMPACT International Model for Policy Analysis of Agricultural Commodities and Trade
INFF Integrated National Financing Framework
LDCs Least Developed Countries
MAFAP Monitoring and Analyzing Food and Agricultural Policies
MDB Multilateral Development Bank
MOA Ministry of Agriculture
NBFI Non-Bank Financial Institution
NDB National Development Bank
NGO Non-Governmental Organization
ODA Official Development Assistance
OECD Organization for Economic Cooperation and Development
PARM Platform for Agricultural Risk Management
PPD Public-Private Dialogue
PPD Public-Private Partnership
ReSAKSS Regional Strategic Analysis and Knowledge Support
SDG Sustainable Development Goals
SIDS Small Island Developing States
SPEED Statistics on Public Expenditures for Economic Development
TA Technical Assistance
UNDP United Nations Development Program
UNDRR United Nations Office for Disaster Risk Reduction
1. Introduction

An Integrated National Financing Framework (INFF) helps countries build on existing processes, strategies, and policies to incorporate financing into national planning to achieve national sustainable development priorities (see Box 2). This note provides guidance for financing agriculture. “From ending poverty and hunger to responding to climate change and sustaining the natural resources, food and agriculture lies at the heart of the 2030 Agenda for Sustainable Development”. All people are, to some extent, involved with or dependent on agriculture, relying on a steady and secure supply of food products or earning income from production, processing, or trade of agricultural products. More than one third of the world’s land surface is agricultural land and, worldwide, 27% of total employment is in agriculture, with shares up to 59% in low-income countries and two in three women employed in farming in least developed countries (LDCs).

In developing and emerging countries, agriculture is of large importance, contributing between 10-25% of national GDPs and contributing to domestic food security. While in conflict affected countries food production is often characterized by collapse, famine and dependency on food aid fueling displacement and refugees, Small Island Developing States (SIDS) can be overdependent on imported food prices. These aspects make agriculture a common thread interlinking and holding together the Sustainable Developments Goals (SDGs) with direct impact on SDG 2 (Zero Hunger), a strong impact on SDG 1 (No Poverty) and indirect effects on most other SDGs. Evidence shows that GDP growth originating from agriculture is two to four times more effective in reducing poverty as GDP growth linked to non-agricultural sectors, given the higher incidence of poverty in agricultural and rural populations. Further, research shows that development in agricultural sectors has over-proportionally positive impacts on women and that closing the gender gap in agricultural inputs alone could lift 100-150 million people out of hunger.

Box 1. Who is this note for?

This note is for various public and private stakeholders in agricultural financing, including policymakers, government officials, development partners, and actors in the agriculture sector, who have different mandates and responsibilities and are interested in implementing the INFFs.
Box 2. What is an integrated national financing framework (INFF)?

Integrated national financing frameworks (INFFs) help countries finance their national sustainable development objectives and the Sustainable Development Goals (SDGs).

Through INFFs, countries develop a strategy to mobilise and align financing with all dimensions of sustainability, broaden participation in the design, delivery and monitoring of financing policies, and manage risk.

INFFs are voluntary and country-led. They are embedded within plans and financing structures, enabling gradual improvements and driving innovation in policies, tools and instruments across domestic, international, public and private finance.

Four building blocks can support governments in putting this core approach into practice:

1. **Assessment and diagnostics** (to provide the basis for decision making on financing – i.e. what are the needs, what financing is already available and how it is being used, what are the risks, and what are the underlying obstacles/binding constraints);
2. **Financing strategy** (to guide the design of integrated financing policies and reforms);
3. **Monitoring and review** (to bring together all relevant information, and facilitate transparency, accountability and learning on all things financing);
4. **Governance and coordination** (to ensure institutions and processes required for the formulation and implementation of financing policies are in place and functional).

Note: Global guidance on each of the building blocks can be found at [inff.org](http://inff.org).
Besides a loss of arable land through land degradation, soil erosion and land transformation, the adverse effects of climate change (more frequent drought, floods, and storms) put pressure on agricultural producers, first and foremost agricultural smallholders. Women and children in vulnerable countries are impacted the most. Future food demand is projected to increase by 50% in 2050. Increased financing is needed for productivity and resilience to achieve and maintain food security.

Agriculture Financing is a broad field, including a variety of public and private sources of capital and domestic and international sources of financing. Agriculture sectors often lack funding because of competing calls on public finance and/or inefficient government spending. In addition, sometimes private capital avoids the (perceived) high risk associated with agriculture, the higher transaction costs as compared to other sectors, linked to the high level of informality of smallholders in many countries, and potentially unconducive regulatory and legal environment.

This guidance material complements the global INFF guidance documents, anchored in the 2015 Addis Ababa Action Agenda (AAAA). It is a helping hand to identify and clarify relevant approaches and actions from the INFF for bolstering Agriculture Financing, embedded in country-specific, integrated national efforts. It can serve to enhance policy coherence by strengthening horizontal integration of agriculture policies across financing policy areas, improving vertical integration of agriculture-related national goals and strategies, and enhance overall stakeholder mobilization and coordination for integrated financing policymaking.

The guidance material can support countries to approach existing and emerging topics like green recovery in agriculture by raising and aligning finance and bringing together actors. It highlights entry points for agriculture-related policymakers, Agriculture Financing specialists, development partners and private sector actors to support Agriculture Financing policymaking.
2. Agriculture Financing: an overview

2.1 Agriculture Financing

The term “Agriculture Financing” includes a broad set of public and private financing mechanisms that allocate capital into agricultural sectors in countries and refers to a broad range of public and private stakeholders, mostly from government and the financial sector that have different roles, responsibilities, and mandates (See Table 1).

Table 1. Actors in Agriculture Finance

<table>
<thead>
<tr>
<th>STAKEHOLDER</th>
<th>RESPONSIBILITY</th>
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<tbody>
<tr>
<td><strong>GOVERNMENT</strong></td>
<td></td>
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<tr>
<td>Head of State/Government</td>
<td>Defines policy priorities, objectives, and strategy to finance agriculture.</td>
</tr>
<tr>
<td>Ministry of Finance</td>
<td>Involved in policy and regulatory interventions to create an enabling environment to mobilize Agriculture Financing, e.g., through ensuring coherent commercial legislation. Overall planning of risk reducing policy interventions together with line ministry, e.g., development of effective agricultural insurance policies and products. Steer public expenditures to agriculture, e.g., for input subsidies, extension, irrigation, agricultural research, complementary infrastructure, etc. Possible counterpart for agriculture finance development cooperation. Set-up and oversee National Development Banks (NDBs), mandated to finance agriculture sectors.</td>
</tr>
<tr>
<td>Central Bank</td>
<td>Ensure financial sector and price stability. Develop regulatory framework for private agriculture finance, including insurance provision. Define regulation for NDBs. Possible involvement in public loan or guarantee schemes.</td>
</tr>
<tr>
<td>STAKEHOLDER</td>
<td>RESPONSIBILITY</td>
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</tr>
<tr>
<td><strong>GOVERNMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Ministry of Agriculture (MoA) (and related line ministries)</td>
<td>Define sector priorities. Define sector financing policies. Involved in policy and regulatory interventions to create an enabling environment to mobilize Agriculture Financing, e.g., improving land tenure systems. Advisory role in public loan or guarantee schemes. Possible counterpart for agriculture finance development cooperation. Oversee agricultural NDBs. Supporting provision of structures for agricultural trade and market development.</td>
</tr>
<tr>
<td>National (Agricultural) Development Bank</td>
<td>Engage in (concessional) borrowing from DFIs. Act as wholesale or direct lenders for agriculture. Extend financial services to customers not considered creditworthy by commercial banks.</td>
</tr>
<tr>
<td>Credit Guarantee Institutions (CGIs)</td>
<td>Government intervention to unlock finance for small and medium enterprises (SMEs) and other undeserved segments to formal lending by offering credit guarantees that reduce the risk of non-repayment.</td>
</tr>
<tr>
<td><strong>NON-GOVERNMENT</strong></td>
<td></td>
</tr>
<tr>
<td>Private Commercial Banks</td>
<td>Provide financial services (credit, savings) to agriculture sector actors for financing short-term (working capital) and medium-long term capital (investing capital) needs. Can engage in use of (concessional) public or DFI-funded credit or guarantee schemes directed to agriculture. Promote financial inclusion of agricultural sector actors through provision of accessible financial, mobile banking and agent banking.</td>
</tr>
<tr>
<td>(Re-) Insurers</td>
<td>Insurer offer (climate-related) risk-reducing insurance products for agriculture sector actors. Reinsurer can insure agriculture sector public-private partnerships (PPPs).</td>
</tr>
<tr>
<td>Non-bank Financial Institutions (NBFIs)</td>
<td>Cater underserved agriculture market segments with (micro) credit and non-credit financial services (leasing, factoring, reverse factoring, etc.). Promotion of financial inclusion of agricultural sector actors through provision of accessible financial services.</td>
</tr>
<tr>
<td>Community-based Financial Institutions</td>
<td>User-owned and -operated groups providing mostly saving and credit (less insurance) services to rural agriculture actors and households.</td>
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## Stakeholder Responsibility

### Financial Sector
- **Domestic and Foreign Investors / Impact Investors**
  - Institutional or individual actors providing capital for realization of agriculture projects against an expected return on investment or desired (development) impact.

- **Commodity market participants**
  - Participants in commodity exchange, including brokers and traders, can provide liquidity and are critical partners in risk management.

### Development Partners
- **DFIs / Multilateral Development Banks (MDBs)**
  - Finance agriculture-related private and public sector investments through higher risk loans, equity positions, guarantees and debt securities.

- **International Financing Institutions / (Multilateral Development) Funds**
  - Raise capital for financing, funding and sponsoring initiatives and projects to improve land/water management, rural infrastructure, and capacity building in agriculture (IFAD) or adaptation to climate change in agriculture (GCF, etc.).

- **Development Organizations, NGOs, Philanthropies**
  - Influence Agriculture Financing through providing capital to public institutions for allocation to agricultural sectors or with capacity building and technical assistance (TA).

### Agriculture Sector Actors
- **Farmers / Cooperatives / Agribusinesses / Value Chain Actors**
  - Benefit from improved access to finance for investments in business activities (e.g., production, processing, warehousing, packaging, trading, etc.). Can engage in direct value chain finance, e.g., through product financing, trade credits, input-supplier credits etc.
A variety of Agriculture Financing challenges inhibit sufficient sector capital allocation and growth, respectively a deepening of agriculture finance markets, resulting in persisting financing gaps. Although caused by similar underlying market or policy failures, how and to which extent such challenges manifest strongly depends on country and agriculture sector characteristics and contexts.

They can broadly be categorized:

- **Challenges and gaps on demand and supply sides, e.g.:**
  
a. variance of production, market, and price risks and absence of adequate instruments among policy makers, financial institutions, and private sector actors to manage these risks
b. shortfalls in demand due to fragmentation and incipient development of agricultural value chains
c. lack of expertise of policymakers and financial institutions in agricultural finance
d. information asymmetry between financial institutions and target clients, lack of credit history and scarcity of financial products
e. climate risks in agriculture portfolios
f. lack of access to finance and availability of common financing infrastructure to smallholder farmers, e.g., young entrepreneurs and agribusinesses
g. scarcity of collateral and scarcity of financial products accepting alternative collateral (such as livestock)
h. financial education gaps and weak business skills among smallholder farmers and agribusinesses

- **Failures and limitations in the enabling environment, e.g.:**
  
a. inadequate or ineffective policies, regulations, public initiatives, and public financing facilities limiting development and implementation of suitable financial services or targeted investment
b. structural inequalities, creating unequal access barriers, e.g., for women, youth, distinct social and cultural groups

- **Shortfalls in the required infrastructure, e.g.:**
  
a. inadequate or ineffective policies and regulations limiting development and implementation of suitable financial services or targeted investment
b. non-existence of collateral registries
c. structural inequalities, creating unequal access barriers, e.g., for women
d. technology limitations affecting accessibility of digital financial services (DFS).
2.2 Benefits of INFF for Agriculture Financing

There are strong incentives for governments to optimize their Agriculture Financing and exploit synergies between Agriculture Finance and national sustainable development priorities. 25% of countries developing INFFs have used them to strengthen financing of agriculture. Benefits include increased mobilization of financing for agriculture from public and private sources, strengthened resilience of the Agriculture Financing system against shocks and overall improved coherence across strategy, policymaking, and implementation:

- By acting as platform for collaboration between public and private actors, to foster understanding across specific sectors, strengthen policy accountability and attract investment.
- Through identification of different types of finance relevant to agriculture and alignment of finance with national development strategies and development plans and agriculture-specific or agriculture-relevant strategies.
- With supporting dialogue mechanisms to overcome regulatory/policymaking silos, to enhance coherence across agriculture sector specific financing policies and national financing policies.
- By strengthening Agriculture Financing information for evidence-based policymaking, risk management and articulation of support needs to the international community, through structured assessments, integration of existing data sources, and use of most relevant tools.

The INFF approach can be a way to integrate emerging priorities and transversal policy objectives, such as the promotion of gender equality and economic empowerment of women, the promotion of green recovery after the Covid-19 pandemic and the adaptation to climate change (see Box 3).
3. Applying an INFF to boost Agriculture Financing

An INFF is based on the premise that countries do not start from scratch – all countries have policies and institutional arrangements on financing in place. Many of the parts of the INFF would likely be done by some officials at some point in their own processes, albeit not in a systematic, cohesive, and integrated way, which is what the INFF aims to do. The key is to identify which part of the existing system would be the best to build on and to avoid creating a parallel process.

The INFF building blocks are not meant to be sequential nor prescriptive. It can and should be tailored to the country context. The following sections provide an overview how the INFF methodology can be applied to boost agriculture financing.
3.1 Assessment and Diagnostics

Building Block 1.1 Financing Needs Assessment
Purpose of Building Block 1 is to establish a clear picture of demand and supply sides of Agriculture Financing, determine any gaps, and identify risks and bottlenecks related to the mobilization and use of Agriculture Financing. During the INFF Inception Phase, stakeholders may conduct a stocktaking of existing data, information and assessments which can help to articulate the need for more in-depth assessments under Building Block 1. This could include the UNDP Development Finance Assessments (DFA), or dedicated Agriculture Finance Diagnostics. Integrating a broad set of stakeholder perspectives is crucial for the process. Box 4 introduces guiding assessment principles:

Box 4. Guiding Principles for Assessments and Diagnostics under the INFF

- Consider all sources of finance relevant
- Build on an integrated and cross-sectoral understanding of synergies and trade-offs
- Include a variety of stakeholders to gather different perspectives and information
- Acknowledge importance of regular assessments to capture changes

Developing coherent financing strategies and defining financing priorities requires an understanding of expected costs. The INFF global guidance provides a step-by-step process to approach financing needs assessment. The cost assessment exercises can integrate estimations for agriculture using different methodologies depending on whether the cost estimation shall serve short-medium term operational planning and budgeting or longer-term strategic planning. Additional costing exercises may not be needed in case there are already (regular/periodic) costing mechanisms in place that provide information on financing needs for agriculture. It is important to mitigate any negative impacts on vulnerable populations by costing exercises that integrate all dimensions of sustainable development and consider flexible scenarios and risks to leave no one behind and reduce disaster, climatic and environmental shocks. The substantial financing needs of agriculture and close sector inter-linkages, call for the use of costing tools that harness synergies by minimizing duplication and maximizing efficiencies across sectors and outcome areas, and support prioritization. Tools like the SDG Interlinkages Analysis & Visualization Tool (see Box 5) can facilitate the process.
Box 5. Synergies & Trade-Offs Between Agriculture-Relevant SDGs in India

Assessing interlinkages, synergies and trade-offs between SDGs can make agriculture-related costing exercises more reality-proof, efficient and effective.

For the exemplary case of India, the SDG Interlinkages Analysis & Visualization Tool displays interlinkages between the most agriculture-relevant SDG 2 (Zero Hunger) and SDG 1 (No Poverty), and its sub-targets. Trade-offs are marked in red, synergies in black, while the thickness of arrows indicates the strength of the linear relationship. **Target 2.a** aims at increasing investment and allocating capital to agriculture and includes an index for government expenditures and total official flows to agriculture. In India, strong synergies between **target 2.a** and most SDG 1 sub-targets, particularly **sub-target 2.3** (double agricultural productivity) are apparent. Hence, costing exercises should consider these, just like the prevalent trade-offs with **sub-targets 1.a** (create pro-poor policy frameworks) and with **sub-target 2.4** (build sustainable food production systems). Particularly the relation between **2.a** and **2.4** hints towards the trade-offs between intensification and sustainability in agriculture.
Before implementing additional costing exercises, it is necessary to define the scope and purpose. Stakeholders must define whether costing exercise shall target a specific agriculture project or program, e.g., a specific input subsidy scheme, a sector development or transformation plan, a specific development outcome, e.g., achievement of SDG 2 (Zero Hunger) or an entire national development plan. Depending on the defined target, stakeholders can decide on a national/subnational scale of the agriculture costing exercise, select stakeholders to be involved (Ministry of Finance, Ministry of Agriculture, National (Agricultural) Statistical Office, Central Banks, NDBs, Development Partner, etc.). The stakeholders must ensure the availability of required resources.

Stakeholders can apply different methodologies to estimate agriculture-related costs, using insights and knowledge from stakeholders, existing systems, and processes. Costing methodologies are selected based on the envisaged scope and considering technical stakeholder capacities and availability of assessments and data, stakeholders. This includes input unit prices (Bottom-Up Unit Cost Approach), for instance prices for agricultural inputs, historical data (Historical Cost Trends Approach) or peer country data (Top-Down Unit Cost Approaches), all having advantages and limitations. For agriculture-related operational budgeting, Bottom-Up Unit Cost Approach can be practical given the existence of good quality reference values for unit costs in agriculture and proven production functions.

For macro-level estimates of cost for long-term planning and target setting in agriculture, modelling methodologies can produce future-looking scenario estimates to complement other costing techniques, e.g.,

- **Global Agriculture Perspectives System (GAPS) Model** – Food and Agriculture Organization of the United Nations (FAO): GAPS is a self-contained model, which specifies demand and supply for agricultural and food commodities with global coverage and detail for low and middle-income countries. It is shaped around data from the Statistical Service of FAO (FAOSTAT) on production and commodity balance sheets, which enables a detailed specification of agricultural and food commodities.

- **International Model for Policy Analysis of Agricultural Commodities and Trade (IMPACT)** – International Food Policy Research Institute (IFPRI): The IMPACT model is a network of linked economics, water, and crop models. A partial equilibrium multi-market economic model, which simulates national and international agricultural markets, is at the model’s core. The links to water and crop models support the integrated analysis of changing environmental, biophysical, and socioeconomic trends, allowing for in-depth analysis of a variety of critical issues of interest to policymakers at national, regional, and global levels.
**Building Block 1.2 Financing Landscape Assessment**

Assessing the Agriculture Financing landscape is crucial to determining financing gaps and identifying potential problem areas and unexploited opportunities. Collaborative assessments have the potential to mobilize Agriculture Financing stakeholders across functions and sub-sectors, triggering cooperation towards shared objectives.

Different methodologies exist to analyze sources, types, and volumes of existing Agriculture Financing in a country, either as part of holistic assessments or sector-specific diagnostics. In both cases, assessments will include sources of public, private, domestic, and foreign financing. Public financing to be looked at includes government revenues and taxation, public expenditure and investments, public borrowing, development cooperation, and Official Development Aid (ODA). Additionally, assessments analyze domestic bank lending and private financing towards agriculture, including domestic and foreign direct investments, portfolio investments, impact investments, remittances and philanthropic financing.

Under an INFF, stakeholders can look at agriculture integrated into comprehensive national assessments. Assessments can follow the structured INFF approach\(^1\), similarly also applied by UNDP DFAs:

- Compiling data from existing sources and a variety of stakeholders.
- Developing an aggregate assessment of the financing landscape.
- Analyzing the allocation and use of financing and link to sustainable development outcomes.
- Linking findings to other assessments and diagnostic exercises, for instance specific to agriculture.

The INFF financing landscape assessment methodology puts additional emphasis on analyzing the sustainability of different types of financing in addition to volumes and allocation trends, facilitating the identification of risks and constraints to a country’s Agriculture Financing. National financing landscape assessments can prioritize agriculture while setting the sector in a holistic, national perspective. They can also provide starting points for further sectoral disaggregation and assessment.

A variety of tools to identify and gather agriculture-relevant information exist and these can feed into holistic financing landscape assessments.

Assessing the allocation of available public funds and private financing against the agriculture-relevant development objectives and outcome areas, the previously established cost estimates can facilitate the identification of Agriculture Financing gaps and options to fill these. For determining public spending in agriculture, useful tools include the Agriculture Public Expenditure Analysis, where possible making use of information from Gender Responsive Budget Tagging (GRBT) and Climate Change Budget (CCBT) tagging for agriculture. Given the high importance of agriculture for economic empowerment of women and climate change adaptation and mitigation Governments increasingly adopt such approaches (Box 6).
Depending on national priorities, countries can engage in agriculture sector specific assessments (Box 7). These can further detail sector-relevant aspects, for instance available financing volumes and financing flows disaggregated per agricultural sub-sector or activity (e.g., primary production, agricultural processing, etc.). Given the over proportional importance of agriculture for women’s livelihoods and the strong connection of agriculture with climate change adaptation and mitigation, use of CCBT and GRBT in agriculture sector budgeting can facilitate targeted monitoring and review of public expenditures. Nepal, for example, introduced CCBT and GRBT in a sequenced way to integrate climate change and gender considerations in national budget planning and monitoring to reach national development objectives. In 2019, supported by UNDP and FAO, the government of Nepal developed an Agriculture Sector Typology and classification of the sector’s climate relevant tasks, which can be linked to budget positions to make budgeting more accurate and to target public expenditures. Climate coding is now being expanded beyond agriculture to other sectors, such as energy and water resources.

Box 6. Country Case Study – Budget Tagging in Agriculture Nepal

Numerous countries have adopted approaches for CCBT and GRBT to identify, measure and monitor climate-relevant and gender-relevant public expenditure. The scope and coverage of budget tagging initiatives can be tailored to country priorities and circumstances. Given the over proportional importance of agriculture for women’s livelihoods and the strong connection of agriculture with climate change adaptation and mitigation, use of CCBT and GRBT in agriculture sector budgeting can facilitate targeted monitoring and review of public expenditures. Nepal, for example, introduced CCBT and GRBT in a sequenced way to integrate climate change and gender considerations in national budget planning and monitoring to reach national development objectives. In 2019, supported by UNDP and FAO, the government of Nepal developed an Agriculture Sector Typology and classification of the sector’s climate relevant tasks, which can be linked to budget positions to make budgeting more accurate and to target public expenditures. Climate coding is now being expanded beyond agriculture to other sectors, such as energy and water resources.

Depending on national priorities, countries can engage in agriculture sector specific assessments (Box 7). These can further detail sector-relevant aspects, for instance available financing volumes and financing flows disaggregated per agricultural sub-sector or activity (e.g., primary production, agricultural processing, etc.). Given the importance of private sources of financing in agriculture, sector-specific exercises can help to create an exhaustive informational basis on private lending to agriculture, including borrowing behavior and credit sources, availability, and accessibility of agriculture-adapted financial (and non-financial) credit or insurance services, trends and composition of agricultural loan portfolios or agricultural loan performance, as well as FDI, portfolio investment, remittances, and philanthropic financing. Assessments can also highlight gender gaps and patterns in accessing and using finance and prevalence of digital financial services (DFS) and mobile banking in agriculture.

Independent of the chosen methodology, stakeholders draw data and information from a variety of actors relevant to Agriculture Financing (see Table 1) and make use of existing national and international databases, informational sources, and existing tools.
Most national and international sources integrate agriculture as a sector. The OECD Development Assistance Committee (DAC) provides sectoral disaggregation of international public finance and ODA for agriculture. The Global Findex also provides data on payment situations for agricultural products specifically. Some countries have dedicated National Agricultural Statistical Offices, which can be a highly relevant resource.

All findings of Agriculture Financing related assessments and diagnostics conducted as part of the financing landscape assessments, subsequently inform other INFF building blocks, by:

- **Flagging risks** (Building Block 1.3), e.g., high dependence of Agriculture Financing on public expenditures or ODA, or inefficiencies in mobilization or allocation of financing.
- **Hinting towards potential binding constraints** (Building Block 1.4), e.g., lower direct investment to agriculture as compared to other sectors because of hindering regulatory/legal environments or high non-performing loan rates in agricultural lending keeping private financial institutions from allocating funds to the sector.
- **Identifying opportunities** (Building Block 2), e.g., risk sharing instruments to support the agribusiness sector to take forward when drafting a financing strategy.

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**Box 7. Country Case Study – Agriculture Finance Diagnostics Vietnam**

To understand demand, supply, and bottlenecks towards financing the implementation of agricultural development and agricultural transformation plans and strategies, national governments can conduct dedicated Agricultural Finance Diagnostics. Where these or similar assessments already exist, they can feed into the Agriculture Financing landscape assessments and integrated financing strategy development in INFFs. In 2018, under its Financial Inclusion Support Framework, the World Bank supported the Vietnamese government to conduct a fully-fledged Agriculture Finance Diagnostic to support the national Agricultural Restructuring Plan for sector modernization and development. The Diagnostic included a structured analysis of the Agriculture Financing landscape, an assessment of suppliers, types and mechanisms of financing agriculture and key public sector instruments for Agriculture Financing. Public sector instruments, including tax incentives, financial sector policies aiming at increasing domestic lending to agribusinesses (e.g., interest rate caps, interest rate subsidy, collateral requirements) and public risk management instruments (guarantees, insurance schemes) were analyzed for its efficiency. The Diagnostic could identify financing gaps and key constraints and challenges to Agriculture Financing and, hence, develop a first set of recommendations to feed into Vietnam's Agriculture Financing strategy development.
Building Block 1.3 Risk Assessment

Well-informed, prioritized, and coherent policies that ensure risk-resilient financing require a thorough understanding of risks to agriculture and Agriculture Financing. In agriculture, risks are inherent and ubiquitous, with potentially strong consequences for stakeholders, putting pressure on governments and limiting allocation of private capital to the sector.

Risks can affect a country’s ability to finance development objectives, through both public and private funding. In general, there are risks that directly affect a country’s ability to finance agriculture by limiting its revenues, hence resources for public spending, or its ability to lend capital from international financial markets, for instance macroeconomic, political, or exogenous shocks. In addition, a variety of risks threaten agriculture production and agricultural value chain activities, potentially destroying or limiting economic and social returns on capital allocated to the sector, hence limiting sector investment, and representing risks to a country’s Agriculture Financing:

- **Economic risks** include adverse price movements on commodity markets, drops in output prices or unanticipated increases in production costs (e.g., fuel expenses), financial sector/banking crisis leading to decreasing lending to agriculture, credit risk due to a high degree of informality and/or information asymmetry, as well as overall unfavorable economic market conditions (e.g., strong inflation).
- **Non-economic risks** refer to agricultural production risks, including weather-related risks (climate change, drought, hail damage, flooding, frosts, and unseasonal weather), adverse climate change effects and crop destroying pests and diseases, political and regulatory risks, including political stability, security or changes in governments and legal/regulatory environment, and institutional risks like elite capture and embezzlement.

These risks create barriers for specific groups to receive agricultural financing and increase the volatility of financial returns. For example, formal financial institutions are discouraged from providing financial services to SMEs, smallholder farmers and women. The fluctuating output and input prices also add to uncertainty and market risks, impacting lenders’ payback ability. Changing policy interventions in areas like tariff and interest rate caps further constitutes political risks that can increase transaction costs.

The INFF global guidance for Building Block 1.3 suggests a step-by-step approach to comprehensive risk assessment, which helps identify opportunities and determine prioritization of national strategies. Agriculture’s susceptibility to various risks, combined with the massive economic and socio-cultural importance of agriculture in many countries, make it central to understanding a country’s risk landscape and drawing out the risks and vulnerabilities. In this process, stakeholders should consider risks related to particular type of finance options flagged in the financing landscape (Building Block 1.2) as well as existing or ongoing risk assessments to draw information from. The INFF approach proposes several tools to help to identify the most costly risks, depending on potential severity of damage and probability of occurrence.
These include National Disaster Risk Assessments (UNDRR) widely used to build an informational basis for disaster risk reduction planning for agricultural sectors across local, sub-national, national, and regional levels. They include the identification of hazards in a country, a review of the technical characteristics of hazards such as their location, intensity, frequency and probability and the analysis of exposure and vulnerability, including the physical, social, and health, environmental and economic dimensions. They also evaluate the effectiveness of prevailing and alternative coping capacities with respect to likely risk scenarios. The World Bank also developed Agricultural Sector Risk Assessments (see Box 8) that follows four main steps from risk identification to risk quantification, risk prioritization and prioritization of risk management solutions.

**Box 8 Country Case Study – Agricultural Risk Assessments Tajikistan**

The World Bank’s conceptual framework for Agricultural Risk Management looks at risk from an integrated perspective. The framework views Agricultural Sector Risk Assessment (ASRA) as a tool to help policymakers and development partners understand risk exposure, categorize, and prioritize risks and to provide the basis for developing appropriate risk management solutions. ASRA is devised to support broader sector strategy formulation efforts and the identification and formulation of proposals for investment, capacity building and policy and regulatory reforms. In collaboration with Tajikistan’s government and based on a growing understanding for increasing risks in the country’s agricultural sector, in 2016, a comprehensive ASRA was conducted, including three phases.

1. Identified and prioritized systemic risks for production, markets, enabling environment, and public sector support to agriculture.
2. Focus on showing potential solutions, strategies, and instruments, most effective in reducing major risks, including public investments and ODA and technical assistance, and how to scale up these instruments.
3. Support for the public sector to develop a systematic agricultural risk management plan.

Tajikistan has completed a rapid DFA under an INFF, touching upon Agriculture Financing, and anchored the INFF in its National Development Strategy for 2016-2030. ASRA can inform the development of an integrated financing strategy under an INFF.
Knowledge platforms focusing on agricultural risk management exist and may have already performed work on agricultural risk assessments in some countries. They can facilitate access to valuable information, tools, and exchange mechanisms. The Platform for Agricultural Risk Management (PARM) is a G20 initiative under the 2030 Agenda, coordinated by IFAD, which provides a holistic methodology for assessing and managing agricultural risks in developing and emerging countries. It presents evidence on risks and provides useful tools for governmental actors and development partners. It further provides useful resources to integrate gender considerations in agricultural risk assessments, accounting for the impact of gender-based constraints and restrictions towards decision-making processes. It aims at facilitating stakeholder dialogue and integration of agricultural risk considerations into policies and boost investment in agriculture.

Risk assessment informs options that stakeholders can further stipulate and integrate within the development of a coherent financing strategy under Building Block 2. On the macro-level, interventions and reforms safeguard and improve a country’s ability to finance agriculture sufficiently to reach the national sector-related development objectives and ensure financial, market and price stability through macroeconomic, prudential, legal, and regulatory actions. Agriculture-specific policy actions aim at reducing likelihood and impact of agriculture-related risks and policy actions to manage or transfer residual risk, as complete risk mitigation, reduction or transfer is impossible. In this regard, policies can facilitate access to required inputs and tools and incentivize investments in prevention, e.g., through protecting ecosystem services in agriculture, and preparedness, e.g., resilient and climate-smart agricultural practices and business models, research into climate change and pest resistant cultivars irrigation schemes, soil and water conservation and weather infrastructure. Ultimately, coherent policy interventions strengthen the ability to recover, e.g., through insurance schemes, social safety net programs, strategic reserves or livelihood recovery programs.

Policy interventions can result in double-dividends, when risk-reduction, e.g., through investments in climate change adaptation or climate-smart agricultural practices, and capital mobilization are triggered simultaneously, e.g., green bonds. An integrated approach allows governments to identify and articulate support needs to the international community and complement their own risk assessment and management capacity to safeguard the country’s ability to finance agriculture. Risk-related TA initiatives can strengthen national stakeholders’ risk assessment capacities through feasibility studies or capacity building on existing tools and modelling approaches. Further, they can enhance government’s ability to manage price risks or develop and implement comprehensive agricultural information systems.

Building Block 1.4 Binding Constraints
The binding constraints diagnostics identifies and formulates critical bottlenecks impeding country’s ability to finance agriculture-related development objectives. Previous sections identified and quantified gaps in and risks to Agriculture Financing and have hinted to the problem areas underlying persisting financing gaps or keeping policy solutions from success. Based on these, policymakers can engage in structured dialogues with all relevant stakeholders to verify and validate the information and co-generate options to address them. Input from private sector actors, including financial and agricultural sector stakeholders is key. Binding constraints in Agriculture Financing can include:
• Macroeconomic concerns, political instability, and security concerns, limiting a country’s ability to generate tax revenue and take up debts on international financial markets.
• Inefficient taxation of agriculture, resulting in foregone tax revenue while not attaining a desired income increase or innovation adoption or leading to inadvertent consequences for environmental sustainability.
• Lack of financial and commodity market stability leading to increased financial, market and price risks for producers, value chain actors and financial institutions, hence limiting sector investment.
• Regulatory shortcomings limiting capital allocation to and financial product development for agriculture, including prudential regulation adversely affecting lending to agriculture, absence of financing frameworks for receivables finance like (reverse) factoring, lack of incentives for financial innovation and digital platforms for Agriculture Financing, etc.
• Limited lending by private financial institutions to agriculture sectors due to the high transaction costs and infrastructure concerns, (perceived) high and diverse risk and required efforts to manage these risks, technical capacity gaps, unclear land governance, lack of gender responsive products, strong information asymmetry, lack of collateral on the part of most small-scale agricultural clients, etc.
• Restricted real demand for agricultural financial products due to capacity and information gaps among farmers and agribusinesses, particularly regarding financial and business management, limited availability, and accessibility of tailored financial products and infrastructure, sociocultural environment, etc.

The INFF approach allows contextualizing and weighing the relative importance of the detected bottlenecks within the agriculture sector or across different sectors in a national framework. In a collaborative process, stakeholders can determine the feasibility and costs to address or remove the detected binding constraints or jointly address constraints related to specific target groups, for instance women (see Box 9).
Improvements to some binding constraints could be driven by technology and enabling policies, for instance making financial products more accessible by enabling the use of Digital Financial Services (DFS) and agent networks through the removal of regulatory barriers or removing inefficient and ineffective tax measures. Addressing other binding constraints requires intensive work, e.g., the installment of a national land cadaster system to enable use of land as collateral for lending to agriculture. Hence, policymakers must factor in costs-benefit and political economy considerations of measures to tackle binding constraints in a sequenced and transparent way in an integrated national financing strategy (see Building Block 2). The findings of the binding constraints assessment help to articulate needs to development partners and coordinate work on specific challenges identified, for instance through well-designed TA initiatives to build supply and demand side capacities, enhance financial education or strengthen the regulatory environment.

Box 9. Binding Constraints for Financing of Economic Empowerment of Women in Agriculture

- Sociocultural constraints, e.g., social norms that disengage women from formal financial institutions
- Lack of gender-related indicators anchored in public budget-making inhibits effective allocation, utilization, and accounting for public agriculture budget for economic empowerment of women in agriculture
- Non-prioritization of women-friendly interventions (e.g., women-friendly farm equipment) in planning and implementation of actions due to limited understanding of the real needs of women in agriculture and/or willingness by (male) policymakers
- Limited women involvement in policymaking, budget process and implementation of interventions in terms of active participation, consultations, and use of sex-disaggregated data
- Information gaps, hence limited ability for women to hold policymakers accountable
- Poor design and implementation of services (extension services or trainings) to benefit women in agriculture equally or specifically
- Financial sector structures and (non-) financial products not adapted to the needs and realities of women in agriculture (e.g., limited ownership and control over larger assets such as land leads to lack of collateral, accessibility and working hours of branches incompatible with household work, etc.)
3.2 Financing Strategy

The financing strategy is at the heart of the INFF. It brings together existing policies and institutional structures in support of financing national agriculture plans. While countries typically do formulate agriculture needs as part of national or sectoral development plans, these often lack associated financing strategies. INFFs can help formulate agriculture specific financing strategies which ensure that financing policies, instruments, and regulatory frameworks from across different areas are coherent, sustainable, and risk informed.

The INFF global guidance defines a step-by-step approach to formulating financing strategies. Formulating an integrated financing strategy involves bringing together a broad set of stakeholders involved and invested in agriculture, as well as other sectors and policy areas.

Integrated national financing strategies can consider a balance of quick wins and medium/long-term interventions. The interventions can be based on (peer-country) good practices to foster national ownership and increase the success of implementation. Strategies can consider interventions and instruments aiming at enhancing Domestic Revenue Mobilization (DRM), mobilizing additional public and private capital, improving the systemic conditions for Agriculture Financing, and ensuring effective and targeted allocation of funds to agriculture. Whereas some interventions translate into concrete government actions or legislative reforms, e.g., the introduction of targeted tax incentives, others are part of more holistic, intertwined policymaking efforts. INFFs help policymakers consider costs and trade-offs of potential interventions and instruments and ensure resources and capacities are available among required partners. Table 2 gives an overview of policy interventions and instruments in Agriculture Financing:
Table 2. Policy Interventions and Instruments Relevant to Agriculture Financing

<table>
<thead>
<tr>
<th>FIELD</th>
<th>INTERVENTION AREA</th>
<th>INSTRUMENT / INTERVENTION</th>
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</thead>
</table>
|       | Public revenue / Taxation | • Efficient taxation of agriculture to increase national tax revenues from agriculture (e.g., through formalized income tax on farm-based activities, presumptive taxes that approximate farm income through physical farm features, trade or “Cess” taxes and fees on agricultural marketing and trade)  
• Increase formal employment in agriculture to broaden the taxpayer base, improve access to formal financial services and improve data accuracy for accurate revenue assessments  
• Use taxation of imports/exports of agri-food products (e.g., export tax, import tariffs)  
• Targeted tax incentives for investment in innovation (in capital goods or research and development) towards reaching higher productivity and achieving greater resilience (green recovery, climate change adaptation), e.g., through tax credits or investment allowances  
• Tax exemptions (VAT or customs alleviations) for agricultural machinery or equipment |
| Public Finance | Public borrowing | • Agriculture-dedicated concessional international borrowing (e.g., from DFIs, MDBs), at interest rates below those available for the country on the financial market or by grace periods  
• Sovereign and sub-sovereign international borrowing for agriculture, e.g., from multilateral organizations like the International Monetary Fund (IMF)  
• Agriculture-relevant thematic bonds (e.g., Green Bonds, Impact Bonds etc.) |
| Development Cooperation | | • Direct budgetary support dedicated to financing agriculture  
• TA to strengthen capacities of public institutions, financial institutions, and agriculture sector actors  
• Grants to (co-) fund agriculture sector programs, investment projects and business development  
• Concessional loans through NDBs or commercial financial institutions dedicated to agriculture  
• Blended finance, using development finance, both concessional and non-concessional, and private capital, e.g., from local financial institutions, (and targeted TA) to adjust risk-return levels and incentivize financing of agriculture or specific fields in agriculture, e.g., Women in agriculture, SMEs  
• Coordination and knowledge exchange platforms |
<table>
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<tr>
<th>FIELD</th>
<th>INTERVENTION AREA</th>
<th>INSTRUMENT / INTERVENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public expenditure</td>
<td></td>
<td>• Agricultural input subsidy schemes (e.g., for fertilizers)</td>
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<td></td>
<td></td>
<td>• Agricultural insurance subsidies to overcome market failures and externalities constraining the development of privately provided, unsubsidized insurance and broader social purposes</td>
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<td></td>
<td></td>
<td>• Provision of public extension services, farmer/agribusiness support centers etc.</td>
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<tr>
<td></td>
<td></td>
<td>• Guaranteeing staple crop floor prices or purchase of excess crops to stabilize crop prices</td>
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<tr>
<td></td>
<td></td>
<td>• Public funds, in particular SME funds, that offer funding to businesses and individual</td>
</tr>
<tr>
<td>Public Finance and blended finance</td>
<td>Public investment</td>
<td>• Concessional finance for agriculture, e.g., through (agricultural) NDBs, via funded instruments, including types of concessional debt (e.g., working capital loans, lease finance, microfinance loans, subordinated debt) and unfunded instruments, such as risk mitigation tools (e.g., guarantees, first-loss risk covers etc.)</td>
</tr>
<tr>
<td></td>
<td>and blended finance</td>
<td>• Equity investments in agriculture, including concessional equity and quasi-equity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Blended finance, using development finance, both concessional and non-concessional, and private capital, e.g., from local financial institutions, (and targeted TA) to adjust risk-return levels and incentivize financing of agriculture or specific fields in agriculture, e.g., Women in agriculture, SMEs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Agriculture PPPs, linking private business, government and civil society actors for pooling resources needed for and minimizing risks associated with investments in agriculture</td>
</tr>
<tr>
<td>Commercial Private Finance and Investment</td>
<td>Commercial</td>
<td>• Actions ensuring soundness, stability, and transparency of legal and regulatory environment</td>
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<tr>
<td></td>
<td>private &amp; impact investment (domestic &amp; foreign)</td>
<td>• Public-private resource pooling and risk-sharing for agriculture investments (PPP, blended finance)</td>
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<td></td>
<td></td>
<td>• SDG investment opportunity mapping, reporting and monitoring standard development, targeted promotion to investors both local and international</td>
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<tr>
<td></td>
<td></td>
<td>• Agricultural insurance schemes, bundled with agricultural credit products, to reduce risks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Tax incentives for investments contributing to achieving national development goals in agriculture</td>
</tr>
</tbody>
</table>
### Macroeconomic and Systemic Conditions

<table>
<thead>
<tr>
<th>FIELD</th>
<th>INTERVENTION AREA</th>
<th>INSTRUMENT / INTERVENTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial System</td>
<td></td>
<td>• Protect safety and soundness of financial system, payment systems and deposits</td>
</tr>
<tr>
<td>Financial sector regulation / Financial System Development</td>
<td></td>
<td>• Agricultural-lending relevant regulations, e.g., interest rate caps, collateral requirement limits, bank branch expansion, agriculture lending quotas, agent banking, DFS, FinTech, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Frameworks for value chain/ receivables finance, e.g., warehouse receipt finance, leasing, factoring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Commodity market development including the setup of regulated commodities exchange, dealers, futures contracts, clearing and risk management, warehousing and logistics etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Financial inclusion policies facilitating access to formal financial sector for smallholders</td>
</tr>
<tr>
<td>Illicit Financial Flows</td>
<td></td>
<td>• KYC/ AML</td>
</tr>
</tbody>
</table>

Countries can leverage existing frameworks, e.g., Medium Term Revenue Strategies (where they exist) to strengthen coherence between policy areas and Agriculture Financing policy measures. Agriculture Financing policy incoherence can adversely affect the achievement of SDGs. For instance, there is a trade-off between enhancing agricultural production through increased distribution of subsidized fertilizer and ensuring environmental sustainability regarding soil and water sources conservation (see Table 3). As described in the INFF global guidance on Building Block 2, coherence checks help align financing policies with national development goals and highlight any unintended consequences that must be considered. Assessing each policy intervention for coherence, sustainability as well as risks and considering preconditions, both institutional as well as procedural, and resource requirements will help narrow down the form that specific policies will take.
Table 3. Examples of Agriculture Financing Policy Trade Offs and Corrective Measures

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>TRADE-OFF</th>
<th>CORRECTIVE MEASURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision of incentives for investments in large-scale agricultural</td>
<td>Risk of reduced food security, e.g., through exported agricultural products, and negative environmental and social impacts of large-scale agriculture</td>
<td>Accompany investment promotion measures with actions on legal and regulatory framework, e.g., an improvement in contractual framework for large-scale land leases, including provisions for limited export of staple crops, integration of smallholder farmers through contract farming, environmental and social standards, etc.</td>
</tr>
<tr>
<td>Provision of incentives for investments in large-scale agricultural</td>
<td>High foregone tax revenues through implicit subsidies, e.g., through preferred allocation of rationed foreign exchange for mechanical inputs or accelerated depreciation provisions.</td>
<td>Use the measures for targeted support to boost underserved priority sectors, crops, or regions only. Ensure that smaller farmers have access to subsidized mechanization services through promotion and regulation of financial products like leasing or incentivizing provision of mechanization services via service providers.</td>
</tr>
<tr>
<td>Provision of incentives for investments in large-scale agricultural</td>
<td>Increased use of agrochemicals may result in pollution and degradation of soil, water and air. Agriculture intensification can result in more emissions, loss of habitat/biodiversity, again resulting in loss of ecosystem services.</td>
<td>To benefit from positive effects, e.g., maintenance of soil fertility, or a temporary boosting of priority crop, couple input subsidy schemes with extension services and capacity building, particularly regarding sustainable agricultural practices and climate-smart agriculture and reduce existing disincentives caused by taxing or pricing policies.</td>
</tr>
<tr>
<td>Public subsidy schemes for increased productivity of smallholder farmers, e.g., for inputs, fertilizers, pesticides</td>
<td>Substantial public expenditures for inputs results in less fiscal space for other actions needed.</td>
<td>Install limits in terms of time and scope for subsidy schemes and accompany them with measures to overcome the underlying market failures, like improvement of land title systems or development of collateral registries to improve access to finance.</td>
</tr>
</tbody>
</table>
Introduce more open and flexible regulatory framework for the financial sector to offer the financial products needed for the agricultural sector.  

Potential abuses by financial institutions, such as offering unduly high rates or taking excessive risks with agriculture sector actors’ savings or agricultural investors’ funds.  

Install efficient supervision to ensure regulations and laws are adhered to by financial institutions. Promote insurance products in addition to credit products. Strengthen actions for improved financial education among agriculture sector clients. Install legal and regulatory framework for agriculture-adapted financial products beyond credit and insurance, e.g., warehouse receipt finance.

A range of tools exists to assess the overall suitability of policy options to strengthen Agriculture Financing. For instance, the “Policy Framework for Investment in Agriculture” developed by the OECD, provides guidance in selecting policy measures to increase investment in agriculture. Besides financial sector development, it covers tax policy, investment policy, infrastructure development, trade policy, human resources, research and innovation, risk management, responsible business conduct and environment.

Other tools, like the FAO “Guide on Incentives for Responsible Investment in Agriculture and Food Systems”, can provide additional guidance for policymakers in responsibly integrating Agricultural Financing and agriculture investment promotion measures in coherent national financing strategies. Box 10 introduces an example of INFFs helping with financing instrument innovation and blended financing in agriculture.

**Box 10. Country Case Study – Blended finance pilot in Tanzania**

In July 2021, Tanzania endorsed its third Five Year Development Plan, which will cost $49.9 billion by 2025 and the government cannot cover this cost alone. The INFF is helping Tanzania think outside the box. For the first time, the government launched the INFF at the same time as the National Development Plan to blend traditional sources of finance with alternative sources, e.g. blended finance, blue and green bonds, and social impact bonds, to develop innovative financing instruments and to create spaces for dialogue. Tanzania Agricultural Development Bank in collaboration with UNDP piloted a blended financing instrument. Through a mixture of grants, loans and equity, the government unlocked $8 million across 10 agricultural projects.
Box 11. Embedding INFFs in national development planning and financing policy cycles

INFFs bring together the sustainable development aspirations of national planning systems with the financing policies, regulations, instruments and partnerships that government uses to mobilise, align and create incentives for investment in sustainable development. National plans – whether long- or medium-term national development plans, SDG or NDC action plans, sectoral or thematic strategies – lay out what needs to be financed. Governments use INFFs to determine and deliver a strategy for how these priorities will be financed.

The INFF approach is most impactful if it is embedded within a country’s existing planning and financing policy systems and the institutions that manage them. Given the diversity of the architecture, systems and capacities of planning and financing policy institutions in different contexts, this may look quite different from one country to another.

The following questions can help governments consider how to do this, while at the same time informing the scope of the country’s INFF:

- At which point of the planning cycle is the INFF being introduced? For example, as a plan is being developed, during implementation, or alongside a mid-term review.
- Which processes are used to design, deliver, monitor, learn from and report on national plans, and how will the INFF approach be embedded at each stage in the process?
- How is the financing aspect of the identified plan/strategy going to be strengthened? For example, is it lacking altogether? Is there limited/no understanding of financing needs? Is it focused on public finance alone, and requires more consideration of the roles that different sources of finance could play?
- At which point of relevant financing policy development cycles is the INFF being introduced? For example, at the start of the national budget cycle, as an investment promotion policy is being articulated, during the review of a specific financing policy.
- Which institutions exist to lead and manage implementation and monitoring of the identified national plan? How will they need to evolve to implement the INFF? What capacities exist and may be needed as the INFF develops?
- Which monitoring and review systems exist to track implementation of the identified national plan and ensure learning is fed back to policy design? How is financing treated?
- What key outputs are produced throughout the cycle of planning and financing policies (e.g. annual statements, monitoring reports, open data initiatives) and how could INFF data be incorporated into them?

Note:

1. Scope refers to whether the INFF is going to focus on an entire national development plan or a particular objective/set of objectives therein, as well as whether it is going to focus on all financing policy areas (public, private, macroeconomic) or one/a subset of them.

2. In line with the global guidance on Building Block 4 Governance and Coordination, the term ‘institutions’ here is used in its broader sense, with an emphasis on institutional functions and the organisations, processes and coordinating mechanisms that are in place.
3.3 Monitoring and Review

**Monitoring and review** of agriculture-related financing flows and reforms should build on existing monitoring and review systems at national, sector and sub national levels. It should allow policymakers to assess functionality of interventions and strengthen accountability. Monitoring agriculture-related financing flows includes in particular public revenue and public expenditures on agriculture, policies and reforms geared towards improving Agriculture Financing and private finance flows. Furthermore, it includes monitoring systems for environmental protection, impact of agriculture and social impacts, e.g., impact on women and youth in rural areas. Monitoring happens at different government levels. This includes the Ministry of Agriculture and related agriculture-relevant line ministries, which are crucial for collecting subnational and national information and engaging decentralized structures and existing systems, if in place. Monitoring private financing includes the private sector actors and financial sector regulators.

Public expenditures review tools, investment-tracking systems and policy analysis instruments can help to monitor implementation and effectiveness of interventions agreed on in the integrated national financing strategy. Monitoring of private finance is rather fragmented, hence requires cooperation in monitoring. Stakeholders can source monitoring information, e.g., from:

- regulated financial institutions that must regularly report lending activities per sector, giving an indication of domestic private finance flows to agriculture.
- national investment authorities that track foreign investments directed to agriculture.

Approaches for estimating mobilized private finance in agriculture, for instance with the specific purpose of adaptation to climate finance, can complement the different sources of information.\(^{38}\)

Table 4 presents a broad range of openly available databases, tools and guidelines offered by the international community to facilitate monitoring process of agriculture-related public finance and agricultural policies:
Table 4. Tools for Agriculture Financing-Related Monitoring and Review

<table>
<thead>
<tr>
<th>FIELD</th>
<th>TOOL</th>
<th>DESCRIPTION</th>
<th>INSTITUTION / ACCESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>AgPER – Agricultural Public Expenditure</td>
<td>Practical guide for practitioners carrying out comprehensive AgPERs structured around the Budget Cycle Framework</td>
<td>World Bank</td>
</tr>
<tr>
<td>Public Expenditure</td>
<td>Review Toolkit</td>
<td></td>
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<tr>
<td></td>
<td>ASTI – Agricultural Science and Technology</td>
<td>Provides data, analyses, and outreach to inform policy and investment decisions in agricultural research. Collects data on global public spending in agriculture, mostly in research and development.</td>
<td>IFPRI / CGIAR</td>
</tr>
<tr>
<td></td>
<td>Indicators</td>
<td></td>
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<tr>
<td></td>
<td>BOOST Open Budget Portal</td>
<td>Avails disaggregated micro-fiscal and budget data for 90 countries to policymakers, practitioners, civil society, and researchers. Allows cross-country analysis of public expenditure for agriculture.</td>
<td>World Bank</td>
</tr>
<tr>
<td></td>
<td>GEA – Government Expenditures in Agriculture</td>
<td>FAO collects data on public expenditure on agriculture via annual survey with 190+ countries and sources data from IMF Government Finance Statistics database, country websites and publications.</td>
<td>FAO</td>
</tr>
<tr>
<td></td>
<td>SPEED – Statistics on Public Expenditures</td>
<td>The database aims to provide policymakers, researchers, and the broader development community with the most comprehensive public expenditure information for 164 countries.</td>
<td>IFPRI</td>
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<tr>
<td></td>
<td>for Economic Development</td>
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<tr>
<td></td>
<td>E-learning – Monitoring public expenditure</td>
<td>Technical course on public expenditure on food and agriculture for government officials, economists, and policy analysts with focus on collecting, monitoring, and analyzing public expenditure data.</td>
<td>FAO</td>
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<tr>
<td></td>
<td>on food and agriculture</td>
<td></td>
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</tr>
<tr>
<td>FIELD</td>
<td>TOOL</td>
<td>DESCRIPTION</td>
<td>INSTITUTION / ACCESS</td>
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<tr>
<td>Agriculture Financing Flow Monitoring</td>
<td>IDS Database – International Development Statistics, CRS – Creditor Reporting System</td>
<td>IDS online databases and CRS cover bilateral, multilateral aid ODA, private providers’ aid, and other resource flows and on individual aid activities, sectors, or project descriptions. Query Wizard for International Development Statistics (QWIDS) extracts agriculture specific datasets from OECD databases.</td>
<td>OECD</td>
</tr>
<tr>
<td>Agriculture Financing Flow Monitoring</td>
<td>AGRIMONITOR</td>
<td>Country-level database of public support to Agriculture for Latin American and Caribbean countries for policymakers to monitor agricultural policies and measure support to the sector.</td>
<td>Interamerican Development Bank (IDB)</td>
</tr>
<tr>
<td>Agriculture Policy Monitoring</td>
<td>AMIS – Agricultural Market Information System</td>
<td>Inter-agency platform monitoring markets and policies to avoid market disruptions and damaging policy reactions. AMIS provides methodologies and data and promotes policy dialogue, e.g., through Global Food Market Information Group and Rapid Response Forum.</td>
<td>G20 Initiative (FAO / IFPRI / IFAD/ IGC / OECD / UNCTAD / World Bank / WFP / WTO)</td>
</tr>
<tr>
<td>Agriculture Policy Monitoring</td>
<td>MAFAP – Monitoring &amp; Analyzing Food and Agricultural Policies</td>
<td>Offers data on agricultural public expenditure, on price incentives for agricultural commodities and policy coherence to compare government policy objectives, agricultural public expenditure, and price effects of the policies in place.</td>
<td>FAO</td>
</tr>
<tr>
<td>-</td>
<td>ReSAKSS – Regional Strategic Analysis and Knowledge Support System</td>
<td>ReSAKSS supports efforts to promote evidence- and outcome-based policy planning and implementation by providing agriculture sector data and related analytical and knowledge products to facilitate benchmarking of the Comprehensive Africa Agriculture Development Program (CAADP).</td>
<td>Common Market for Eastern and Southern Africa (COMESA)</td>
</tr>
</tbody>
</table>
Besides information on financing flows, volumes and efficiency of policies, stakeholders also monitor the contribution and impact of Agriculture Financing to the national development objectives. Linking desired development outcomes to the agriculture budget, for instance in CCBT and GRBT, facilitates impact monitoring. Financial institutions’ sustainability reporting in agriculture and climate-related financial disclosure, in the future, is a valuable source of information to assess agriculture financing impact on development goals in more depth.

3.4 Governance & Coordination

Governance and Coordination as part of an INFF refers to the institutions and processes that can facilitate commitment and leadership, sharing of knowledge and perspectives between diverse stakeholders, within and beyond government, and effective coordination among those stakeholders. This includes coordination of donors using existing and strengthened mechanisms adapted to financing the agriculture sector. Top level leadership and commitment include sustained political and technical leadership. Whereas institutions like Ministries of Finance will oversee formulating financing policies (and have a natural oversight role given its fiduciary responsibility for funding), Ministries of Agriculture can take technical, sectoral oversight, support, and coordinative functions. Defining the process and whom to involve starts from the INFF Inception Phase and seeks to address overall questions of governance and coordination.

The INFF global guidance offers tools for stakeholders to assess existence of suitable governance and coordination structures. National governments lead the INFF process with national technical expertise and preferred partners. Hence, already the INFF Inception Phase can be a starting point for engaging senior, technical experts from Ministries of Agriculture, other agriculture-relevant line ministries or public agriculture agencies in the INFF process. Embedding Ministries of Agriculture and other actors within existing and new coordination arrangements can help sustain inclusion of Agriculture Financing aspects in the process and overall enhance coordination among the relevant stakeholders. The broad field of Agriculture Financing and the incorporation of sector-relevant considerations requires the involvement and coordination of a wide range of stakeholders (see Table 1). Governance and coordination is relevant throughout the entire INFF process to ensure coherence across policy areas, broad-based participation, transparency, and accountability.
In many countries, public institutions at all levels will have received capacity development and other support regarding agriculture and, in some cases, Agriculture Financing. Well-articulated policy documents for overall agricultural sector development are found in most countries. The existing capacities and knowledge can be leveraged through Ministries of Agriculture, other relevant line ministries and public agriculture-relevant actors, e.g., NDBs, particularly with agriculture sector financing mandate, sectoral transformation agencies or policy programs and offer valuable perspectives for policies under INFFs. Support can entail drafting sectoral regulatory frameworks, overseeing implementation of sectoral measures, providing access to knowledge, e.g., through National Agricultural Statistics Offices, and supporting coordination within and beyond government. NDBs as important actor in a national financing landscape, potentially even equipped with a specific agriculture sector financing mandate, can be a hinge to integrate agriculture in INFFs. A large variety of coordination mechanisms among public actors already exist\textsuperscript{41}. Notably, most policy coordination structures focus on agriculture policymaking and coordination instead of explicit Agriculture Financing policymaking. Under an INFF, public actors should assess to which extent the existing coordinating bodies consider Agriculture Financing within their mandates and devote time accordingly.

**Box 12. Country Case Study – Public-Private-Dialogue Platforms in Agriculture**  
Sierra Leone\textsuperscript{40}

To strengthen private sector participation in the agriculture sector, Sierra Leone’s Ministry of Agriculture and Forestry (MoAF), initiated a series of dialogues, aiming at boosting the country’s agricultural productivity, exports, and application of climate-smart agriculture practices. From the discussion between the participants, representing government agencies, chambers and sectoral associations and agribusinesses, five issues emerged that the MoAF will take up in its policymaking:

1. **Access to finance**: Set up agricultural NDB and provide incentives for banks to increase lending to agribusinesses.
2. **Land tenure**: To increase agricultural investments, efficient collaboration of private and public sector, a comprehensive registry of land ownership and government clarification on private land ownership conditions is needed.
3. **Mechanization**: Supporting privatization of agricultural mechanization services and incentivizing the uptake of block farming to improve supply chain management and access to technical services.
4. **Agricultural inputs**: Need to enforce existing policy regulations around agricultural input provision and facilitate access to agricultural extension services to train on agricultural inputs.
5. **Duty waivers**: Facilitate duty waivers for agriculture machines/equipment by creating a central one-stop shop.
The important role of the private sector in agriculture finance calls for a significant role for private sector involvement in policy development and coordination. A variety of often well-functioning platforms and exchange mechanisms exist in many countries, which stakeholders can leverage to bring together different actors. Agricultural chamber systems or agricultural public private dialogue fora can be relevant entry doors for advancing engagement of non-state actors under the INFF (see Box 12). Development partners in addition, can leverage existing donor coordination platforms and networks, for instance the Global Platform for Rural Development (GDPRD), to align development funding to the sector and avail knowledge and networks to policymakers. The INFF approach can help Ministries of Agriculture and other public and private agriculture-relevant actors to articulate concrete support needs to development partners to overcome challenges in participation of coherent Agriculture Financing policymaking and implementation and monitoring of policies.
# Annex 1. Summary of Tools Mentioned

<table>
<thead>
<tr>
<th>INFF BUILDING BLOCK</th>
<th>TOOL</th>
<th>DESCRIPTION</th>
<th>INSTITUTION / ACCESS</th>
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<tbody>
<tr>
<td>1. Assessments and diagnostics</td>
<td>GAPS is a self-contained model, which specifies demand and supply for agricultural and food commodities with global coverage and detail for low and middle-income countries. It is shaped around data from the Statistical Service of FAO (FAOSTAT) on production and commodity balance sheets, which enables a detailed specification of agricultural and food commodities.</td>
<td>FAO</td>
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<tr>
<td>1. Assessments and diagnostics</td>
<td>The IMPACT model is a network of linked economics, water, and crop models. A partial equilibrium multi-market economic model, which simulates national and international agricultural markets, is at the model’s core. The links to water and crop models support the integrated analysis of changing environmental, biophysical, and socioeconomic trends, allowing for in-depth analysis on a variety of critical issues of interest to policymakers at national, regional, and global levels.</td>
<td>International Food Policy Research Institute (IFPRI)</td>
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<td>SDG Interlinkages Analysis &amp; Visualisation Tool</td>
<td>To address the existing knowledge gaps and build science-to-policy connections, IGES initiated a project on “SDG Interlinkages and Indicators”, under which a methodology with four steps to identify, quantify and visualise the SDG interlinkages was developed and applied to 27 countries in Asia and Africa. To enable relevant stakeholders to communicate on the potential synergies and trade-offs between the targets, IGES developed the SDG Interlinkages Analysis &amp; Visualisation Tool, a web-based interface with free access.</td>
<td>Institute for Global Environmental Strategies (IGES)</td>
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<td>INFF BUILDING BLOCK</td>
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<tr>
<td>1. Assessments and diagnostics</td>
<td>Practitioners’ Toolkit for Agriculture Public Expenditure Analysis</td>
<td>The toolkit has two goals: to provide checklists for practitioners conducting various kinds of agriculture public expenditure analyses, and to provide selected examples on aspects of the checklist to help guide analysis. The toolkit presents a diversity of approaches and describes experiences both positive and negative in conducting agricultural public spending analyses in different settings and with different objectives. It offers checklists of issues and options, rather than a minimum list of issues to be covered.</td>
<td>World Bank</td>
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<td>Agricultural Sector Risk Assessment (ASRA)</td>
<td>An ASRA is an orderly process to analyze, identify, and prioritize risk, which serves as the basis for the design of risk management strategies.</td>
<td>World Bank</td>
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<td>Platform for Agricultural Risk Management (PARM)</td>
<td>The PARM is a global partnership on Agricultural Risk Management (ARM) for Development. PARM’s mandate is to strengthen agricultural risk management through knowledge sharing and capacity-building activities to improve the human capital of all the stakeholders that can contribute to a better agricultural risk management system, in particular, vulnerable rural households.</td>
<td>G20</td>
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<td>2. Financing strategy</td>
<td>Policy Framework for Investment in Agriculture</td>
<td>The PFIA is a flexible tool which helps governments evaluate their investment policies in the ten areas essential to creating an attractive environment for investors and in enhancing the development benefits of agricultural investment.</td>
<td>OECD</td>
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<tr>
<td>Guide on Incentives for Responsible Investment in Agriculture and Food Systems</td>
<td>The Guide provides policymakers and government technical staff with guidance on how investment incentives can be used (and how they should not be used) to enhance responsible investment in agriculture and food systems. The Guide provides an overview of responsible investment in agriculture and food systems; examines common types of incentives; offers general considerations on how incentives can be used; and discusses how to plan for, design, monitor, and evaluate investment incentives for responsible investment in agriculture and food systems.</td>
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<td>3. Monitoring and review</td>
<td>AgPER – Agricultural Public Expenditure Review Toolkit</td>
<td>Practical guide for practitioners carrying out comprehensive AgPERs structured around the Budget Cycle Framework</td>
<td>World Bank</td>
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<td>ASTI – Agricultural Science and Technology Indicators</td>
<td>Provides data, analyses, and outreach to inform policy and investment decisions in agricultural research. Collects data on global public spending in agriculture, mostly in research and development.</td>
<td>IFPRI / CGIAR</td>
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<td>BOOST Open Budget Portal</td>
<td>Avails disaggregated micro-fiscal and budget data for 90 countries to policymakers, practitioners, civil society, and researchers. Allows cross-country analysis of public expenditure for agriculture.</td>
<td>World Bank</td>
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<td>GEA – Government Expenditures in Agriculture</td>
<td>FAO collects data on public expenditure on agriculture via annual survey with 190+ countries and sources data from IMF Government Finance Statistics database, country websites and publications.</td>
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<td>SPEED – Statistics on Public Expenditures for Economic Development</td>
<td>The database aims to provide policymakers, researchers, and the broader development community with the most comprehensive public expenditure information for 164 countries.</td>
<td>IFPRI</td>
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<td>E-learning – Monitoring public expenditure on food and agriculture</td>
<td>Technical course on public expenditure on food and agriculture for government officials, economists, and policy analysts with focus on collecting, monitoring, and analyzing public expenditure data.</td>
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<td>IDS Database – International Development Statistics CRS – Creditor Reporting System</td>
<td>IDS online databases and CRS cover bilateral, multilateral aid ODA, private providers’ aid, and other resource flows and on individual aid activities, sectors, or project descriptions. Query Wizard for International Development Statistics (QWIDS) extracts agriculture specific datasets from OECD databases.</td>
<td>OECD</td>
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<tr>
<td>3. Monitoring and review</td>
<td>AGRIMONITOR</td>
<td>Country-level database of public support to Agriculture for Latin American and Caribbean countries for policymakers to monitor agricultural policies and measure support to the sector.</td>
<td>Interamerican Development Bank (IDB)</td>
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<td>AMIS – Agricultural Market Information System</td>
<td>Inter-agency platform monitoring markets and policies to avoid market disruptions and damaging policy reactions. AMIS provides methodologies and data and promotes policy dialogue, e.g., through Global Food Market Information Group and Rapid Response Forum.</td>
<td>G20 Initiative (EAO / IFPRI / IFAD / IGC / OECD / UNCTAD / World Bank / WFP / WTO)</td>
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<td>MAFAP – Monitoring &amp; Analyzing Food and Agricultural Policies</td>
<td>Offers data on agricultural public expenditure, on price incentives for agricultural commodities and policy coherence to compare government policy objectives, agricultural public expenditure, and price effects of the policies in place.</td>
<td>FAO</td>
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<td>ReSAKSS – Regional Strategic Analysis and Knowledge Support System</td>
<td>ReSAKSS supports efforts to promote evidence- and outcome-based policy planning and implementation by providing agriculture sector data and related analytical and knowledge products to facilitate benchmarking of the Comprehensive Africa Agriculture Development Program (CAADP).</td>
<td>Common Market for Eastern and Southern Africa (COMESA)</td>
</tr>
<tr>
<td>4. Governance and coordination</td>
<td>Global Donor Platform for Rural Development (GDPRD)</td>
<td>A network of 40 bilateral and multilateral donors, international financial institutions, intergovernmental organizations, foundations, and development agencies. Set up in 2003 following the first High-Level Forum on Aid Effectiveness in 2002, it brings together donors that believe the best way to tackle global poverty and hunger is to develop agriculture, reshape food systems, and invest in rural communities.</td>
<td>IFAD</td>
</tr>
</tbody>
</table>
Endnotes

4 FAO (2011). The State of Food and Agriculture – Women in Agriculture. Closing the Gender Gap for Development
5 See also INFF Deep Dive on Climate Change
6 See also INFF Deep Dive on Development Cooperation
7 FAO (2022). Promoting access to agricultural finance for youth in developing countries
8 See INFF Deep Dive on Infrastructure
10 See Inception Phase process and options for developing an INFF roadmap in the global guidance on the INFF Inception Phase
11 See logical structure and principles in the INFF global guidance on Building Block 1
12 See step-by-step guidance (table 2) in the INFF global guidance on Building Block 1.1
13 IGES. [SDG Interlinkages Analysis & Visualisation Tool](https://www.iges.org/sdg-index/
14 See overview on costing methodologies and tools (Figure 3 & Table 2) in INFF global guidance on Building Block 1.1
15 FAO (2016). The Global Agriculture Perspectives System (GAPS)
16 IFPRI. [Foresight Modeling with IFPRI’s Impact Model](https://www.ifpri.org/)
17 See step-by-step guidance (figure 2) in INFF global guidance on Building Block 1.2
18 UNDP. Climate Budget tagging in Agriculture sector with focus on policies, risks, and gender-based beneficiaries in Nepal
19 See typical data sources for financing landscape assessments (table 2) in INFF global guidance on BB 1.2
21 OECD. [Creditor Reporting System (CRS) - agriculture](https://stats.oecd.org/Index.aspx?DataSetCode=CRS)
22 World Bank. The Global Findex Database 2021
23 See examples of types of risk that can affect a country’s ability to finance sustainable development priorities (table 1) of INFF global guidance on BB 1.3
24 See step-by-step guidance for risk assessments (figure 2) in INFF global guidance on Building Block 1.3
25 UNDRR. Disaster risk assessment
27 World Bank. Planting青蛙es Toolkit for Agriculture Public Expenditure Analysis
28 Financed by European Commission, IFAD, French Development Agency, Italian and German Cooperation.
29 PARM (2019). Gender in agricultural risk management: analytical framework and operational guidelines
30 See step-by-step guidance for binding constraints assessment (figure 1) in INFF global guidance on Building Block 1.4
31 See examples for tools and methodologies to identify prioritize binding constraints (figure 3,4,5) in INFF global guidance on Building Block 1.4
32 See step-by-step guidance for developing integrated financing strategies under an INFF (figure 4) in INFF global guidance on Building Block 2
34 See Step 3 of the suggested approach in the INFF global guidance on Building Block 2
35 OECD. [The Policy Framework for Investment in Agriculture](https://www.oecd.org/development/policy-framework-for-investment/)
36 FAO. [Family Farming Knowledge Platform](https://www.fao.org/family-farming/en/)
37 See Blending finance in Tanzania
38 Climate Policy Initiative (CPI). Estimating mobilized private finance for adaptation: exploring data and methods
39 See governance and coordination self-assessment questions (tables 2-4) from INFF global guidance on Building Block 4
40 Invest Salone. With support from Invest Salone, Sierra Leone’s Ministry of Agriculture and Forestry launches Public-Private Dialogue series to boost private sector participation in agriculture