
SPEECH AT THE IDH 10-YEAR EVENT: THE FUTURE OF SUSTAINABLE TRADE

15 Nov 2018

Ladies and gentlemen,

Last month the world's most important consortium of climate scientists sounded the alarm about an impending crisis. The UN Intergovernmental Panel on Climate Change reported that with an average global temperature rise of two degrees Celsius - unfortunately not a remote possibility - hundreds of millions of livelihoods will be at stake.

With rising temperatures and changes in water regimes, food shortages could intensify in many parts of the world. Some yields, including maize, rice, and wheat will be less productive, and the nutritional value will decrease. Even in Europe, we are experiencing a very poor potato harvest due to a prolonged drought. As a result, potato prices are rising sharply throughout the region, and the food industry is worried about whether they can meet public demand.

According to the UN, the world population will reach 9.1 billion by 2050, up from 7.6 billion today. To feed that many people, global food production will need to grow by 70%.

To meet this demand, we must find ways to give farmers the support they need, particularly smallholder farmers living in emerging economies. They are facing a challenging task: to adapt to the adverse effects of rapid climate change, while at the same time producing even more food. Potential solutions could be: farmers could develop better irrigation systems or use more sophisticated seeds, fertilizer, and information systems.

But to do so, they require access to capital. And this is the challenge I'm asking all of you to take on. Although these smallholder farmers play a vital role in feeding a growing population amidst an unfolding climate crisis, they only receive less than one-sixth of the 200 billion dollars in financing they need.

As the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development, I strive to ensure that these key actors in the agriculture space have access to financial solutions beyond access to capital. These include insurance to mitigate against climate-related disasters and also savings to enhance their family's resilience.

When we look in providing these vital services to farmers, we often note that they are "hard to reach." They tend to live in rural areas and are not financially or digitally literate. Their cash flows are irregular of course, and many have no credit history. For these reasons, many financial services providers have been reluctant to target them as customers.

Numerous agriculture finance initiatives and solutions have been tried across the world. Some were successful, others less so. Many of you here have developed, financed, or invested in cutting-edge technology and business models. Others have drafted and enacted enabling policies. I commend your great work and achievements, but I also urge you to aim for more, given the urgency that we are facing.

We are at a time when business-as-usual is not really an option anymore. To protect our food supply for generations to come, ensure our countries' economic growth, preserve our businesses, and preserve the environment, we must find innovative financial solutions that can be scaled up rapidly.

The task at hand is urgent and complex, but we now have the advantage of rapidly advancing technology and connectivity. We are seeing how valuable data collected by satellites can be used to develop more accurate index-based insurance. Digital platforms are emerging to help farmers manage transactions and access educational tools.

Digitization and technology, however, will be only effective if they address the needs and preferences of customers. The rural digital divide is a persistent challenge. Smallholder farmers historically have lower rates of digital adoption. How can we find a way to bridge this?

We say that farmers are "hard to reach," but their products manage to reach you. These farmers contribute substantially to the 5 trillion dollar global industry of food and agribusiness. Where there is a business case, there is always a way. Your "single origin coffee" is brewed from beans that come all the way from farmers in remote areas, for example Indonesia or Ethiopia. Even your fresh fruits and vegetables may have traveled thousands of miles through complicated supply chains. If they can reach your table, why is it so hard for us to reach them back? What are the channels and who are the actors that make it possible? What data is available in these supply chains? What can we learn and leverage to deliver financial services?

To the financial institutions here today, I encourage you to explore novel ways to partner with agribusinesses, mobile network operators, financial technology companies and others who can help you better understand and reach this massive number of currently underserved customers. Again, activating the supply chain may hold unexpected answers. You can travel to any small village in a war-torn country with no proper roads, and still find a bottle of soda. Can you really use that last-mile delivery channel to reach rural people with financial services as well?

Those of you who work in the food and agribusiness industries have a unique understanding of the wide array of actors in agricultural value chains and of their needs. These channels, networks, insights, and trust that you have established are exactly what financial institutions need as they try to serve these farmers—but they are too often missing. For example, by working together with financial services providers, you can help design and guarantee invoice financing to your farmer suppliers. This is a win-win proposition because increasing the welfare of your partners will help fortify your supply chain.

To support your ongoing efforts to finance agriculture, I have convened a working group that is co-led by IDH. This group brings together experts from agribusinesses, financial institutions, and agricultural finance. Their first objective is to explore how we can use non-financial channels to deliver financial services for smallholder farmers. It is really my hope that the findings can encourage partnerships that will develop new business models and scale up the most effective solutions.

I am honored to join you today at this important event, which also marks the 10-year anniversary of IDH. 10 years of growth, 10 years of making a difference in its field, 10 years of upscaling quality initiatives. The first time I heard about IDH was on a flight from Tanzania, when I met this man Joost Oorthuizen and his passion for his work was so contagious - so here I am. Like all of you probably. I would like to congratulate IDH on this amazing progress.

Thank you.