
DEPARTMENT OF AGRICULTURE, FORESTRY AND FISHERIES

DEVELOPMENT FINANCE COORDINATION

DRAFT PROPOSED FUNDING INITIATIVE

KZNDA Colloquium

16 November 2017

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Introduction

- Provision of finance in the agriculture, forestry and fisheries sector is a challenge
- DAFF developed development finance policy framework to guide the process
- The framework recommended the development of a integrated policy
- The framework also provided a list of possible funding options
- One of the options was a blended options -DAFF adopted the option
- The model is under construction and is not yet approved

Background

- DAFF is providing financial support to smallholder produces through various programmes
- These include grants and loans funding through various institutions
- Impact assessment report shows that these programmes are not adequately achieving desired impact
- Reasons for failure of the programmes include poor coordination of support services
- DAFF is considering measures to improve the effectiveness of these programmes

Measures to improve

Developing a policy on comprehensive smallholder development support

Integrated development finance policy – part of the above policy

Introduction of a blended funding

Introduction of insurance for the sector

Working on establishment of a producer register

Notable financing challenges

- The coordination of smallholder producer support is poor or lacking
- Loans and grants are competing instead of complementing each other
- Grants have created a dependency syndrome amongst recipients
- Limited participation of private sector
- Unsustainable funding programme
- Duplication and double dipping

Blended funding

Blending loans and grants

Blending public and private sector funding

Establishing partnerships

Objectives of the Model

➤ **Facilitate coordination of support services**

Minimize or eliminate competition between grants and loans

Eradicate the dependency syndrome amongst recipients

➤ **Facilitate the provision of a comprehensive and holistic support to producers**

➤ **Encourage private sector participation**

➤ **Sustainable funding programme**

➤ **Contribute to sector transformation**

Expected Outcomes

- Increased food production – food security
- Increased contribution of the sector to GDP- economic growth
- More Jobs – income & improved livelihoods
- Risk sharing platform – sustainability & efficiency
- Participation of private sector – leveraging
- Wider outreach – equitable access
- Less dependency syndrome – self reliance

Guiding Principles

- Equitable access
- Sustainability
- Accessibility
- Affordability

Structure of the Model

DAFF partners with funding institutions

Each partner commits funds to support smallholder producers

DAFF funds constitute grant component and partner funds constitutes a loan component

The funds are combined and given to clients as one products – blended

Assessment and disbursements is done by partner

Principles of the Model

- Ensure comprehensive support to clients
- Ensure coordinated support services to clients
- Ensure accessibility of the financial support programme
- Ensure that funding programmes are effective
- The grant component of the support will be provided for a limited period per individual / project

Success factors

- Adequate funding for the programme
- Active participation of relevant stakeholders
- Adequate monitoring, evaluation and reporting
- Appropriate selection criteria for clients/beneficiaries
- Provision of comprehensive support to cover all components of the production cycle
- Ability to manage and mitigate against risk
- Adequate enforcement - for compliance

End

THANK YOU