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**Title: Agriculture Risk Sharing and Financing Facility - De-risking agriculture value chain**

Estimates suggest that demand for food will increase by 70% by 2050 and at least $80 billion annual investments will be needed to meet this demand, most of which needs to come from the private sector financial institutions. While food security is largely dependent on healthy agricultural output, there has been limited investment in the agricultural sector as there has always been perceptions of higher risk along with lower expected returns. But there are real challenges such as high transaction costs, low productivity, inadequate policies, co-variant risk profiles, fragmented supply chains and absence of adequate instruments to manage risks. As a result of both perceived and real considerations, financial institutions tend to minimize exposure to agriculture in their portfolios.

In this paper, the author will share his experience in designing an incentive-based Risk Sharing Facility that fixes the agricultural value chain so that financial institutions can increase their lending to the agriculture sector including individual and subsistence farmers without increasing the default risk. The paper describes and presents some of these models (as case studies) implemented in Afro-Asian countries.

The Facility focuses on creating a sustainable ecosystem comprising of governments, financial and non-financial institutions that facilitate linkages between financial and agricultural sector. The Facility brings together a set of critical factors that are essential for expanding agricultural lending in an integrative manner such that the risks and capacity bottlenecks along the agricultural and financial value chains are simultaneously addressed by way of interventions that ensure: demand driven, building bank and insurance capacities, rewarding bank performances and deploying a value chain approach to agriculture lending and performance-based management. The paper will illustrate on how the agricultural finance landscape changed due to these interventions in terms of increased lending; income, lower food inflation and reduced subsidies.

Financing in the agricultural sector works as a cross - cutting catalyst for the development of the sector. By making possible investments in productivity-enhancing farm inputs or agro-processing equipment, finance is an enabler of the positive outcomes that policymakers, development institutions, farmers and firms seek: increased productivity and broadened diversity of agricultural production that drives economic growth.