



Agriculture Climate Finance

For Emerging Market Financial Institutions

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UN FAO

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FAR2024

Training in agricultural and rural finance

Useful information



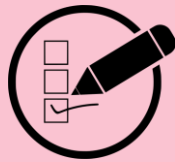
❑ The webinar will last a **maximum of 90 minutes**.



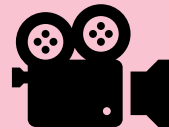
❑ The **microphones will be muted** to prevent background noise.



❑ You can submit your questions via **chat**, and the moderator will forward them to the speaker.



❑ During the webinar, you may be invited to respond to a **poll** with a click.



❑ This webinar will be **recorded**, and the link to the recording will be available on the platform calendar on the day of the event.

If you prefer not to appear in any images used for communication purposes, please contact far@ada-microfinance.lu.

Outline



- What is Climate Finance?
- Why is it important in Agriculture and for Financial Institutions?
- Climate Finance Framework and Tools
- Case Studies

What is climate finance?

Global Climate Finance Spending

\$1.3T

**FINANCIAL RESOURCES FOR
MITIGATING AND ADAPTING TO
CLIMATE CHANGE**

Global Adaptation Spending

\$63B

**INVESTMENTS AIMED AT
WITHSTANDING CHANGING
CLIMATE PATTERNS**

Global Adaptation Gap



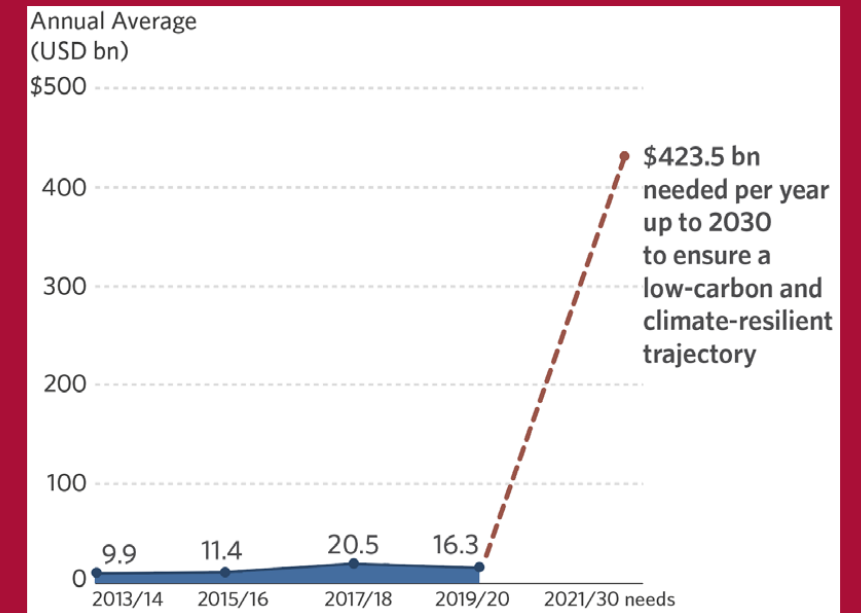
\$212B a year by 2030

**CRUCIAL FOR DEVELOPING COUNTRIES TO COMBAT
CLIMATE CHANGE IMPACTS WHILE PURSUING
SUSTAINABLE GROWTH**



Global Climate Finance
for Agrifood Systems

4%



Agrifood systems are severely underserved and need larger capital flows to meet international climate agreements and temperature targets.

Why is climate finance important?

Urgency of Investment in Sub-Saharan Africa

\$15B

Cost of Action
(Annual)

\$201B

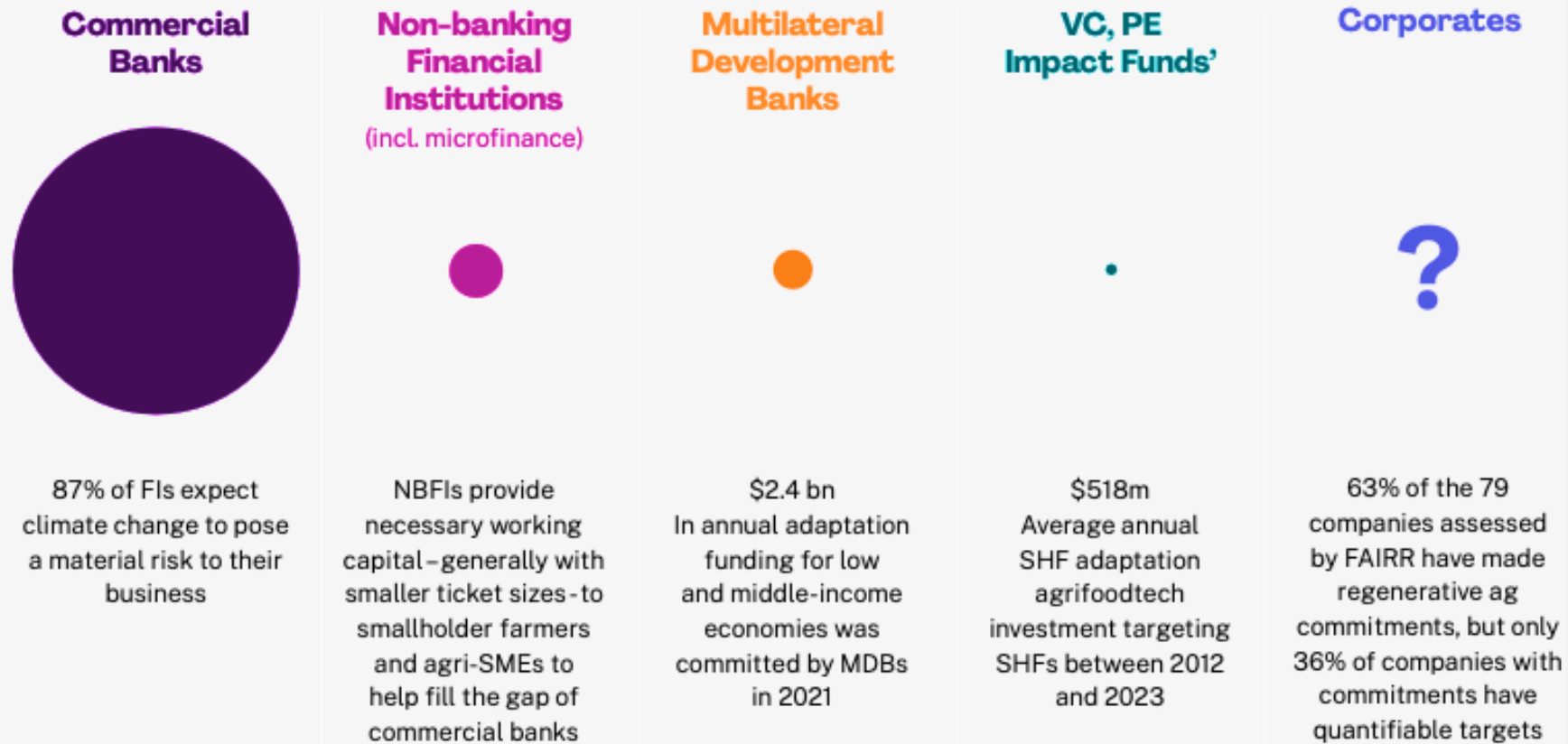
Cost of Inaction
(Annual)

When it comes to investing in climate adaptation in agriculture and food systems in Sub-Saharan Africa, the cost of action is less than a tenth of the cost of inaction, so the economic case is clear.

Financial Institutions can contribute to close the climate finance gap

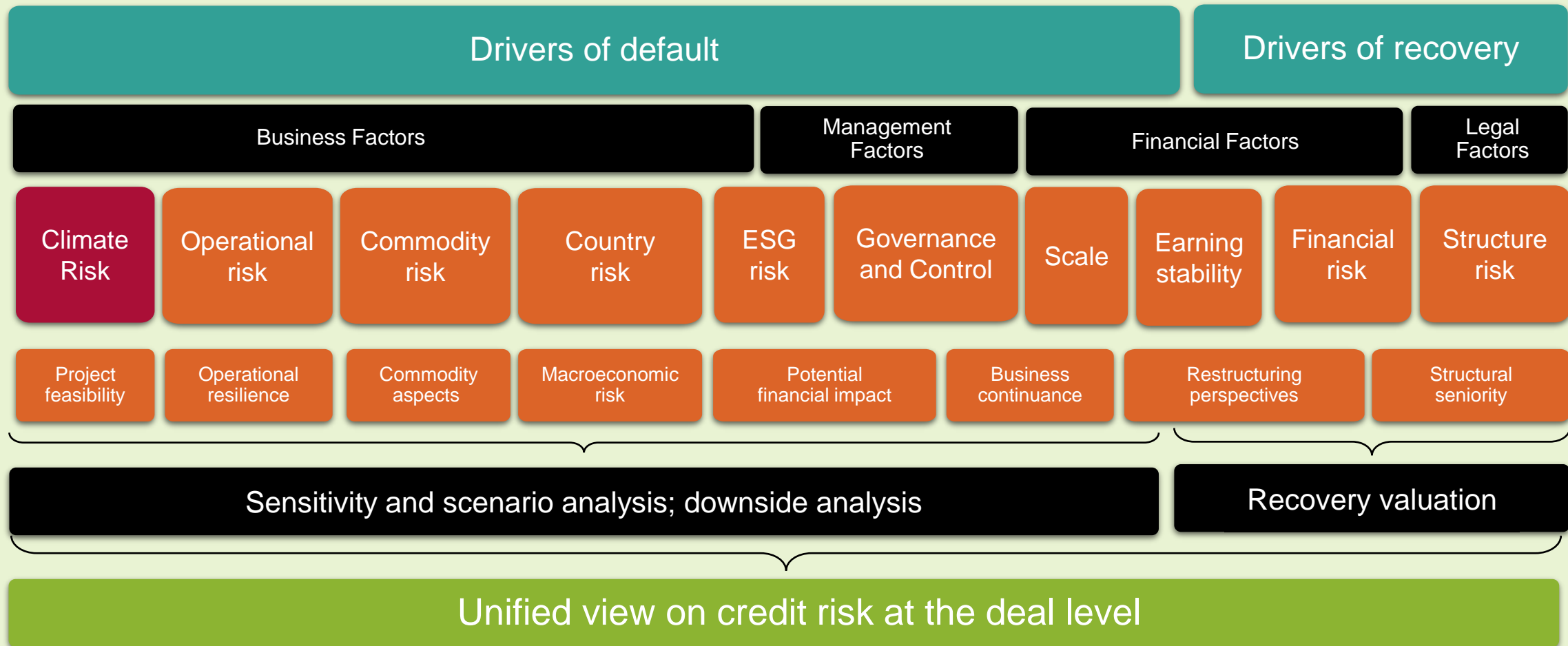
SHF adaptation funding supply*

A range of actors provide adaptation finance for SHF-relevant products & services, however data is largely under-tracked



Climate change adds to the complexity of agricultural lending

Knowledge gaps on credit risks has held back agricultural lending even before the additional risks posed by climate change



Climate finance framework for financial institutions

	Climate Risk Analysis	Climate Risk Management	Environmental & Social Risk Management	Monitoring, Reporting and Verification
Importance	1	2	3	4
	<ul style="list-style-type: none"> Integrate localized impact projections Of climate scenarios per crop, including impact on water availability To evaluate physical risks of climate change on agricultural investments 	<ul style="list-style-type: none"> Develop strategies and products To mitigate the risks identified To support farmers In any transition identified to mitigate the risks 	<ul style="list-style-type: none"> Manage E&S risks in agri value chains Which are higher than in other sectors To report to financiers And comply with the requirements of donors and governments 	<ul style="list-style-type: none"> Track performance Of mitigation and adaptation objectives To report to financiers And comply with the requirements of donors and governments

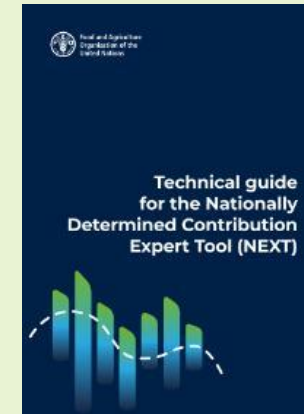
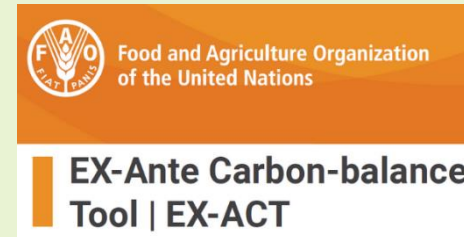
Tools supporting financial institutions with climate risk management and MRVs



agroclimatica

Lobelia.

Cropin®



Climate Finance Instruments



Adapted from Boston Consulting Group

Case Study: Huruma Fund – Caurie Microfinance

Financier	Huruma Fund providing senior unsecured debt to Caurie Microfinance
Target Geographies	Senegal
Target Beneficiaries	Caurie is currently among the largest 10 MFIs in Senegal , currently reaching 147,078 clients (of which 10,358 are farmers) and 75,741 borrowers, with 84% of total disbursements to women. The loan from Huruma will be dedicated to Caurie’s agricultural portfolio , aiming to increase ag clients from 9,400 to 17,000 by 2025 with a focus on women and youth in agrifood systems.
Investment Product(s)	Loan proceeds will enhance the growth of Caurie’s agricultural portfolio , aiming to increase it with the additional support from technical assistance (TA). The focus is on boosting the offer of adequate products and services for smallholder farmers based on their needs, initiated by Caurie launching specific agricultural products since 2017. With this investment, CAURIE has set targets for the agricultural portfolio's growth, from EUR 4.9 million to EUR 8.2 million by 2025, aiming to increase the agricultural gross loan portfolio (GLP) by 63% , making agricultural loans account for 27% of their total loan portfolio, up from 23%.

Case Study: Huruma Fund – Caurie Microfinance cont.

Caurie previous efforts

1

Huruma Capital + TA

2

Monitoring / evaluating client needs

Over the past few years, Caurie has been analyzing its clients' social and financial evolution to understand what can be improved in its product offerings. Caurie realized that their agricultural clients needed further support on climate change adaptation, both through adequate services and products.

Developing Ag Financial Product

Caurie participated in MEBA (Microfinance for Ecosystem-based Adaptation) project and launched a Pilot of YAPU's software, allowing digitalized credit analysis, including advice for farmer clients and specialized offering of adaptation products such as biodigesters, efficient irrigation and crop diversification.

General project objective

Dissemination of the achievements of the MEBA project and the development of new products and procedures for the financing of ecosystem-based solutions for adapting to climate change to all CAURIE's Agencies in accordance with local climatic realities.

Digitalization

Digitalization of the credit process, development of an interface between the YAPU and CORE banking systems, and enhancement of the risk management system (including further analysis of clients' vulnerabilities and adaptive capacity).

Farmer client guidance

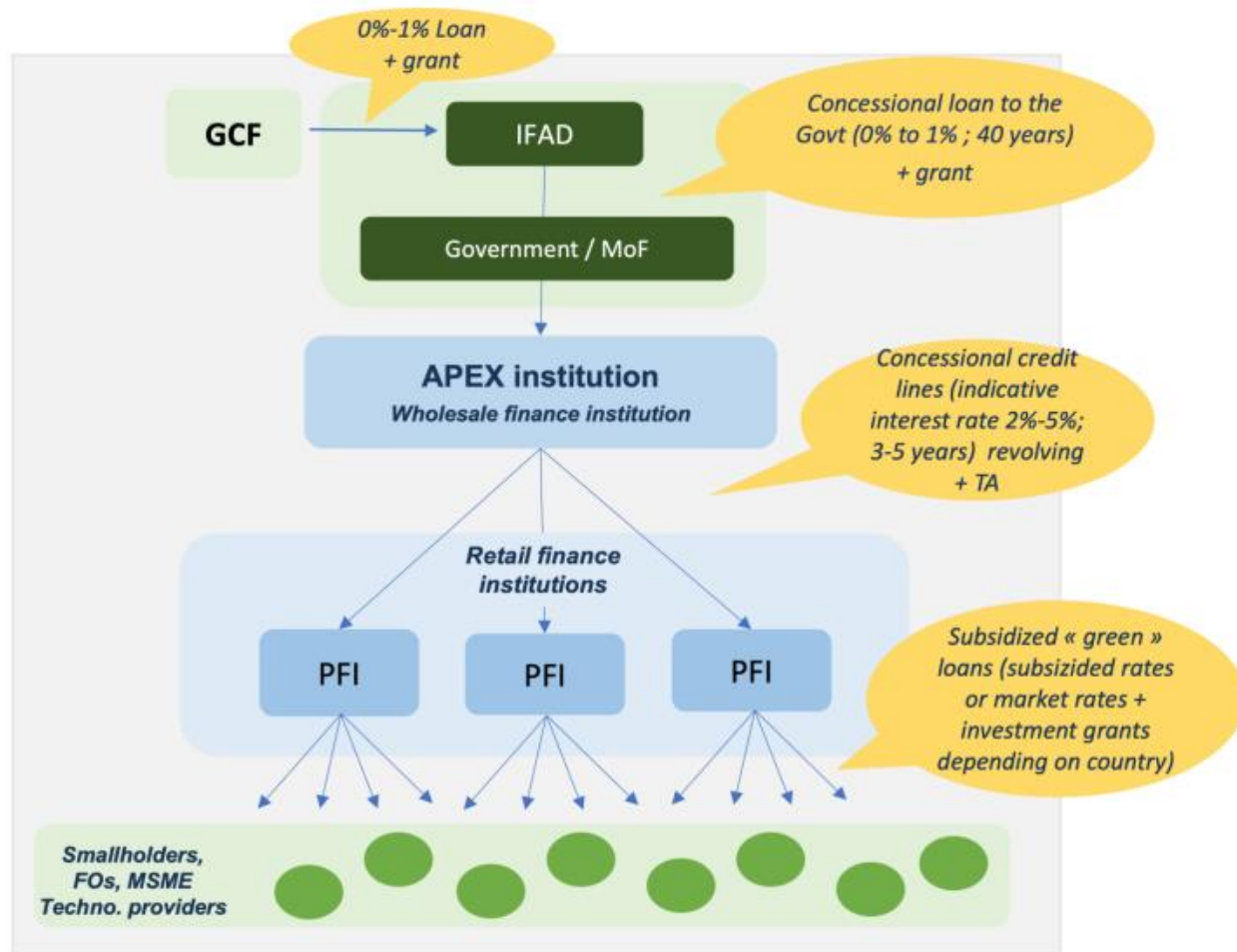
Training loan officers on using YAPU's software and on the new adaptation products that can be offered to farmer clients. New adaptation products are developed that can be offered to farmer clients to improve their adaptive capacity.

Case Study: IGREENFIN1 IFAD - GCF

Financier	GCF/IFAD/AfDB/ISDB/National Agricultural Banks
Target Geographies	<p>Great Green Wall Countries (Sahel)</p> <ul style="list-style-type: none"> • Phase 1 will be implemented in the first set of three GGW countries (Burkina Faso, Mali and Senegal) plus Côte d'Ivoire and Ghana • Eventually phase 2 will be implemented in the second set of seven GGW countries (Chad, Djibouti, Eritrea, Ethiopia, Mauritania, Nigeria and Sudan)
Total Funding	EUR 177M, launched in 2024
Target Beneficiaries	378,600 smallholder farmers organized around 1,500 MSMEs and 2,500 FOs or cooperatives, and approximately 2,494,000 indirect beneficiaries in the five countries
Investment Product(s)	<p>Component 1: Green Business Financing Facility</p> <ul style="list-style-type: none"> • Revolving credit facility that will offer special/concessional lines of financing to FIs for green business projects prepared by farmer's organizations (FOs), women and youth organizations, cooperatives and MSMEs (including agribusiness dealers and solar operators) targeting adaptation and mitigation practices for green businesses within the select agricultural value chains <p>Component 2: Technical Assistance Facility (TAF)</p> <ul style="list-style-type: none"> • To address capacity, knowledge and policy gaps hindering the uptake of green business projects in the selected countries. It will target FIs and clients (FOs, MSMEs and cooperatives), with a special emphasis on women and youth.

Case Study: IGREENFIN1 IFAD – GCF cont.

Flow of Funds Structure



APEX (wholesale institution) acting as:

1. Fund manager
2. Apex lender to partner financial institutions

Partner FIs (retail institutions) selected by a competitive process and assessed against:

- Market strategy and portfolio: geared to smallholder, agriculture, and green lending
- Good international practice management/governance
- Credit worthiness and asset quality
- Absorption and targeting capacity
- Technical readiness
- Good international practices for client protection and social performance

Source: IFAD

Case Study: CRDB - GCF

Financier	GCF providing co-financing to CRDB
Target Geographies	Tanzania
Total Funding	USD 200M, launched in 2023 CRDB – 100M GCF – USD 100M - loans (USD 70M), grants (USD 20M), and guarantees (USD 10M)
Target Beneficiaries	The primary recipients are smallholder farmers and the broader agricultural sector in Tanzania. CRDB Bank Plc, as Tanzania's largest lender to the agriculture sector, will facilitate the deployment of these funds through innovative financial products designed for farmers aimed at significantly impacting the population's resilience to climate change, <ul style="list-style-type: none"> • Direct Beneficiaries: The program targets 62,064 direct beneficiaries/year, amounting to 1,241,288 over the program's lifetime. (1.2% of total population) • Indirect Beneficiaries: Indirectly, the program expects to benefit 245,152 individuals annually, leading to a total of 4,903,056 over its lifetime. (4.7% of total population)
Investment Product(s)	USD170M will be used to implement innovative financial products for adaptation and climate resilient agriculture technologies in a three-pronged approach: <ol style="list-style-type: none"> 1. Dedicated credit line for CRDB's Agriculture Resilience and Adaptation (ARA) lending. 2. ARA Credit Guarantee Fund to ease lending towards smallholder farmers pursuing adaptation investments/expand access to new borrowers. 3. Dedicated, weather-indexed ARA insurance scheme to protect smallholder farmers against climate related losses.

Case Study: CRDB – GCF Financial Product Details

1

Credit Line for Resilience

- Promote long-term investment projects in the agriculture sector, focusing on value addition to create a reliable market for resilient agricultural produce.
- Aggregate smallholder farmers to improve farming activities by promoting investment in large-scale environmentally friendly infrastructure.
- Support the structuring of smallholder farming around climate-resilient agriculture practices, as well as long-term support networks through instruments such as savings accounts, health insurance, and other social support systems.

2

Guarantee Credit Facility

Partial credit risk guarantee to cover the losses, with current practices setting a risk sharing ratio of 50-80% of losses. The guarantee facility will help CRDB Bank overcome challenges specific to climate agriculture investments, particularly the high credit risks of borrowers which lead to elevated interest rates and higher collateral requirements that smallholder farmers and SMEs cannot afford.

3

Insurance scheme for smallholder farmers

Creation of an innovative insurance scheme in Tanzania dedicated to ARA and focused on smallholder farmers that protects borrowers from climate-related hazards and enables them to repay their loans, which they otherwise would be unable to do under a scenario in which their food crops were to be significantly impacted. Launch the five-year pilot by offering beneficiaries a 100% premium subsidy in the first year.

Interested in implementing climate finance in your FI? Please contact FAO Investment Centre

Specialized and evidence-based advisory in agriculture lending



1

Develop Climate Finance Frameworks in accordance with the size and sophistication of FI, potential source of financing, crops to be financed, regional climate risks modelling and potential demand

2

Integration of climate risk management in the lending process, including access to potential climate-smart interventions to mitigate the risks identified, linked to adjustments to products

3

Development of E&S Management Systems and MRV Systems, when needed, to comply with the requirements of investors

4

Link to potential financing sources, adjusted to the size and development of FI. FAO is also a GCF-accredited entity leading funding proposals of \$130m in Africa

Thank you

Dank u

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Training in agricultural and rural finance

Danke

Grazie

Merci



Obrigado

Mauricio Benitez

Food and Agriculture Organization

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Gracias



Resources for developing climate finance strategy and frameworks

FAO's Climate Change Knowledge Hub

An online “one-stop-shop” portal that gathers existing knowledge and resources on climate change in the agriculture and land use sectors to enhance countries' knowledge and capacity to deliver on their climate and sustainable development goals and achieve food security for all. Its interactive features allow users to connect with peers, experts, and capacity-building providers. <https://www.fao.org/climate-change/knowledge-hub/en>

CGIAR's Climate-Smart Agriculture (CSA) Profiles

The CGIAR develops Climate-Smart Agriculture profiles for countries and regions, offering in-depth analysis on the potential impact of climate change on agriculture and identifying viable CSA practices and strategies. These profiles provide valuable insights for financial institutions aiming to invest in sustainable agricultural practices that are resilient to climate change. <https://hdl.handle.net/10568/74485>

World Bank's Climate Change Knowledge Portal

While not exclusively agricultural, this portal provides climate data and projections, impact assessments, and adaptation strategies, with significant relevance to agriculture. It helps in identifying regions and agricultural systems vulnerable to climate change, informing targeted investments in climate-resilient agricultural practices. <https://climateknowledgeportal.worldbank.org/>

CGAP (Consultative Group to Assist the Poor) Tools and Resources

CGAP offers a range of tools and resources aimed at advancing financial inclusion through microfinance and digital financial services in developing countries. Their resources on climate finance explore how MFIs can contribute to climate resilience by offering financial products and services designed to help vulnerable communities adapt to climate change, such as microinsurance, savings, and credit for climate-resilient agricultural practices. <https://www.cgap.org/climate>