

GACSA Webinar - “Current investments' opportunities, both from an international and narrower dimension”

September 20th, 2023- virtual modality

The Global Alliance for Climate Smart Agriculture (GACSA) has organized a webinar on September 20th (Wednesday) from 3 PM to 4:30 PM, in a virtual modality.

Mrs. Federica Matteoli, GACSA Coordinator, moderated the online event and opened the discussion by welcoming and expressing gratitude for the time and availability to all the panellists and participants in the event aimed to explore the current investment opportunities from an international narrow dimension as well as different perspectives and difficulties to come as market agriculture investments. Challenges for farmers and the role of partnerships in securing funds were also explored.

- **Imelda Bacudo**, GACSA Co-Chair, opened the session by remarking on the importance of investments in CSA.

In this era, marked by global shocks, agriculture emerges as crucible where the forces of sustainability, innovation, and investment converge. To confront climate change and an increasing global population, the imperative to enhance productivity, resilience and sustainability of our agriculture systems has never been more urgent. The answer lies in climate smart agriculture (CSA) approach with its 3 pillars (increase of agricultural productivity and incomes, mitigation of GHG (greenhouse gas) emissions from agriculture, adaptation of agricultural practices to climate change).

As well noted by the international community, the world is running out of time to meet the Global Goals, as the case of climate pledges to achieve net 0 emission which many governments committed to. Often it is finance or a lack of investment that is identified as the cause. In this framework, investments coming from traditional climate finance sources (i.e., *multilateral banks, Green Climate Fund, Green Economy Financing Facility, Philanthropy, private sector*) are more than ever needed. Especially if the world is serious in its intent to halt global rising of temperature to ensure agriculture adaptation to climate change and secure the source of the most basic needs for human beings: food.

In a world ever more interconnected, investment opportunities in agriculture must transcend national boundaries. International collaborations and partnerships can harness the collective wisdom and resources of nations to transform agriculture into a global engine of sustainable growth. To this end, the Global Alliance for Climate Smart Agriculture (GACSA), as independent and global platform, stands a strong source of support and cooperation to foster international and regional dialogues, sharing best practices and catalyzing investments that promote CSA. However, finding global solutions imply considering the narrower dimensions of the local and regional contexts that define agriculture investment. Each community has its unique challenges, opportunities, and priorities. Recognizing these singularities, GACSA promotes an inclusive approach that empowers farmers, young farmers, and local smallholders towards sustainable agriculture. This harmonious balance between international collaboration and local knowledge, peculiarities of the Alliance, is the key to success.

Today many approaches in agriculture are competing for wider acceptance (i.e., *agroecology, regenerative agriculture, family farming*). CSA is compatible with all of them, and will remain the most coherent approach to agriculture, as defined through its 3 pillars.

In its final remarks, Mrs. Imelda Bacudo affirmed that the pursuit of investment opportunities in agriculture, both from an international and narrower dimension, is no less than a call for collective action. With a shared vision to harness the transformative power of CSA, Action is urgent.

After expressing gratitude to the GACSA Co-Chair remarks, the Moderator proceeded with the introduction of the initial panelist for the session. Prior to the intervention of the panelist, a poll of questions was shared with participants.

FIRST QUESTION: *Do you know which entities you should be approaching when applying for funds? Governments (74%); No profit bodies (30%); International institutions (63%); Fellows (7%); Foundations (44%); Farmers' Organizations (11%); Private sector institutions (52%)* . Most participants answered that the government is the body which can support farmers applying for funds.

Introduce the funding opportunities provided by international institutions and not only how these mechanisms could be accessed by farmers.

- **Nadine Valat**, Green Climate Found Team Leader at FAO (Food and Agriculture Organization)

Mrs. Valat gave an overview of the main climate and environment funds (Green Climate Fund, Global Environment Facility, Adaptation Fund) which are the three main funds addressing or providing resources to address environment and climate challenges. FAO engages with all of them in specific countries.

The first fund presented by the Panelist was the Green Climate Fund (GCF), the world's largest climate fund mandated to support low emission and climate-resilient development pathways. It was established in 2010 serving the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. Since the approval of the first project funding in 2015, GCF built a portfolio of more than 100 projects following a country-driven approach, meaning that developing countries lead GCF programming and implementation.

Mrs. Valat reported to the audience that the GCF works with a wide range of partners on the national, regional and international levels. As of today, are 117 the Accredited Entities who are partnering with GCF to implement projects (42 International AEs, 75 Direct Access Entities both Regional and National)

The GCF provides a variety of instruments to support sustainable practices (i.e. *grants, loans, equity, guarantee, results-based finance*) in developing countries.

- It provides readiness support to verify the readiness of specific projects to be finances.
- It includes a public and a private sector facility (i.e., *banks, national institutions*)
- It is finishing its second phase. It will begin its phase 3 (2024 – 2027)

The Panelist presented the FAO – GCF Partnership highlighting that FAO led funding proposals of 20 projects (FP). Among those:

- a. Cote d'Ivoire (promotion of deforestation cocoa production for reducing emissions)
- b. Nepal (promotion of climate resilience agriculture)

The second fund presented by Mrs. Valat was the Global Environment Facility (GEF), a multilateral fund dedicated to confronting biodiversity loss, climate change, pollution, and strains on land and ocean health. The FAO Team Leader noted that, over the past three decades, the GEF has provided more than \$22 billion in financing and mobilized another \$120 billion for more than 5,000 national and regional projects and identified Africa as the first beneficiary (i.e. FAO-GEF Partnership in Senegal)

The last fund presented by the speaker was the Adaptation Fund. It was implemented by UNFCCC in 2010 to finance concrete adaptation projects in developing countries which are particularly vulnerable to climate change. As in the previous funds, FAO is accredited in the Adaptation Fund.

Finally, Mrs. Valat informed the participants that, to allow scaled up and transformative climate action, FAO Climate Change Strategy embraces Coherence, Complementarity and Coordination between the climate funds.

At the end of the intervention, the moderator addressed a question to Mrs. Valat.

QUESTION: *Major beneficiaries of the global funds' mechanisms are farmers and local stakeholders. But how can they be involved in these mechanisms?* The speaker took as an example the mechanism used by the GCF. Mrs. Valat replied that these mechanisms are under the control of the designated national authorities and other defined ministries (technical ministries such as agriculture) whose purpose is to identify the regions or places most affected by climate change. After the initial approach through these defined entities, a stakeholder consultation will follow, in order to sign and identify a set of concept notes for the application. At the end of her speech, Mrs. Valat also

emphasized the importance and obligation of sending evidence to stakeholders to gain access to funding. [06]

Following gratitude for Mrs. Valat's time and contribution presenting funding opportunities available to farmers at both the international and national levels, the moderator introduced the second panelist for the session.

From ambition to reality: making Climate-Smart Agriculture Investment feasible.

- **Sara Burrone**, Economist at FAO

A poll of questions was shared with participants.

SECOND QUESTION: *What do you consider essential to secure funding for CSA?* Increasing data and knowledge generation and dissemination (28%); Efficient governance to promote sustainable practices (28%); Conscious choices to transform our agrifood systems (44%). Most participants answered that to secure funding for CSA, conscious choices are needed.

Mrs. Sara Burrone observed that agricultural improvement and food insecurity still represent a global issue. World hunger is on the rise, affecting 10% of people globally, and climate change represents a long-term threat to food security and nutrition. CSA offers a frame to harmonize productivity and sustainability.

The embrace of CSA practices can be a protracted endeavor characterized by ambiguity. Multiple trade-offs associated with CSA have impacts on both stakeholders and the environment. Nevertheless, these trade-offs are intricately tied to the specific circumstances in which sustainable practices are being pursued or planned for implementation. Since there is not a one-size-fits-all solution, it is essential to always consider three key actions:

- Generate data and knowledge, made clear what there are the main constraints at government level (Research and Academic)
- Systemic transformation of our agrifood systems: from the technical dimensions to the socio-economic and environmental dimensions
- Building of some mechanism to support this transformation.

In conclusion, Mrs. Burrone presented an illustration of a bottom-up approach that has been implemented in Bhutan. This was intended to help the audience grasp how farmers embrace innovative practices. When farmers decide to invest in adopting a particular practice, they show a greater inclination toward adopting innovative methods if they offer a high return relative to the effort required.

GACSA Coordinator intervened by underlining trade-offs between different elements when considering the adoption of CSA practices, but to overcome them it must be used holistic. Once thanked Mrs. Sara Burrone, the third speaker was invited to present his insights.

Explain the role of partnerships for fundraising.

- **Stefano Marras**, Director of Global Partnership Bayer Crop Science

Partnership that works need to be strategic, complementary and offer a mutual benefit among the parties.

Mr. Stefano Marras started his presentation by providing a definition of what constitutes a partnership, emphasizing that it must possess qualities of strategic alignment, complementarity, and shared objectives. Within his presentation, the panelist elucidated the financial support available to micro, small, and medium enterprises (MSMEs) from larger corporations. He categorizes these funding sources into two distinct types: Corporate Social Responsibility Donations (CSR) and Business-aligned investments. Furthermore, he delves into the most effective and efficient approaches for securing financial resources from these corporate giants, underscoring the advantages and disadvantages inherent in such partnerships.

The presentation's objective offers guidance on determining the optimal strategy for obtaining funding, recognizing that companies seek to generate returns on their investments.

The moderator conveyed appreciation to Mr. Marras's speech and introduced the fourth speaker to the audience.

- **Dr. John Aggrey**, Founder and CEO Hired Consult

Dr. Aggrey recognized that farmers from least developed countries should have access to the right information and contact points to get financial investment. In fact, financial opportunities exist but the challenge for farmers is often to reach them.

- Farmers' often lack credit history, collateral and have no or limited financial literacy.
- Smallholder farmers may lack the resilience to manage the disruptions caused by climate change, post-Covid-19, and food price crisis.

The panelist illustrated how the increased volatility of prices has prompted farmers to seek solutions ensuring they can afford all their essential agricultural inputs, despite the ongoing increase in the cost of these inputs.

At the end of Mr. Aggrey intervention, GACSA Coordinator commented that it is indeed a challenge for farmers reaching investment opportunities to finance their CSA practices and that sharing information on who, how and when farmers can have access to financial support is a precious advice given. In conclusion, the moderator thanked Dr. Aggrey for his valuable insights and introduce the last speaker Ms. Oshani Perera

How can global farmers attract funding for their CSA work?

- **Oshani Perera**, Co-Founder and Director of Programs Shamba Centre for Food and Climate

Mrs. Perera explained how major donors walk through microfinance institutions. However, the panelist added that, currently with the collapse of the market, it is the banks that provide the most loans. Unfortunately, the banks do not invest in the agricultural market because it is a risky market having a lower return. For this reason, it is necessary to strengthen relations with cooperations, platforms and producers' organizations. Aggregation, in fact, is the key. It is also particularly important the impact on investors and social lenders. Mrs. Perera ended her intervention with a reflection: governments in developing countries must lead in addressing the market failure that prevents the flow of funding to agri-food systems.

To watch the record of the Webinar, please refer to the following link: [Current investments' opportunities, both from an international and narrower dimension - Zoom](#)

Nadine Valat, Green Climate Found Team Leader at FAO: Introduce the funding opportunities provided by international institutions and not only how these mechanisms could be accessed by farmers.



Food and Agriculture
Organization of the
United Nations



Current Investment Opportunities: Climate, Biodiversity and Environment Finance

Nadine Valat, FAO-GCF Unit Coordinator
20 September 2023

Green Climate Fund (GCF)

**Financing
mechanism of
UNFCCC (2010).**



Access:
117 Accredited Entities
(42 International AEs,
& 75 Direct Access
Entities - Regional &
National)

Instruments:
Grants, Loans, Equity,
Guarantee, Results-
based Finance



**GCF National
Designated
Authority**



Funding Windows

- Readiness Support
- Funding Proposals
- Project-specific Assessment Approach
- Private Sector Facility



FAO-GCF Partnership

Target value chain: Cocoa, high value crop

Components: Cocoa agroforestry, good agricultural practices (GAP); New microcredit line for smallholders & cooperatives

Beneficiaries / Stakeholders:

- Farmers
- Cooperatives
- Value chain actors such as cocoa grinders, traders, exporters
- Local banks & microfinance institutions (MFIs), which currently do not target agroforestry farmers

Côte d'Ivoire

Promoting zero-deforestation cocoa production for reducing emissions (**PROMIRE**), US\$ 11.7M



Overview of FAO-GCF Partnership (June 2023)

20 FAO-led Funding Proposals (FP)

Region	# projects
RLC	8
RAF	4
RAP	4
REU	2
RNE	2

Cross-cutting 50%

Armenia, Benin, Cuba, El Salvador, the Gambia, Kyrgyzstan, Nepal, Paraguay, the Philippines, Sudan

Adaptation 25%

Bolivia (Plurinational State of), Cambodia, Guatemala, Jordan, Pakistan

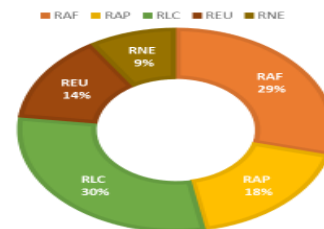
Mitigation 25%

Argentina, Chile, Colombia, the Congo, Côte d'Ivoire

8 projects as an
Executing Entity
↓
USD 70 million

FP: USD 1 billion

83 Readiness grants



Readiness: USD 58.1 M

FAO-GCF Partnership

Target ecosystem: Land and ecosystems (forests, wetlands and grasslands)

Components: Scale up climate-resilient Sustainable Natural Resource Management approach; Strengthen institutions & planning (e.g., Critical Ecosystem Restoration Plans); Improve knowledge, awareness & local capacity

Beneficiaries / Stakeholders:

- Farmers, especially Indigenous Peoples & disadvantages groups
- Community-based Organizations (CBOs)
- Sub-national government

Nepal

Building a Resilient Churia Region in Nepal (BRCRN), US\$ 47.3M



Source: Khatun et al. (FAO)

Global Environment Facility (GEF)

Finance mechanism to support developing country obligations under several conventions



Access:
18 GEF agencies

Instruments:
Grants, loans, guarantees, equity



GEF Operational Focal Point



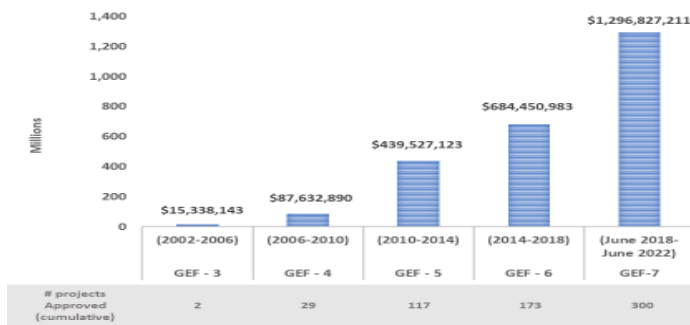
Funding Windows:

- GEF Trust Fund
- Special Climate Change Fund
- Least Developed Countries Fund
- Global Biodiversity Framework Fund

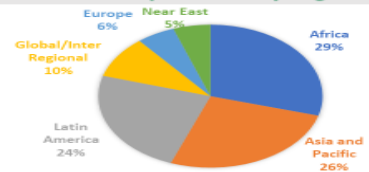


FAO-GEF Portfolio

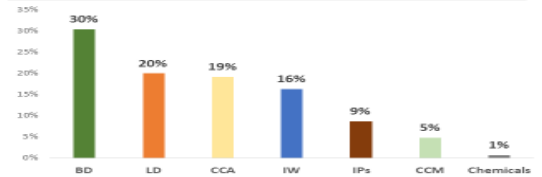
Cumulative Approved FAO-GEF Grant Amount



FAO-GEF portfolio by region



FAO-GEF portfolio by focal area



FAO-GEF Partnership

Target value chain: Multiple

Components: Adaptation techniques / tools through Farmer Field Schools (FFS) & Agro-Pastoral FFS; Mainstreaming CCA in agricultural extension; Agro-meteorological information, including phone messages; Dimitra Clubs; Resilience Fund

Beneficiaries / Stakeholders:

- Farmers and herders, especially women farmers
- Communities
- Extension and advisory system

Senegal Mainstreaming ecosystem-based approaches to climate-resilient rural livelihoods in vulnerable rural areas through the Farmer Field School methodology, US\$ 31M.



Source: Jim Mansour (CCAFS)

Adaptation Fund

Financing mechanism set up by UNFCCC COP in 2001



Access:
54 Implementing Entities (National, Regional, Multilateral)

Instruments:
Grants



AF National Designated Authority:



Funding Windows

- Action grants
- Innovation grants
- Learning grants
- Readiness grants



Coherence, Complementarity, and Collaboration between the climate funds

Objectives,
Entry Points,
FAO efforts

- FAO Climate Change Strategy: Increased coordination between financing windows allows scaled up and transformative climate action
- ✓ Promotion of consistent and coordinated approaches to climate-related challenges
- ✓ Harmonized reporting and monitoring frameworks
- ✓ Joint programming
- ✓ Fostering of knowledge sharing and capacity building
- ✓ Joint communications and events

Sara Burrone, Economist at FAO: From ambition to reality: making Climate-Smart Agriculture Investment feasible.



Sara Burrone, Adriana Ignaciuk, Sravya Mamidanna, Antonio Scognamillo
EPIC team of ESA division

CSA – Cultivating Change



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From Ambition to Reality: Trade-offs (1/2)



Within and between different dimensions of sustainability
(Economic vs. environmental)



Between different timescales
(Short term vs. long term)



Between different spatial scales
(Farm to landscape, local to global)



Between different groups of stakeholders
(Farmers, researchers, policy makers, private enterprises etc.)

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From Ambition to Reality: Trade-offs (2/2)

Policy design – macro level



Subsidies to improve agricultural production may contribute to higher greenhouse gas emissions



Uncertainty of outcomes, the need to balance societal preferences, fragile political alliances and well-organized interest groups can lead government to prioritize present over the future



Supporting irrigation efficiency can improve farmer livelihoods yet have unintended environmental consequences



Domestic food security and market development may lead to trade-off between stakeholders with different interests and priorities

Adoption – micro level

Transition from herbicides to manual weeding may lead to higher costs and impact farmers' working conditions while improving biodiversity

Uncertainty of outcomes, timing of returns and present constraints and needs may lead farmers to prefer immediate rewards over larger rewards at a later point

Livestock intensification decisions at the farm level might lead to localized degradation at the landscape level

Farmers and environmental activists are faced with conflicts of interest about using 'megabasins' or reservoirs for irrigation

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The Great Balancing Act



Data and Knowledge Generation and Dissemination

Informed government decision-making require comprehensive data and knowledge (investments in R&D)



Effective Governance

Designing, implementing and adapting policies based on evolving evidences (catalytic investments in CSA)



System transformation

Hard choices to redesign agrifood systems, moving beyond technical efficiency

5

9/20/2023

From ambition to reality: making Climate-Smart Agriculture investment feasible

Understanding Farmers' Innovation Adoption: A Bottom-Up approach in Bhutan



93%

of farmers are willing to adopt innovation



High-intertemporal discount rate



Electric fences
Storage facilities
Technical training



Context Specific Policies

but some challenges need to be addressed

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From ambition to reality: making Climate-Smart Agriculture investment feasible



Thanks

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Food and Agriculture
Organization of the
United Nations

Stefano Marras, Director of Global Partnership Bayer Crop Science: Explain the role of partnerships for fundraising.



Bayer Crop Science

Private-Private Agri-Food Partnerships for CSA

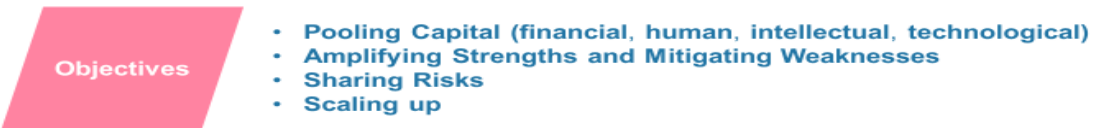
Stefano Marras
Director of Global Partnerships – UN Affairs

GACSA Workshop Current investments' opportunities, both from an international and narrower dimension.

20 Sep. 2023



Partnerships: Definition



Private Actors in the Agri-Food Sector

LARGE	<ul style="list-style-type: none"> • Multinational Agribusinesses • Retail Chains 	<ul style="list-style-type: none"> • Global Food Processors • Financial Institutions
MEDIUM	<ul style="list-style-type: none"> • National Agribusinesses • Regional Retailers 	<ul style="list-style-type: none"> • National Food & Bev Companies • Niche Technology Providers
SMALL	<ul style="list-style-type: none"> • Local Farmers and Producers • Local Retailers 	<ul style="list-style-type: none"> • Small Food Processors • Consultancies
MICRO	<ul style="list-style-type: none"> • Individual Smallholder Farmers • Farmers' Markets 	<ul style="list-style-type: none"> • Artisan Food Makers • Local Distributors



Partnerships among Agri-Food Actors: Roles

	Large actors	Medium actors	Small and Micro actors
Potential Role in Partnerships	Strategic investor, technology provider, market access, global scaling.	Specialized technology or services provider, regional market expertise, mid-level investment.	Localized knowledge, community engagement, specialized skills, quick implementation.
Financial Capital	High financial investment capacity.	Moderate investment capacity; can focus on specialized niches.	Limited financial investment but can often offer agility and localized expertise.
Technology & Innovation	Cutting-edge technologies and R&D capabilities.	May have specialized technologies or focus areas that are innovative but not as broad as large companies.	Often specialized and agile, capable of quick innovation on a smaller scale.
Supply Chain	Control or strong influence over extensive supply chains.	Supply chain influence primarily at a regional level or within a specific niche.	Localized supply chain; potential for direct, short-chain supply to consumers.
Market Reach	Global market reach and customer base.	National or regional market reach; could be specialized markets.	Local or hyper-local market reach; direct-to-consumer sales often possible.
Regulatory Compliance	Capacity to handle complex regulatory requirements.	May have specialized knowledge of regional regulations.	May struggle with complex regulations but can be nimble in adjusting to local conditions.
Risk Tolerance	Higher risk tolerance due to diverse assets; can absorb failures.	Moderate risk tolerance; may require quicker ROI.	Lower risk tolerance; failures can have a significant impact.
Community Engagement	May lack deep local engagement but has resources for broad initiatives.	May have better local engagement than large companies but fewer resources for broad initiatives.	Often deeply embedded in local communities; able to build strong relationships.
Sustainability & ESG Goals	Often have formal ESG goals and reporting, driven by shareholder expectations.	ESG considerations may be present but not as formally structured.	Sustainability often inherent in business practices but not formally reported.



CSR/Donations vs Investment-Based Partnerships

	CSR / Donations		Core-Business-Aligned Investments	
	Donors (Large Agri-Food Companies)	Beneficiaries (MSMEs)	Investor (Large Agri-Food Companies)	Beneficiaries (SMEs)
Financial Return	None	None	Potential for direct financial returns through increased efficiency, sales or reduced costs.	Potential for sustained income and business growth.
Longevity	Short-term; often tied to annual CSR budgets.	Often one-off or short-term support.	Long-term; part of ongoing business strategy.	Long-term engagement; more secure funding.
Scale	Typically small-scale.	Limited scaling opportunities.	Potential for larger scale as aligned with core business objectives.	High scalability due to investment in sustainable practices.
Impact	Social and environmental impact but not integral to the business.	Immediate but possibly short-lived impact.	Direct impact on business KPIs and potentially on ESG metrics.	Sustained, long-term impact aligned with business growth.
Accountability	Lower; often no expectation of ROI.	Lower accountability.	Higher; expectations of some form of return or value.	Higher accountability; reporting requirements.
Brand Image	Positive, but more and more seen as "green washing"	Positive public relations impact.	Strongly positive; showcases company's commitment to sustainability as integral to business model.	Enhanced reputation and market positioning.
Community Engagement	Usually minimal or superficial.	Limited interaction with company.	Deep engagement; better understanding of local challenges.	More collaborative, long-term relationship.
Risk and Risk Mitigation	Low risk due to charitable nature; limited need for oversight.	Lower risk but dependent on company's goodwill.	Higher initial risk but offset by strategic alignment and potential for risk mitigation measures.	Higher initial risk but with potential for greater rewards.
Leverage Additional Funding	Less likely to attract additional investors.	Limited ability to leverage further funds.	Can act as a catalyst to attract further investment.	Increased potential to leverage more investments.



Bayer CSA partnerships

Scaledirect

USAID and **Bayer** agreed to **support** and **co-invest** in a **four-year project** that aims to accelerate the global efforts of the International Rice Research Institute (**IRRI**) on **direct seeded rice (DSR)** research and development for smallholder farmers in **Asia** and **Africa**.

The Project was launched in **2023**. Underpinned by IRRI's DSR research flagship, the project is aimed at Improving the quality of life of smallholder rice farmers through introduction, on-farm testing and scaling of a comprehensive integration of **breeding** specific varieties for DSR establishment **methods**, on-farm **validations**, DSR specific **agronomic** practices, and **seed systems** and **enterprise** development activities.

DSR systems have the potential to significantly **reduce methane emissions** compared to traditional flooded rice paddies.



Bayer 2030 climate commitments

- **Reduce by 30% the field greenhouse gas footprint of the most emitting crop systems by 2030.**
- Become climate-neutral by 2030 by **reducing our own emissions by >42%** and offsetting remaining emissions through the purchase of recognized certificates.
- Cooperate with suppliers and customers to **reduce GHG emissions along the upstream and downstream value chain by at least 12.3%** by 2030.

These targets have been approved by the Science Based Target initiative led by CDP, UNGC, WRI, WWF.

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What can Bayer contribute to CSA Partnerships

- **Agronomic expertise** on multiple crops, including cereals, rice, maize, soybeans, fruits and vegetables, cocoa, potatoes, sugar cane, among others.
- **R&D expertise** in:
 - **breeding and biotech** to develop crops that withstand drought and floods, require less water and less fertilizer, and improved cover crops
 - **digital tools** for precision fertilizer application
 - **inoculants** for biological nitrogen fixation
 - **crop protection** solutions, including **biologicals**, allowing no-till farming
- **Expertise** in building & implementing accredited **carbon credit projects**.

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What can Bayer contribute to CSA Partnerships

- Lasting relations with **45 million smallholder farmers** worldwide (30M in Asia, 13M in Africa, 2M in Latin America).
- **Case studies** of successful CSA practices for the Module 3 of the online course.
- Expertise in designing and implementing courses with universities to **train agronomy students to train farmers** on good agricultural practices.
- A **global inter-sectoral network of partners** – e.g. governments, farmer organizations, academic and research institutions, businesses, civil society organizations, regional and international organizations, coalitions

9



THANK YOU!

Stefano Marras
Director of Global Partnerships – UN Affairs
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Dr. John Aggrey, Founder and CEO Hired Consult: Explain the challenges for farmers to finance climate-smart agriculture.

GACSA GLOBAL ALLIANCE FOR CLIMATE-SMART AGRICULTURE

The Challenges for Farmers to Finance Climate-Smart Agriculture

John Aggrey | Founder & CEO, HIRED Consult

GACSA Annual Forum 2023





①

WHERE to Look?

HOW to go about it?

WHO to Ask?

- access to the right information and contact point



②

Agricultural Credit

- Lack credit history
- Lack of collateral
- Limited/No business experience (financial literacy)



③

Uncertainties

- impact of Climate
- low yields and subsistence-level incomes

Smallholder farmers lack the resilience to manage the disruptions caused by climate change, post-Covid-19 and food price crisis.



4

Upfront Cost & Inputs

The ever-dynamic farm business budget continues to be on the minds of all farmers each season. The increased volatility has caused farmers to try to find ways to make sure they can pay for all their necessary agricultural inputs, even as the price of those inputs continues to rise.

Oshani Perera, CoFounder and Director of Programs Shamba Centre for Food and Climate: How can global farmers attract funding for their CSA work.

Funding Agri-food Enterprises ..

Oshani Perera, Kamal El Harty, Lysiane Lefevbre
Shamba Centre for Food and Climate



The missing middle:

Enterprises that are too large to be served by microfinance and yet too small and not profitable enough to be attractive to banks

- seeking funding between US\$ 25,000 thousand to US\$ 1.75 million
- seeking funding between 1.75 and 10 million



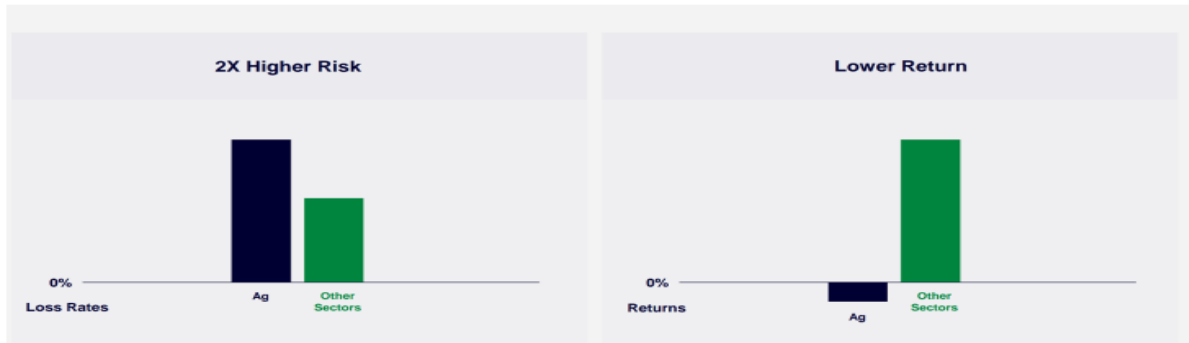


What is causing the missing middle?

Banks and non-bank lenders typically seek terms and conditions that are difficult for small enterprises:

- Ask for collateral
- A financial track record dating back 5 years
- Professional documentation
- Sufficient profits
- Lenders do not understand the agriculture and food sector. They therefore cannot price the credit risks on agri-food businesses
- Providing small loans to small enterprises is expensive as lenders have to undertake a lot of due diligence

Lending to food and agriculture involves more losses and less profitability



Aceli Africa 2023
<https://aceliafrica.org/>



Funding the missing middle Cooperatives, platforms and producer organization are key.

- They aggregate or pool many enterprises
- They account for different financing needs of enterprises
- They negotiate funding
- They provide technical assistance



Funding the missing middle
Impact Investors and Social lenders

- Do not ask for collateral
- **Assesses credit risks based in part on:**
 - ✓ **purchasing contracts with wholesalers, retailers, processors**
 - ✓ **Contract farming or out grower agreements**
- Provides technical assistance on climate, biodiversity, water, decent work, gender, nutrition....
- Facilitate commercial relationships with across value chain

CSAF COUNCIL ON SMALLHOLDER AGRICULTURAL FINANCE

A forum for lenders to share learning.
 17 members, 10 Affiliates, 12 field building partners

Global Members: alterfin, OIKO CREDIT, Rabo AgriFund, incofin, CIBAL PARTNER EQUITY, HUMANABILITY, rootcapital, FARMER FIRST, Trócaire & Development Management

Regional Members: [Map of Africa]

Affiliates:

Global Affiliates: ABCfund, CFC, SIDI

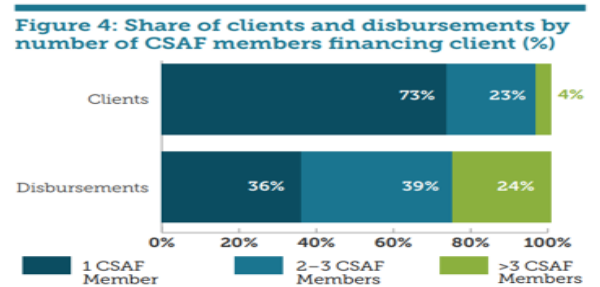
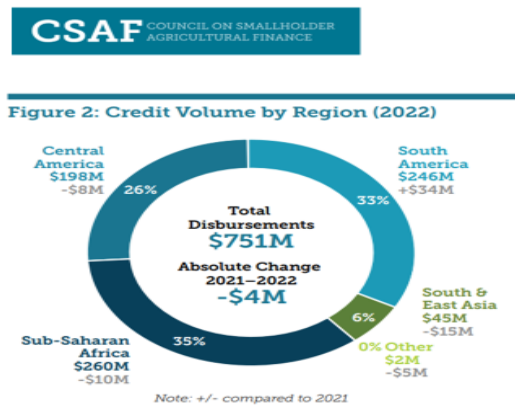
Regional Affiliates: AgDevCo, Cordaid, ECOTIERRA, NESST

Trends in 2022:

- Loans by CSAF members hit an all-time high in 2021 and remained high in 2022.
- 73% of borrowers are served by only one CSAF member.

Challenges:
 Serving first-time borrowers, who are often riskier and require smaller, less-profitable loans that do not cover the costs of underwriting and servicing

Reference: Council for Smallholder Agriculture Finance CSAF. csaf.org





Works with 30+ lenders to agri-SMES in Kenya, Rwanda, Tanzania, Uganda



Aceli Africa 2023. Aceliafrica.org



Works with 30+ lenders to SMES in Kenya, Rwanda, Tanzania, Uganda

Provides a partial loan guarantee to lenders who lend to agri-SMEs

Offers incentives to lenders working with agri-food SMEs

Offer extra incentives to lenders working with agri-food SMEs improving:

- gender
- food security and nutrition
- climate and environment
- youth involvement

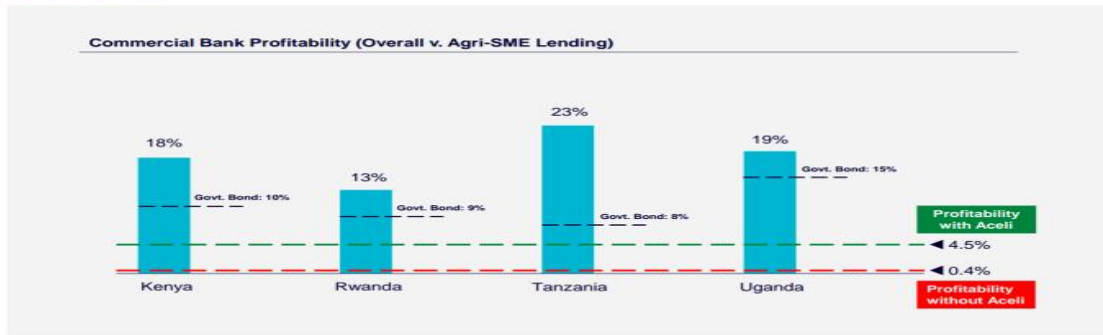
With the 'incentive' offered by Aceli Africa, lenders will not lose all their money if the borrower defaults

Banks and non-banks are hence more motivated to explore the agri-SME client base.

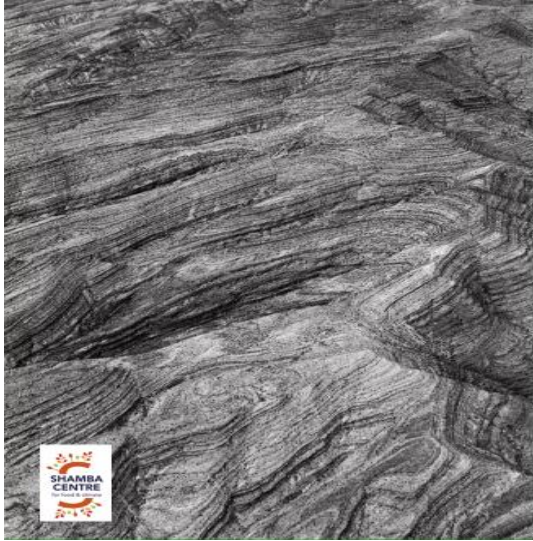
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Governments in developing countries must lead in addressing the market failures that prevent the flow of funding to agri-food businesses

Thank you
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