HOW TO IMPROVE SMALLHOLDERS’ ACCESS TO FINANCE IN SUSTAINABLE FARMING SYSTEMS

Global Landscape Forum
Bonn Digital Conference

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Sustainable investment is critical to tackle the key global challenges of the 21st century

**Climate Change**
Meeting the Paris Agreement goals and ramping up ambition in emissions reductions

**Sustainable Development**
Meeting the Sustainable Development Goals

![Graph showing emissions gaps and targets for 2°C and 1.5°C]

- **1. No Poverty**
- **2. Zero Hunger**
- **3. Good Health and Well-being**
- **4. Quality Education**
- **5. Gender Equality**
- **6. Clean Water and Sanitation**
- **7. Affordable and Clean Energy**
- **8. Decent Work and Economic Growth**
- **9. Industry, Innovation, and Infrastructure**
- **10. Reduced Inequalities**
- **11. Sustainable Cities and Communities**
- **12. Responsible Consumption and Production**
- **13. Climate Action**
- **14. Life Below Water**
- **15. Life on Land**
- **16. Peace, Justice, and Strong Institutions**
- **17. Partnerships for the Goals**
Climate investment is increasing, but falls short of global needs

- **$1 Trillion**: $500 Billion
  - 2012: $360 bn
  - 2013: $0
  - 2014: $342 bn
  - 2015: $388 bn
  - 2016: $472 bn
  - 2017 & 18: $455 bn

- **$2 Trillion**: $1.6 Trillion

- **$3 Trillion**: $3.8 Trillion

Range of supply-side energy system investment required each year through 2050 to keep warming within a 1.5° scenario (IPCC)

- **$4 Trillion**: Annual average tracked finance for climate change mitigation and adaptation in 2017-18
The Lab identifies, develops, and launches innovative finance instruments that can drive billions in private investment to action on climate change and sustainable development.

- 41 instruments launched
- 60+ public and private Lab Member institutions
- 300+ supporting experts, nearly half from developing regions
The Lab brings together over 60 institutions to address the sustainable investment gap
$2.07+ bn mobilized by 41 instruments for climate action in developing countries

$370+ mn invested by Lab Member institutions

$1.7+ bn catalyzed in additional investment

Lab instruments have mobilized 200x what funders have invested in the Lab Secretariat
Since its inception in 2014, the Lab has developed nine innovative financial instruments that catalyze greater investment into the sustainable agriculture sector targeting smallholder farmers who are the most vulnerable to the impacts of climate change.

In 2020, three more financial solutions are under development through the Lab’s:
  • Sustainable agriculture stream supported by the International Fund for Agricultural Development (IFAD).
  • Brazil Program, with the support of GIZ (German Agency for International Cooperation).

Key barriers to investments in smallholders’ climate-resilient agriculture include high risk associated with the sector, smallholders’ low bankability, limited access to knowledge and technology, restricted infrastructure and access to markets.
The Lab process has five steps

1. **Call for Ideas**
   The Lab publicizes an open call for innovative sustainable investment solutions

2. **Selection**
   Lab Members select the most promising ideas to take forward in each annual cycle

3. **Development**
   Selected ideas benefit from 7 months of analysis, stress-testing, and guidance from experts and investors

4. **Endorsement & Launch**
   Lab Members vote to endorse and launch the ideas for piloting

5. **Implementation**
   The ideas move into action and fundraising to launch pilots, with continued support from the Lab network
Lab ideas meet four key selection criteria

**Actionable**

Identifies
1. The type of entity(ies) that could implement it
2. The pathway towards implementation, including the timeframe, activities, and key milestones, and
3. Possible challenges to implementation and related management strategies.

**Innovative**

Demonstrates the ability to address, directly or indirectly, barriers to private climate finance that
1. Have not yet been addressed or
2. That will be addressed more effectively compared to other instruments in the market.

**Catalytic**

Demonstrates potential to
1. Mobilize private climate capital within a sizeable market,
2. Be scaled up or replicated in other contexts and,
3. Achieve socioeconomic, development, and environmental impacts.

**Financially Sustainable**

Identifies
1. A strategy to phase out public financial support, thereby achieving market viability and
2. Possible challenges to achieving its intended objectives and related management strategies.
The Conexsus Impact Fund will offer a variety of financial products together with financial technical assistance to enable cooperatives and small enterprises to access low rate funding sources from Brazilian rural credit lines targeting economic activities that foster standing forests and avoid deforestation.

**IMPACT**

Redirect public rural credit to sustainable land-use production systems, **unlocking additional R$1 billion in ten years (increase by 40%)** through simple financial products and a network of credit enablers.

Seeks to catalyze **investment in community enterprises** associated with value chains that improve land use, timber and non timber forest products avoiding pressure on natural resources and deforestation.
A fund to increase forest restoration in rainforests biomes in Brazil by investing and providing technical assistance to restore degraded lands in smallholders’ farms with agrosilvopastoral systems and, at the same time, developing and facilitating sales of their products.

**IMPACT**

- **Increase smallholders’ income by at least 58%** if implemented in 1 hectare, and by 234% if expanded in 4 hectares
- **Store ten times more carbon** over the next 20 years than the current vegetation in degraded pastures
- Develop and provide a framework for financial institutions to assess, evaluate, and approve financing of agrosilvopastoral systems presented by smallholders across the country, adjusted by regional conditions.
The Land Accelerator Bond will allow small and medium enterprises working in sustainable agriculture to sell their products to smallholder farmers on financially reliable credit. This bond will help tens of thousands of farmers adopt regenerative practices that are currently beyond their reach.

**IMPACT**

Once fully operational, the Bond could furnish over US $35M in new lending toward restoring degraded landscapes and sustainable agriculture, while supporting hundreds of SMEs.

This amount of credit could help tens of thousands of additional farmers transition to climate-smart practices in a financially sustainable way.
A mechanism to scale up sustainable forestry in Africa through which investors buy portfolios of trees that have been planted by smallholders on degraded land, and recoup their investment once the trees are harvested and sold.

**IMPACT**

Each Smallholder Forestry Vehicle could restore 15,000ha of degraded land, providing each of 50,000 farming households with US$ 1,500 in climate resilient savings.

Beyond the proponent’s own operations, other smallholder forestry projects may also raise financing using this approach.
LIVE Q&A:
How to improve smallholders’ access to finance in sustainable farming systems

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Smallholder Forestry Vehicle

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