



# HOW TO IMPROVE SMALLHOLDERS' ACCESS TO FINANCE IN SUSTAINABLE FARMING SYSTEMS

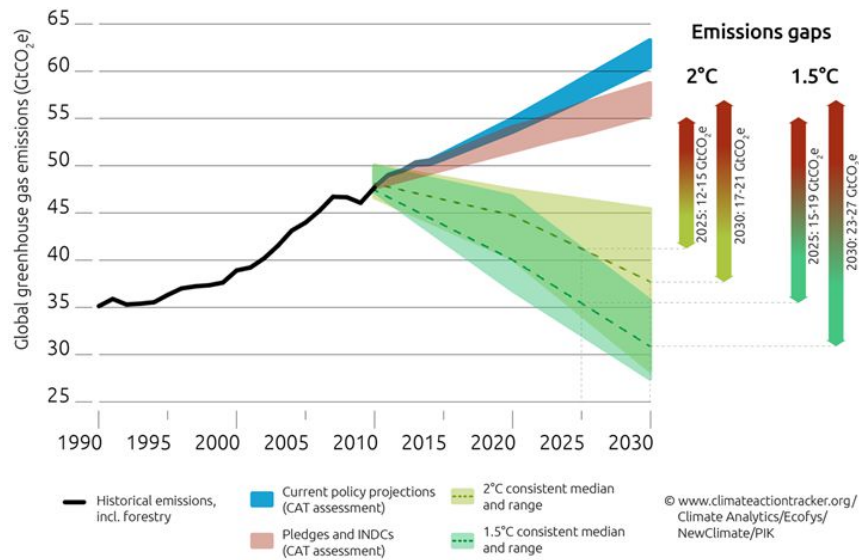
Global Landscape Forum  
Bonn Digital Conference

*June 3<sup>rd</sup>, 2020*

# 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

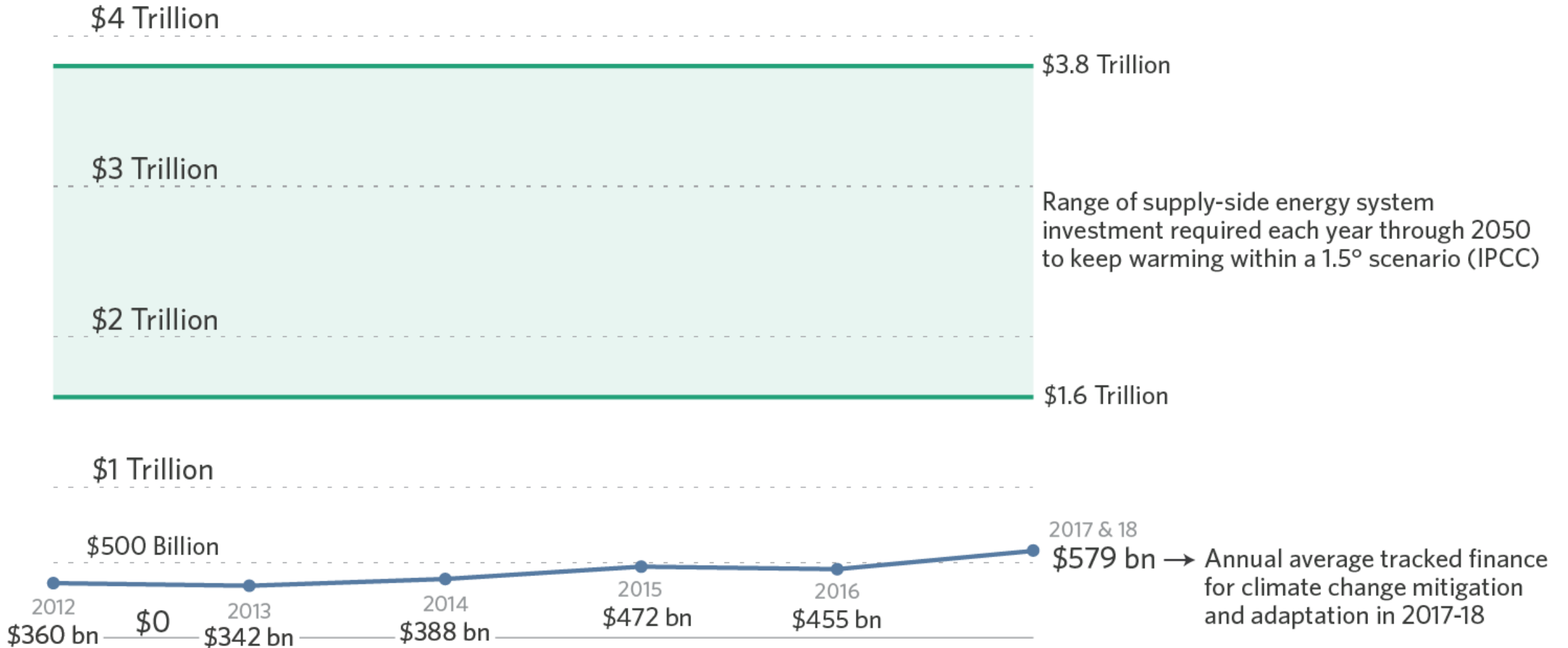


## Sustainable Development

Meeting the Sustainable Development Goals



# Climate investment is increasing, but falls short of global needs





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

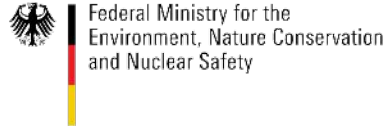
**300+**

supporting experts, nearly  
half from developing regions



# The Lab brings together over 60 institutions to address the sustainable investment gap

## FUNDERS



## MEMBERS



## PAST FUNDERS



## SECRETARIAT



**\$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





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## The Sustainable Agriculture Lab Stream & the Brazil Lab Program

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:

- 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.**

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## The Lab process has five steps

1.



### Call for Ideas

The Lab publicizes an open call for innovative sustainable investment solutions

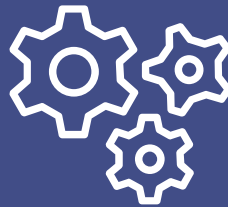
2.



### 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.

In development

# Conexus Impact Fund

2020 Lab Instrument

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The Conexus 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

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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.

Endorsed

Caapor

Anchor Company based  
on the Socio-Climate  
Benefits Fund

2018 Lab Instrument

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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

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□ **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



In development

# The Land Accelerator Bond

2020 Lab Instrument



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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

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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.

Endorsed

# Smallholder Forestry Vehicle

2018 Lab Instrument

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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

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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.



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## LIVE Q&A:

How to improve smallholders' access to finance in sustainable farming systems



**Daniela Chiriac**  
CPI Senior Analyst  
Lab Sustainable Agriculture  
Stream Leader



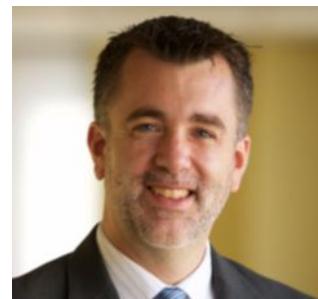
**Tatiana Alves**  
CPI Senior Analyst  
Lab Brazil Program Leader



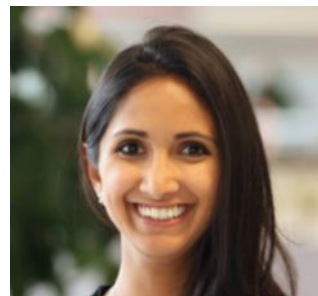
**Carina Pimenta**  
Executive Director Conexsus  
Conexsus Impact Fund



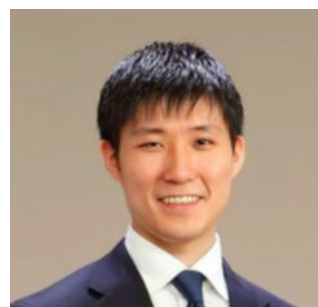
**Luis Fernando Laranja**  
Managing partner and  
co-founder  
Kaet Investimentos  
Socio-Climate Benefits Fund



**Sean DeWitt**  
Director, Global  
Restoration Initiative  
World Resources Institute  
Land Accelerator Bond



**Sofia Faruqi**  
Manager of New  
Restoration Economy  
World Resources Institute  
Land Accelerator Bond



**Tomo Kumahira**  
Corporate Finance Director  
Komaza  
Smallholder Forestry Vehicle





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