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

Global greenhouse gas emissions (GtCO₂e)

- Historical emissions, inc. forestry
- Current policy projections (CAT assessment)
- Pledges and INDCs (CAT assessment)
- 2°C consistent median and range
- 1.5°C consistent median and range

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Climate Analytics/SciPy/
NewClimate.PM
Climate investment is increasing, but falls short of global needs

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

$1 Trillion

$500 Billion


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

**FUNDERS**
- Australian Government
- Department of Foreign Affairs and Trade
- Ministry of Foreign Affairs of the Netherlands
- Bloomberg Philanthropies
- Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
- giz
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
- IFAD
- Investing in rural people

**MEMBERS**
- ABSOLAR
- ACWA POWER
- AFC
- Allianz
- ADB
- Agence France Trésor
- BlackRock
- Bank of America Merrill Lynch
- BB Securities
- Climate & Strategy Partners
- Danish Ministry of Energy, Utilities and Climate
- BNP PARIBAS
- BNDES
- BV RICO
- CAIXA
- CEPICOR
- CEF
- EIKF
- FMO
- FONERWA
- FONAFID
- GEF
- CAPITAL PARTNERS
- GEF
- IFC
- IFAD
- IORA
- Invest的责任
- IREDA
- ISB
- ITC
- KFW
- L&G
- L&T Infrastructure Finance
- Masen
- Mayer Brown
- Masdar Capital
- Masdar
- Masdar Capital Management
- Masdar
- Micronesia Energy Authority
- National Renewable Energy Laboratory
- Nigeria Development Bank
- Novartis
- Norfund
- OPIC
- PROPARCO
- Siemens
- Siemens Energy
- Symbiosys
- Tata Capital
- TRILEGAL
- Willis Towers Watson
- YES BANK
- World Bank
- World Bank Group
- World Resources Institute

**PAST FUNDERS**
- OAK Foundation
- the David and Lucile Packard Foundation

**SECRETARIAT**
- Climate Policy Initiative
$2.07+ \text{ bn} \quad\text{mobilized by 41 instruments for climate action in developing countries}

$370+ \text{ mn} \quad\text{invested by Lab Member institutions}

$1.7+ \text{ bn} \quad\text{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.
Call for Ideas
The Lab publicizes an open call for innovative sustainable investment solutions

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

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

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

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 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**

$ 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.

Seek 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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