Agricultural Supply Chain Adaptation Facility

Climate change threatens agricultural production, posing challenges to the stability of supply chains. Farmers will need to adapt their practices to become less vulnerable, but often lack skills, incentives, and access to medium- to long-term finance at affordable interest rates, which can constrain their ability to invest in climate resilience.

The Agricultural Supply Chain Adaptation Facility will partner with agribusiness corporations to provide farmers with technical and financial support for climate-resilient investments through the corporations' supply chains.

The Agricultural Supply Chain Adaptation Facility (ASCAF) works through corporate supply chains to reach small and medium-sized farms in developing countries, and provide them with the tools they need to make climate resilient investments. Additionally, by providing donor-backed first-loss risk coverage, The Facility enhances financiers' comfort in lending to these farmers. In doing so, The Facility addresses small to medium-sized producers' and processors' lack of access to medium to long-term finance for climate resilient investments, knowledge, skills and incentive gaps, and lenders' credit default risks.

If successfully implemented and replicated across the region, The Facility could help to offset climate-related agricultural production shocks, thereby protecting or increasing the revenues of farming households by 2030.

The Inter-American Investment Corporation is piloting ASCAF in Latin America and the Caribbean, at the ECOM Coffee Renovation Facility in Nicaragua. The pilot is estimated to require about USD 10-30 million in concessional loans and USD 5 million in grant resources from donors to fund the credit enhancement and technical assistance components of the Facility, respectively. The Inter-American Development Bank, in partnership with Calvert Investments, has provided seed funding of USD 5 million from the Climate-Smart Agriculture Fund for the Private Sector. Post-pilot, ASCAF will require USD 100 million to achieve scale.

The Inter-American Development Bank, in partnership with Calvert Investments, is committed to piloting The Facility in Latin America and the Caribbean through seed funding from the USD 5 million Climate-Smart Agriculture Fund for the Private Sector.

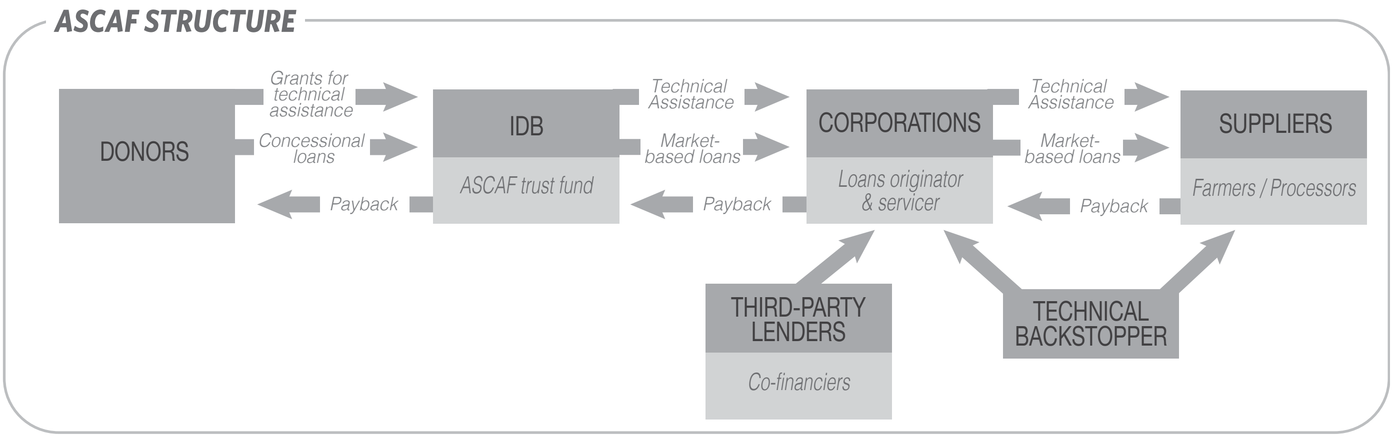
If successfully piloted in the Latin America and Caribbean region, the Facility could be scaled up and replicated, helping to offset climate change-induced agricultural production shocks, thereby protecting or increasing farmers' revenues.

FACILITY DESIGN

The Agricultural Supply Chain Adaptation Facility would be backed by a donor trust fund, which would be structured to cover a portion of potential first-losses to reduce Multilateral Development Banks' and third-party lenders' credit default risks. Donors would fund the technical assistance and first-loss components of The Facility with grants and concessional loans respectively. The depth of the first-loss, and technical assistance funding requirements, however, may vary depending on context specific circumstances, the underlying risks, and corporations' related value chain needs.

The Multilateral Development Bank, third-party lenders, and agribusinesses would in-turn provide market-based loans to farmers and processors at tenors aligned with the identified climate-resilient investments. Agribusinesses would be responsible for loan origination and servicing, but the majority of the loan portfolio would reside on the Multilateral Development Bank's and co-lender's balance sheets.

The pilot kick-off is dependent on the engagement of one or two corporations and third-party co-financiers, and on donor funding.



__The Global Innovation Lab for Climate Finance__ is a public-private initiative that supports the identification and piloting of cutting edge climate finance instruments. It aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries.

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