



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

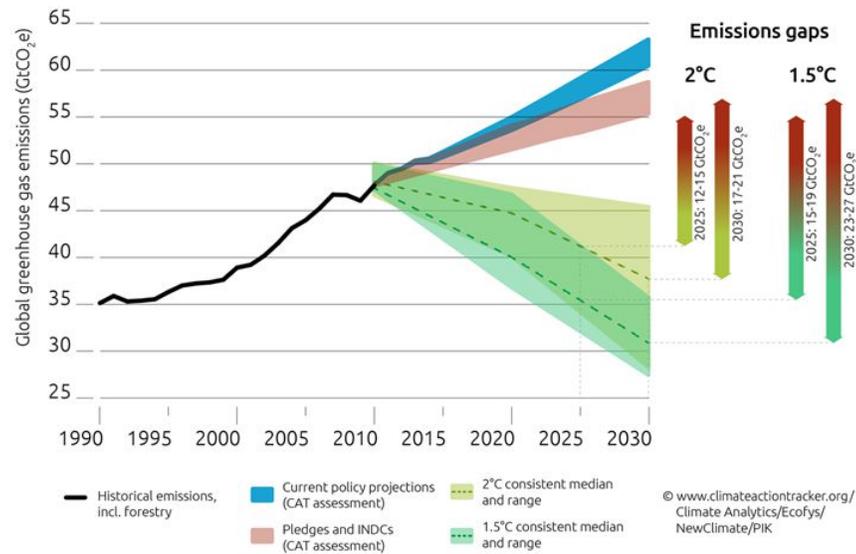
Global Landscape Forum
Bonn Digital Conference

June 3rd, 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

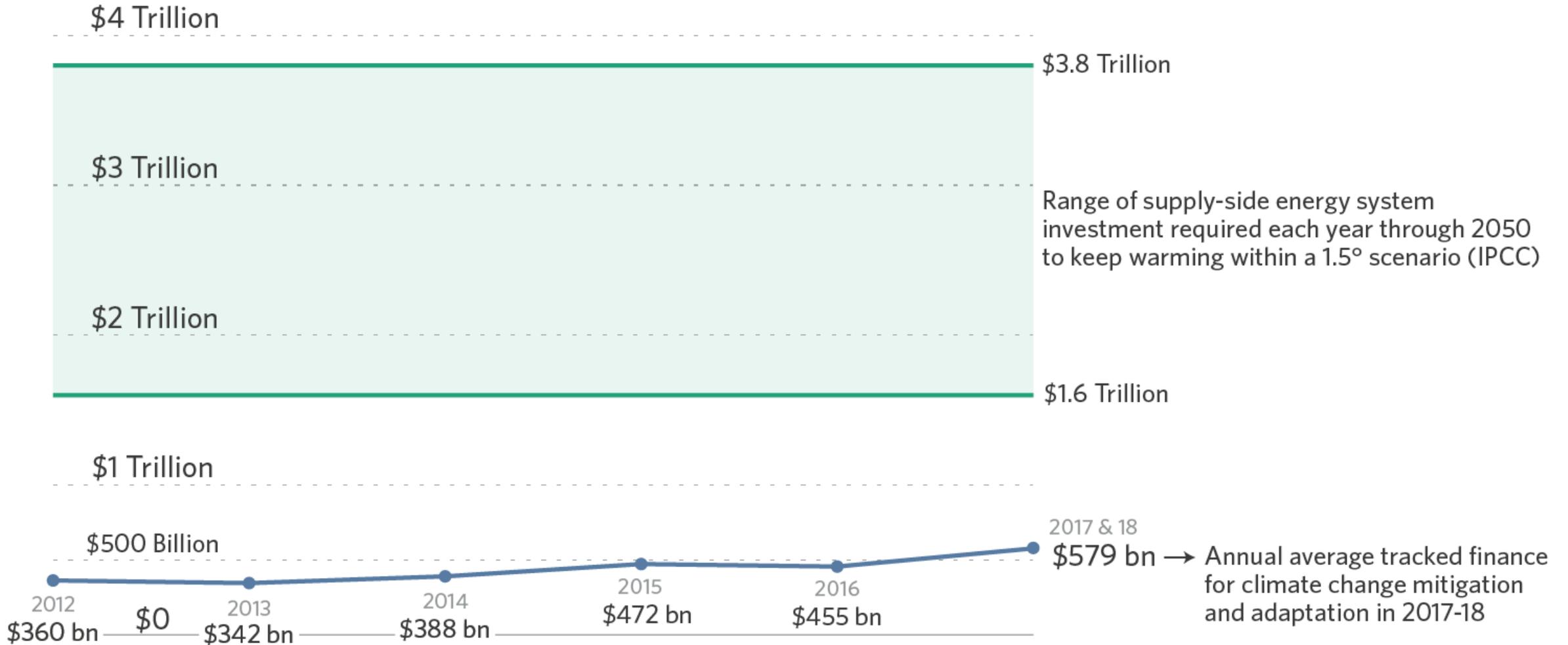


Sustainable Development

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+

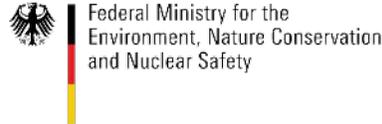
public and private Lab
Member institutions

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



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.**

The Lab process has five steps

1.



Call for Ideas

The Lab publicizes an open call for innovative sustainable investment solutions

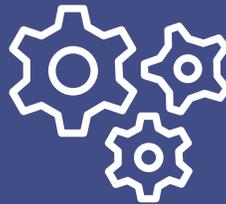
2.



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

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.



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

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



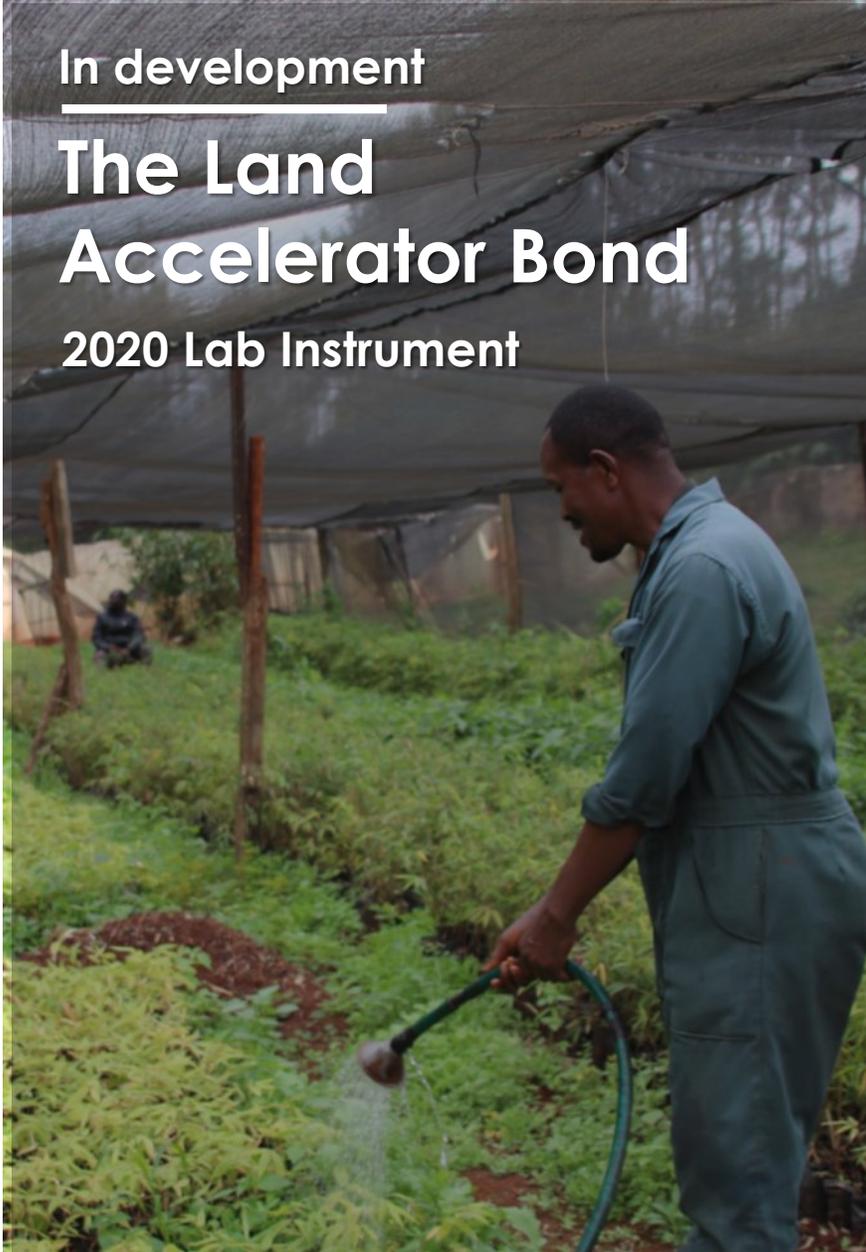
□ **Store ten times more carbon** over the next 20 years than the current vegetation in degraded pastures

□ 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

In development

The Land Accelerator Bond

2020 Lab Instrument



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.

Endorsed

Smallholder Forestry Vehicle

2018 Lab Instrument

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



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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