WEBINAR

Enhancing impact of AFOLU finance instruments

September 29
12:00 PM GMT
Agenda

• Welcome Remarks
  Amath Pathe Sene, Director, IFAD

• Impact Assessment of Lab AFOLU instruments
  Daniela Chiriac, Senior Consultant, Climate Policy Initiative

• Policy Tools and Lab Agricultural Instruments
  Rosaly Byrd, Program Coordinator & Analyst, Climate Policy Initiative

• West African Initiative for Climate Smart Agriculture
  Ashia BIO-SAWE, Environmentalist & climate finance specialist, ECOWAS Bank for Investment and Development (EBID)

• Q&A Session
The Global Innovation Lab for Climate Finance
The Lab brings together over 70 institutions to address the sustainable investment gap

**Funders**
- Bloomberg Philanthropies
- Induced Ministry for the Environment, Nature Conservation and Nuclear Safety
- giz
- IFAD
- Ministry of Foreign Affairs of the Netherlands
- The Rockefeller Foundation
- Sida
- Department for Business, Energy & Industrial Strategy

**Members**
- ABSolar
- ACWA Power
- AIB
- ADB
- AFD
- Agence Finance Tresor
- Allianz
- ASISA
- Bank of America
- BB Securities
- BlackRock
- BVRC
- BNDES
- CAIXA
- Capricorn
- CIBC World Markets
- CIC Capital
- CIGA
- CIB
global incubator
- Danish Ministry of Climate, Energy and Utilities
- EKF
- DBSA
- DFC
- U.S. International Development Finance Corporation
- FMO
- EnDev
- DWS
- ECube
- FMO
- EDF
- EIB
- Ministry of Finance
- Energy Efficiency Fund
- Energy Efficiency Fund
- Forests
- IDB
- IFC
- IEA
- IORA
- JICA
- JA
- KFW
- Lafco.
- Santander
- Trilegal
- Trilegal
- Paul Manning
- Paul Manning
- Trilegal
- Paul Manning
- Willis Towers Watson
- World Bank Group
- World Bank Group
- World Bank Group
- World Bank Group

**Past Funders**
- Australian Government
- Department of Foreign Affairs and Trade
- Oak Foundation
- the David Packard Foundation
- Shakti Sustainable Energy Foundation

**Secretariat**
- Climate Policy Initiative
Since 2014, the Lab has launched 49 solutions that tackle investment barriers in the most critical sectors and regions for action on climate change.

Number of Lab instruments:

- **Renewable Energy**: 21
- **Sustainable Cities**: 19
- **Climate Risk**: 15
- **Agriculture, Land Use, Forestry**: 15
- **Energy Efficiency**: 9
- **Energy Access**: 9

- **Asia**: 22
- **Africa**: 20
- **Latin America**: 18
- **Global**: 7
Impact Assessment of Lab AFOLU instruments
Key challenges for impact assessment in the AFOLU sector

Key features of investments:
• Complexity and diversity of financing needs and investment deals
• Prevalence of fragmented, low-productivity, high-risk value chains
• Smallholder producers lack assets, access to finance and to markets

Result in challenges for ex-ante and ex-post impact assessment and monitoring:
• Time lags for financial investments to materialise and achieve impact
• High monitoring costs for numerous small-size transactions
• Scientific data gaps
• Inconsistent approaches to non-financial impact reporting across projects, value chains, and geographies
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.

How the Lab works: A step-by-step approach to impact assessment
Impact categories: Climate mitigation

Five impact categories help assess environmental and socio-economic impacts of Lab financial instruments

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Description</th>
<th>Indicator type</th>
<th>Indicator example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Climate mitigation</td>
<td>Net reduction in GHG emissions through avoided emissions, carbon sequestraton, and / or reduced energy intensity.</td>
<td>Avoided emissions, Carbon sequestered, Reduced energy intensity</td>
<td>Avoided GHG emissions from land conversion; from crop / livestock production, Carbon sequestered in above- / below-ground biomass, Energy intensity of irrigation / processing / transport</td>
</tr>
</tbody>
</table>
### Impact categories: Productivity  | Relevant for Climate Adaptation & Resilience

<table>
<thead>
<tr>
<th>Impact Category</th>
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<th>Indicator type</th>
<th>Indicator example</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Productivity</td>
<td>Net increase in food, feed, fiber, or fuel produced per area</td>
<td>Sustainable production, Resource use efficiency, Labor efficiency, Avoided loss / waste, Diversification</td>
<td>Amount or % income from sustainable products, Yield stability, Land/water/fertilizer use efficiency, Total labor or labor intensity, Crop loss reduction, Number of crops/products</td>
</tr>
</tbody>
</table>
## Impact categories: Environment | Relevant for Climate Adaptation & Resilience

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Description</th>
<th>Indicator type</th>
<th>Indicator example</th>
</tr>
</thead>
</table>
| 3. Environment  | Maintenance or improvement in environmental conditions, biodiversity, and / or flows of ecosystem services | • Land use  
• Ecosystem service flows  
• Biodiversity  
• Ecological resilience | • Area restored / under improved management  
• Avoided land conversion/degradation  
• Soil quality  
• Avoided water extraction  
• Area conserved  
• Reduced pesticide use  
• Agrobiodiversity  
• Risk of extreme events in production area |
### Impact categories: People  Relevant for Climate Adaptation & Resilience

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Description</th>
<th>Indicator type</th>
<th>Indicator example</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. People</td>
<td>Improvement in individual, household, or community assets, net income, capacities, and / or nutritional status, accounting for implications for marginalized groups</td>
<td>• Participation</td>
<td>• Participation in activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Income / assets</td>
<td>• Adoption/retention rates</td>
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<td></td>
<td></td>
<td>• Risk / resilience</td>
<td>• Value of products marketed &amp; producer revenue</td>
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<td></td>
<td></td>
<td>• Socio-economic wellbeing</td>
<td>• Household savings</td>
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<td></td>
<td></td>
<td>• Participation in activities</td>
<td>• Decrease of community level risk or increased resilience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Adoption/retention rates</td>
<td>• Insurance coverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Value of products marketed &amp; producer revenue</td>
<td>• Household food/nutritional security</td>
</tr>
</tbody>
</table>
## Impact categories: Systems | Relevant for Climate Adaptation & Resilience

<table>
<thead>
<tr>
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<th>Description</th>
<th>Indicator type</th>
<th>Indicator example</th>
</tr>
</thead>
</table>
| **5. Systems**  | Changes in local sectors, markets, value chains, technical and financial services, institutional functioning, and information resources. | • Sectoral development  
• Markets  
• Value chains  
• Technical services  
• Financial inclusion / sustainability  
• Information resources | • Cooperative / SME participation in activities / revenue / cash flow  
• Offtakers for alternative products  
• Supply of improved inputs & technologies  
• Decreased side-selling  
• Additional local finance  
• Financial inclusion of previously unbanked/women/youth  
• Improved information |
Sourcing relevant AFOLU data

By building data collection arrangements with in-region partners:

- International or national agencies
- Individual producers or producer associations & coops
- Technical service providers / Extension agents
- Research organization
- Project implementer / development NGO
- Independent verifier / conservation NGO
- Value chain company
- Financial institution
- Insurance provider
- Utility companies
- Commercial data provider
Leveraging Policy Tools to Improve Impact of Financial Instruments in AFOLU
Barriers to financing for AFOLU

Climate finance for small-scale agriculture compared to other sectors in 2017/18

All numbers in USD millions
Each square = 1% of total

- Agriculture, forestry, land-use, and natural resource management
- Renewable energy generation
- Sustainable transport
- Water and wastewater management
- Other

All Sectors: $569,000
Sectors benefiting small-scale agriculture: $8,140

What is a successful financial instrument?

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

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

**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.

**Financially Sustainable**
Identifies:
1. A strategy to phase out public financial support, thereby achieving market viability.
2. Possible challenges to achieving its intended objectives and related management strategies.
Lab case studies of leveraging policy tools

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Pilot</th>
<th>Type of policy tool used</th>
<th>Specific tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible Commodities Facility</td>
<td>Brazil</td>
<td>Public policies and regulations</td>
<td>Brazilian Forest Code; Land registration</td>
</tr>
<tr>
<td>Blockchain Climate Risk Crop Insurance</td>
<td>Kenya</td>
<td>Public finance levers</td>
<td>Insurance premium subsidies for crop insurance</td>
</tr>
<tr>
<td>Conexus Impact Fund</td>
<td>Brazil</td>
<td>Public finance levers</td>
<td>Subsidized line of credit (Pronaf)</td>
</tr>
</tbody>
</table>
LEVERAGING PUBLIC POLICIES
Linking to national land use frameworks

- RCF aims to limit further expansion of agricultural land and deforestation in the Brazilian Cerrado by providing a range of incentives to produce agricultural commodities in already cleared and degraded lands.
- RCF’s lending conditions and eligibility criteria are linked to national land use frameworks: the Brazilian Forest Code and land registry system (CAR), while also going beyond simple Forest Code legal requirements to incentivize zero deforestation.
Lessons for leveraging public policies & regulations

• Can overcome barriers that instruments may encounter, including: identifying of pipeline; obtaining buy-in from government; generating and demonstrating impact; promoting the opening of new markets; and stimulating fundraising

• Potential risks associated with linking to these national frameworks include: changes in policies and or political power shifts; weak regulations; and unintended impacts such as leakage and laundering

• Design considerations include:
  • Set realistic but ambitious lending conditions
  • Implement strong monitoring systems
  • Seek coherence with local, national, and internationally agreed climate objectives
  • Market the benefits of sustainable practices to stimulate demand
LEVERAGING PUBLIC FINANCE
Drawing on government subsidies for insurance premiums

• Blockchain Climate Risk Crop Insurance aims to increase smallholder farmer’s resilience to climate change by offering a crop insurance that’s both affordable and accessible to smallholder farmers at scale
• Proponents have not yet incorporated subsidies into the instrument, but understand their importance in medium term where there is a shift towards a more integrated business model
Lessons for government subsidies for insurance premiums

- Can shed light on opportunities for overcoming barriers by using subsidies to cover insurance premiums, specifically: **stimulating demand for the product; generating socio-economic impact;** and **fundraising**

- Potential risks include: **distorting market and climate signals; discouraging sustainable practices; unintended inequality; politicization;** and **reduced due diligence**

- Design considerations include:
  - Temporary use of subsidies to avoid market distortions and politicization
  - Specific timing of subsidy uses to minimize market distortion and help commercial viability
  - Choose an index-based design to mitigate the risk of reduced due diligence
LEVERAGING PUBLIC FINANCING
Expanding subsidized rural credit to sustainable projects

• The Conexus (CX) Impact Fund is the only fund in Brazil designed to redirect federal subsidized credit (Pronaf) to sustainable production systems that keep forests standing.

• By offering simple financial products to producers in forest-based value chains, CX Impact Fund increases the number of sustainable projects that can access subsidized rural credit, increasing the amount of public financing going to sustainable AFOLU.
Lessons for expanding subsidized rural credit to sustainable agriculture and land use

• Linking to rural credit lines offer opportunities to overcome barriers by stimulating demand; building local financial institutions’ capacity; strengthening value chains; supporting loan repayments; and fundraising

• Potential risks include: changes in public financing and similar policies; crowding out market or private finance; and lack of mature enough credit lines

• Design considerations include:
  • Align with relevant subsidized credit lines to ensure complementarity
  • Due diligence on rural credit to ensure demand and uptake
  • Partnerships with local financial institutions to encourage other market actors’ participation.
  • Provision of financial literacy assistance to help increase borrowers’ credit worthiness and their future access to commercial finance
Conclusions

• Financial instruments can use policies as tools to overcoming barriers, while also contributing to “greening” existing AFOLU support policies

• Important to note that government intervention in AFOLU finance should be used as enabling environment for financial services and not as a substitute

• The Lab hopes the brief can support entrepreneurs and potential proponents of financial instruments, allowing them to leap frog common obstacles and take advantage of possible policy tools that may exist in target markets
West African Initiative for Climate Smart Agriculture (WAICSA)
THE WEST AFRICAN INITIATIVE FOR CLIMATE SMART AGRICULTURE (WAICSA)

Implementation Status

September 2021
I. Presentation of the ECOWAS Bank for Investment and Development (EBID)
   - History of the Bank
   - Vision, Mission and interventions
   - Our impact
   - Fund management experience

II. Presentation of the West African Initiative for Climate Smart Agriculture (WAICSA)
   - The Regional Fund for agriculture and Food (RFAF) and WAICSA
   - Key activities undertaken so far and ongoing activities
   - Recap
History and Member States

ECOWAS

- Created on 28 May 1975 with 15 founding member countries
- Cabo Verde joins the ECOWAS
- Mauritania withdraws from the ECOWAS
- Morocco’s application to join the ECOWAS endorsed at the summit of Heads of State

History of EBID

1975
- ECOWAS Fund for Cooperation, Compensation and Development (ECOWAS Fund) instituted as the Community’s financial institution

1977
- ECOWAS Fund becomes operational

1979
- ECOWAS Fund transformed into the EBID Group with two subsidiaries: the ECOWAS Regional Development Fund (ERDF) and ECOWAS Regional Investment Bank (ERIB)

1999
- ECOWAS Fund becomes operational

2000
- EBID Group becomes operational

2004
- EBID Group is reorganized into a single unified entity

2006
- EBID Group becomes operational

2017
- EBID Group is reorganized into a single unified entity

Member States

- Benin
- Burkina Faso
- Cabo Verde
- Côte d’Ivoire
- The Gambia
- Guinea
- Guinea-Bissau
- Mali
- Niger
- Nigeria
- Senegal
- Sierra Leone
- Togo
- Liberia

ECOWAS Fund for Cooperation, Compensation and Development (ECOWAS Fund) instituted as the Community’s financial institution.

Cabo Verde joins the ECOWAS.

Mauritania withdraws from the ECOWAS.

Morocco’s application to join the ECOWAS endorsed at the summit of Heads of State.

EBID Group is reorganized into a single unified entity.

ECOWAS Fund becomes operational.

ECOWAS Fund transformed into the EBID Group with two subsidiaries: the ECOWAS Regional Development Fund (ERDF) and ECOWAS Regional Investment Bank (ERIB).
Vision, Mission and Interventions

Our Vision
Become the leading regional investment and development Bank in West Africa

Our Mission
Foster the emergence of an economically strong, industrialised and prosperous West Africa with a fully integrated economic system at regional and global levels

Areas of Intervention

Private Sector
- Products
  - Trade Finance
  - Equity
  - Guarantees
  - Loans
  - Structured Finance
  - Advisory Services
- Sectors
  - Infrastructure
  - Industry
  - Services
  - Energy
- Clients
  - Banks
  - SMEs
  - Governments (PPPs) and Agencies
  - Local Corporates
  - Project Developers
  - Development Consortia

Public Sector
- Products
  - Guarantees
  - Loans
  - Advisory Services
- Sectors
  - Infrastructure
  - Social Sector
  - Rural Development
- Clients
  - Governments

BIDC
EBID
As at 31st December 2020, the Bank’s cumulative commitments to member states amount to over US$ 2.843 billion for over 298 projects in social, infrastructure, rural development and service sector.

Breakdown of commitments by sector of intervention

- Social: 60.50%
- Infrastructure: 17.30%
- Industrie: 7.70%
- Développement rural: 7.60%
- Service: 7%

Contribution to the Sustainable Development Goals (SDGs)

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 and justice, strong institutions
17. Partnerships for the goals
EBID has a long experience in the management of funds on behalf of third parties, which includes, among others:

- **Cultural Industries Guarantee Fund of West Africa (CIGF)**
  Created at the initiative of the Intergovernmental Agency for the Francophonie, GFCI is aimed at covering the financing of operations of the cultural enterprises in West Africa.

- **African Biofuel and Renewable Energy Fund (ABREF)**
  ABREF is a joint initiative of UNCTAD and EBID exclusively dedicated to funding projects related to renewable energies. It has two components namely: investment fund and facility for technical assistance.

- **Special Fund for Telecommunications (SFT)**
  Focus on financing telecommunications infrastructure in the 15 Member States.

- **The ECOWAS Support Project for Development and Peace (PADEP)**
  Established through a financing agreement between the AfDB and the ECOWAS Commission, the fund aims to strengthen ECOWAS' institutional capacity to intervene in conflict-affected countries.

- **The Regional fund for Agriculture and Food (RFAF)**
  Aims to channel most of the internal and external resources mobilized for the financing of the regional dimensions of the ECOWAS regional agricultural policy (ECOWAP/CAADP).
Presentation of RFAF

A blended finance fund targeting the 15 member states of the Economic Community of West African States (ECOWAS), embedded in the ECOWAS Regional Agriculture Development Fund (ECOWADF)

WAICSA is one of the six innovative climate finance instruments endorsed by The Global Innovation Lab for Climate Change in September 2019, in partnership with IFAD
Presentation of WAICSA

1. Design of WAICSA
   - Financing Facility managed by EBID (80%)
   - Technical assistance Facility managed by RAAF (20%)

2. Forms of interventions
   - **Financing Facility**: offers subsidized-rate loans, guarantees and equity participation to agricultural businesses and smallholder organizations, directly and through local FIs.
   - **Technical Assistance facility**: is financed through grants and subsidies from ECOWAS and donors. It supports financial intermediaries to design loan products that integrate CSA conditionality and guides smallholders in implementing locally adapted CSA practices.

3. Environmental and social Impact
   - WAICSA can convert **185,000 hectares** of smallholder agricultural land to CSA
   - **Over 90,000 households** reached to help limit their exposure to climate risks
   - **Approximately 2 million tonnes of CO2** mitigated annually, in a maximum mitigation potential scenario
## Presentation of WAICS A

### Investment Opportunities

<table>
<thead>
<tr>
<th>Investor type</th>
<th>Amount (USD) Year 1-2</th>
<th>Amount (USD) Year 3-7</th>
<th>Role of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial investments</td>
<td>US$ 2 million</td>
<td>US$ 18 million</td>
<td>• Loans</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Equity investments</td>
</tr>
<tr>
<td>Concessional investments (DFIs, public)</td>
<td>US$ 5 million</td>
<td>US$ 15 million</td>
<td>• Loans</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Equity investments</td>
</tr>
<tr>
<td>Donors / Grant providers</td>
<td>US$ 4 million</td>
<td>US$ 10 million</td>
<td>• Technical Assistance facility</td>
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</table>

### Financial impact

<table>
<thead>
<tr>
<th>IRR baseline scenario</th>
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<tbody>
<tr>
<td>Financing Facility</td>
</tr>
<tr>
<td>Class A (Senior and Mezzanine)</td>
</tr>
<tr>
<td>Class B - ECOWAS</td>
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<tr>
<td>Fund Manager</td>
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</table>
Key activities undertaken so far

Development of TORs and recruitment of consultants for the development of WAICSA operationalization documents
- Operational Guidelines
- Resource mobilization strategy
- Business plan 2021-2025
- Communication and marketing strategy

Recruitment of WAICSA financial intermediaries
- Launch of the call for interest
- Recruitment of the consultant for the analysis of the different applications
- Screening of the applications received
- Pre-qualification of FIs

Research for funding and technical assistance for the implementation of WAICSA
- Addressed financing request to AFD, GCCA+ and IAA
- Obtained 10 000 EUR grant from GCCA+ for the development of the marketing & communication strategy
- Received 1 million UA from the ECOWAS Commission

Organisation of the first steering committee of the fund
- Validation of the operationalization strategy and annual work plan
During 2021, the Bank pursued the activities necessary for the operationalization of the Fund's activities, in particular the preparation of the documents required for the implementation of the AARF/WAICSA and the organization of a round table with the TFPs to support the Fund's activities and mobilize resources. The aim is to launch the 2-year pilot phase during Q1 2022.

<table>
<thead>
<tr>
<th>PERSPECTIVES 2021</th>
<th>ACTIVITIES</th>
<th>LEVEL OF IMPLEMENTATION</th>
<th>DEADLINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop the necessary documents and carry out the pre-requisite actions for the operationalization of the fund</td>
<td>Development of Operational Guidelines</td>
<td>Draft available</td>
<td>November 2021</td>
</tr>
<tr>
<td></td>
<td>Development of the Resource Mobilization Strategy</td>
<td></td>
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<tr>
<td></td>
<td>Development of the 2022-2026 Business strategy</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Development of the communication and marketing strategy</td>
<td>Recruitment of Consultant in process</td>
<td>December 2021</td>
</tr>
<tr>
<td></td>
<td>List of local financial intermediaries that will take part in the WAICSA</td>
<td>In process</td>
<td>November 2021</td>
</tr>
<tr>
<td>Engage in dialogue with TFPs to support the Fund's activities and mobilize resources</td>
<td>Preparation and organization of a round table with the TFPs</td>
<td>Organization of the roundtable is scheduled for December 2021 or Q1 2022 depending on the health situation linked to the Covid 19 pandemic</td>
<td></td>
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</table>
RECAP

16 February 2019: Signature of the Agreement between ECOWAS and the ECOWAS Commission governing the RPAF/VAICSA

27 Sept 2019: Adoption of VAICSA in New York

Nov. 2019: Creation of the 5th window of the RPAF: the West African Initiative for Climate-smart Agriculture (VAICSA)

April 2019: Creation of the RPAF

Jan-April 2020: Preparation of the ToR for the recruitment of a consultant for the identification of the fundamental documents of the AARF, necessary for the operationalization of the Fund and the implementation of VAICSA

Dec. 2019: Transfer of the first tranche by ECOWAS, €1 million

July 2020: Publication of the AMI for the selection of financial intermediaries

2021-2022: Recruitment of the different consultants and elaboration of the different PROOF/VAICSA documents

15 October 2020: First meeting of the Fund steering Com and validation of the strategy and the PIFBA

January-March 2022: First investment operations of the Fund

October 2021: Finalization and validation of Fund operational documents

November 2021: Finalization and validation of Fund operational documents

2021: Validation of the Marketing and communication strategy
Thank you!
Q&A