

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**

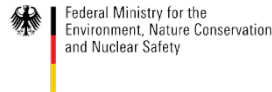
Ashia BIO-Sawe, Environmentalist & climate finance specialist, ECOWAS Bank for Investment and Development (EBID)

- **Q&A Session**

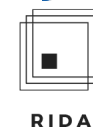
The Global Innovation Lab for Climate Finance

The Lab brings together over 70 institutions to address the sustainable investment gap

FUNDERS



MEMBERS



PAST FUNDERS



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

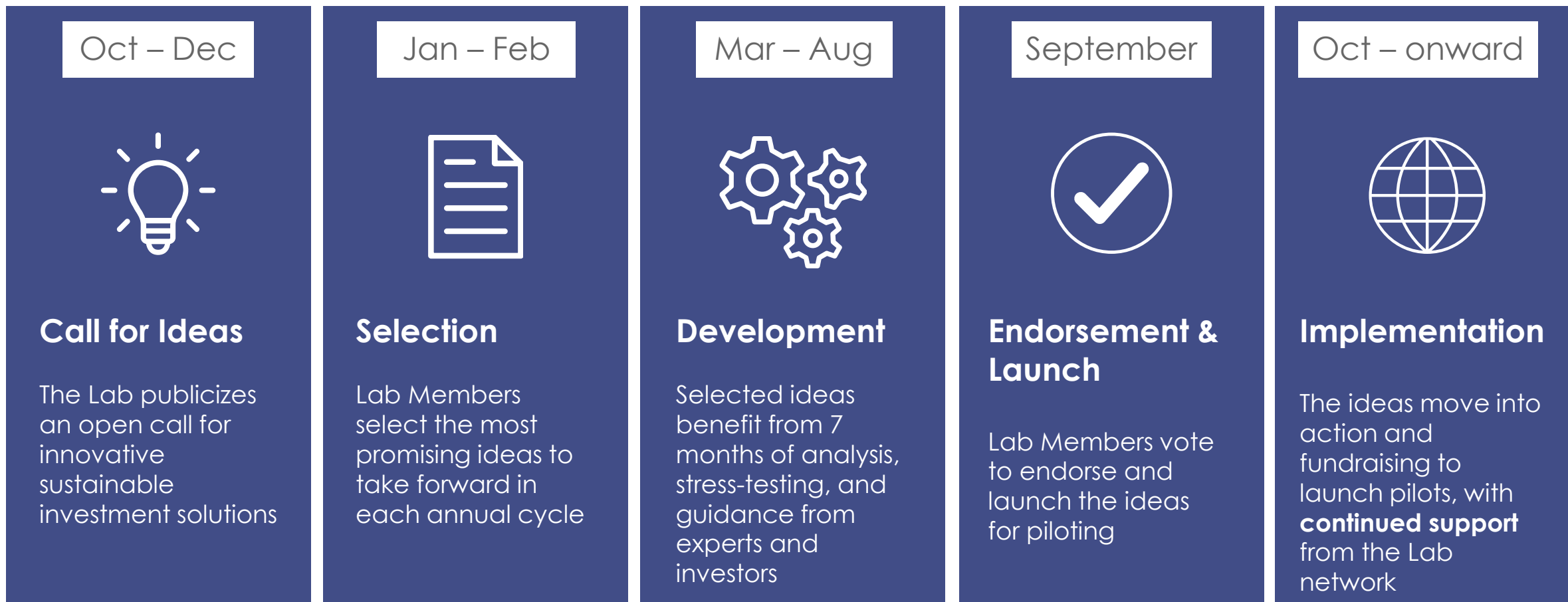
Key features of investments:

- 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

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

Impact Category	Description	Indicator type	Indicator example
1. Climate mitigation	Net reduction in GHG emissions through avoided emissions, carbon sequestration, and / or reduced energy intensity.	<ul style="list-style-type: none">• Avoided emissions• Carbon sequestered• Reduced energy intensity	<ul style="list-style-type: none">• Avoided GHG emissions from land conversion; from crop / livestock production• Carbon sequestered in above- / below-ground biomass• Energy intensity of irrigation / processing / transport

Impact categories: Productivity | Relevant for Climate Adaptation & Resilience

Impact Category	Description	Indicator type	Indicator example
2. Productivity	Net increase in food, feed, fiber, or fuel produced per area	<ul style="list-style-type: none">• Sustainable production• Resource use efficiency• Labor efficiency• Avoided loss / waste• Diversification	<ul style="list-style-type: none">• 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

Impact categories: Environment | Relevant for Climate Adaptation & Resilience

Impact Category	Description	Indicator type	Indicator example
3. Environment	Maintenance or improvement in environmental conditions, biodiversity, and / or flows of ecosystem services	<ul style="list-style-type: none"> • Land use • Ecosystem service flows • Biodiversity • Ecological resilience 	<ul style="list-style-type: none"> • 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

Impact Category	Description	Indicator type	Indicator example
4. People	Improvement in individual, household, or community assets, net income, capacities, and / or nutritional status, accounting for implications for marginalized groups	<ul style="list-style-type: none"> • Participation • Income / assets • Risk / resilience • Socio-economic wellbeing 	<ul style="list-style-type: none"> • Participation in activities • Adoption/retention rates • Value of products marketed & producer revenue • Household savings • Decrease of community level risk or increased resilience • Insurance coverage • Household food/nutritional security

Impact categories: Systems | Relevant for Climate Adaptation & Resilience

Impact Category	Description	Indicator type	Indicator example
5. Systems	Changes in local sectors, markets, value chains, technical and financial services, institutional functioning, and information resources.	<ul style="list-style-type: none"> • Sectoral development • Markets • Value chains • Technical services • Financial inclusion / sustainability • Information resources 	<ul style="list-style-type: none"> • 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

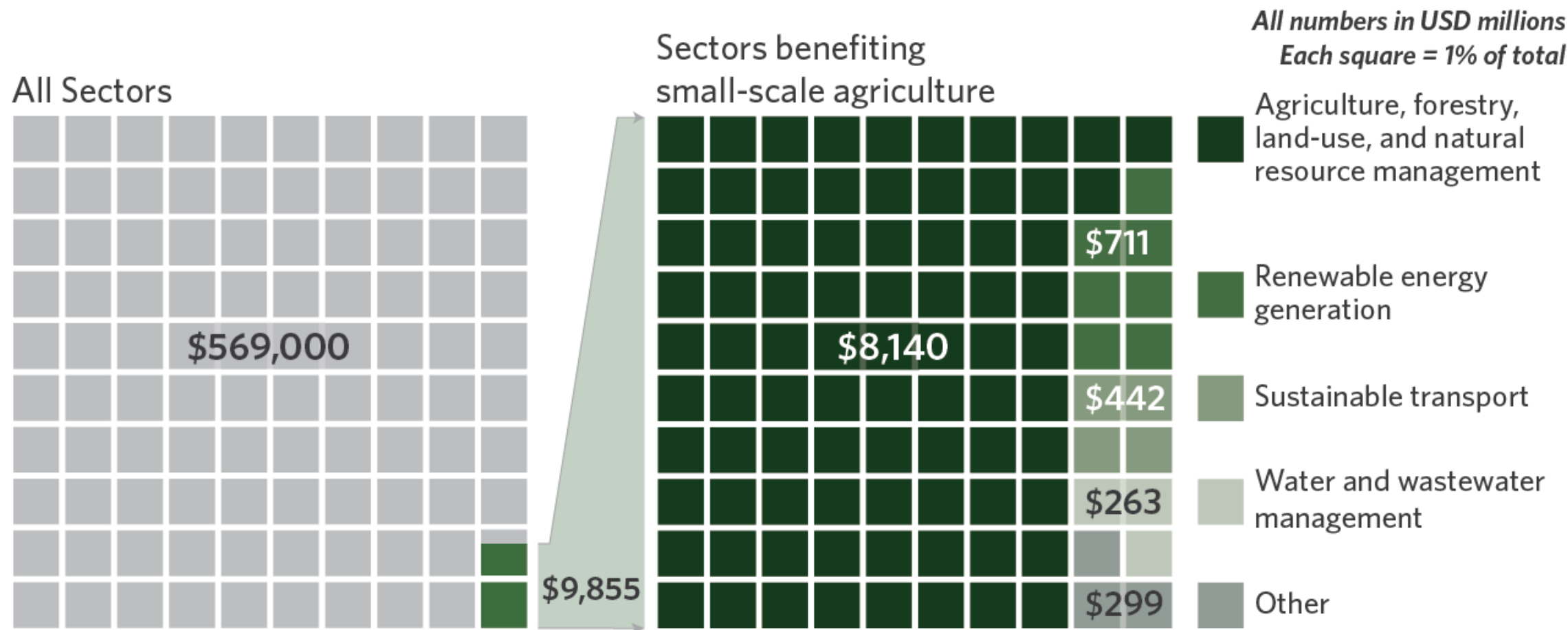
Sourcing relevant AFOLU data

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

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

Instrument	Pilot	Type of policy tool used	Specific tools
Responsible Commodities Facility	Brazil	 Public policies and regulations	Brazilian Forest Code; Land registration
Blockchain Climate Risk Crop Insurance	Kenya	 Public finance levers	Insurance premium subsidies for crop insurance
Conexus Impact Fund	Brazil	 Public finance levers	Subsidized line of credit (Pronaf)

Responsible Commodities Facility (RCF)

2018 Lab Instrument



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

Proposed by:





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

Blockchain Climate Risk Crop Insurance

2019 Lab Instrument



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

Proposed by:



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

Conexus Impact Fund

2020 Lab Instrument



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

Proposed by:



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)



BANQUE D'INVESTISSEMENT ET DE DEVELOPPEMENT DE LA CEDEAO
ECOWAS BANK FOR INVESTMENT AND DEVELOPMENT
BANCO DE INVESTIMENTO E DE DESENVOLVIMENTO DA CEDEAO

The ECOWAS Bank • La Banque de la CEDEAO • O Banco da CEDEAO

THE WEST AFRICAN INITIATIVE FOR CLIMATE SMART AGRICULTURE (WAICSA)

Implementation Status

September 2021



Agenda

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)

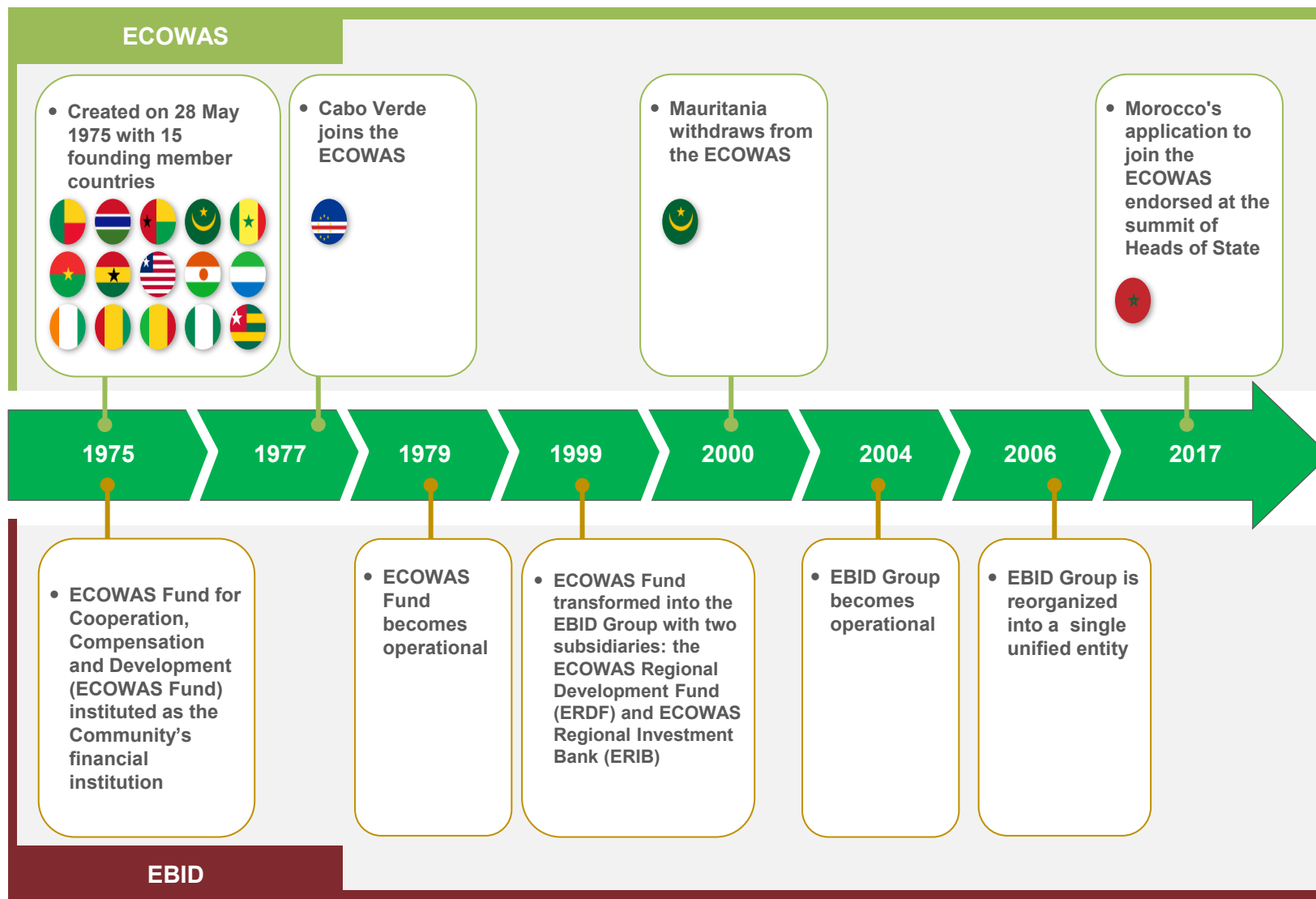
- ☒ The Regional Fund for agriculture and Food (RFAF) and WAICSA
- ☐ Key activities undertaken so far and ongoing activities
- ☐ Recap




















History and Member States

History of EBID



MEMBER STATES

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



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

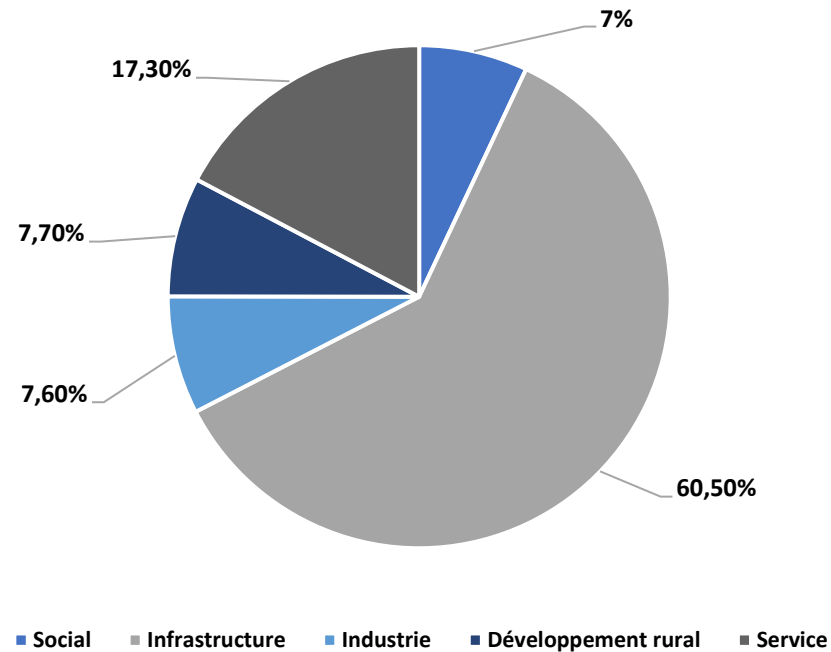
- Governments



Our Impact

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



Contribution to the Sustainable Development Goals (SDGs)



Fund management experience

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)**

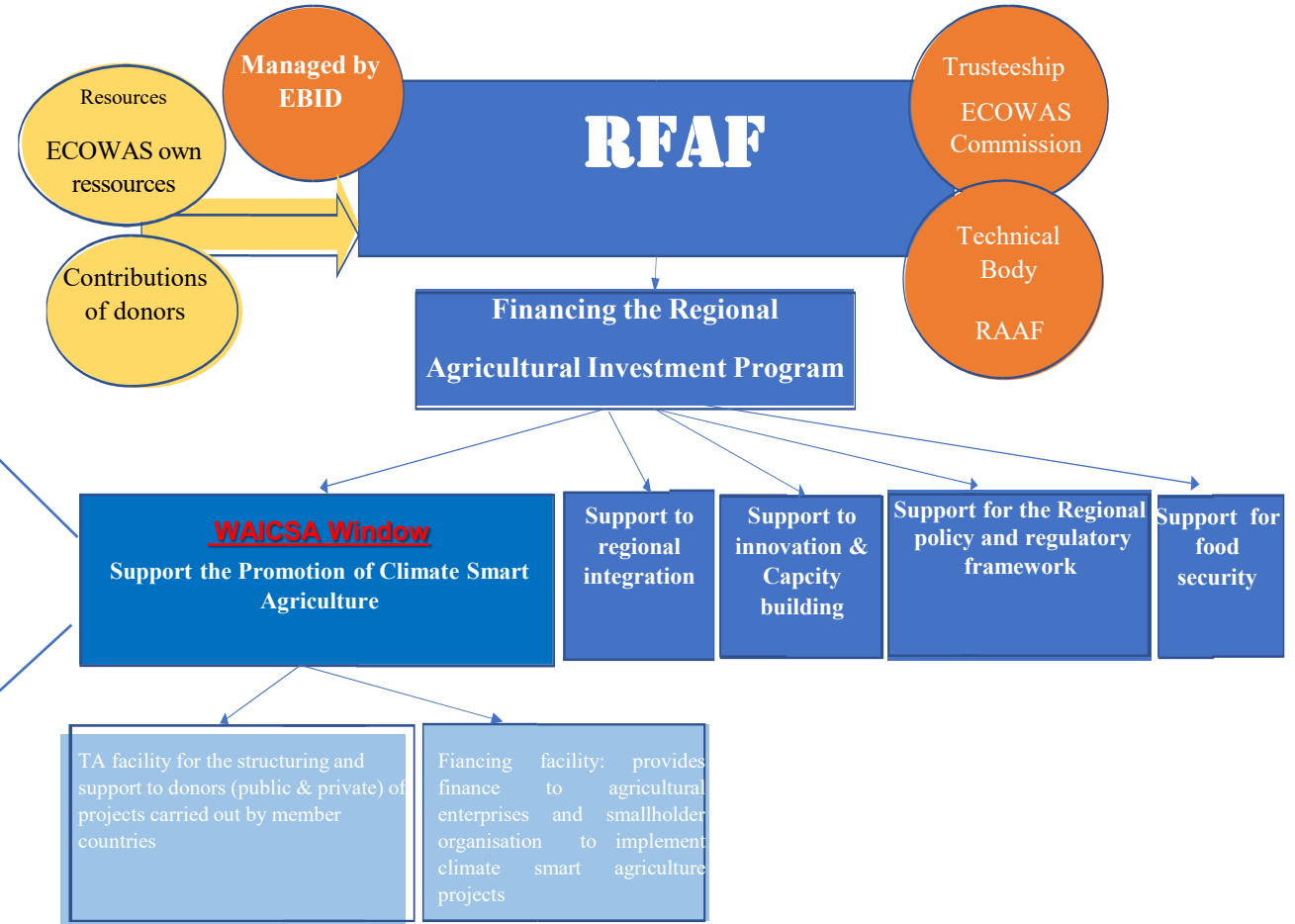
Aims to channel most of the internal and external resources mobilized for the financing of the regional dimensions of the ECOWAS regional agricultural policy (ECOWAP/CAADP)



Presentation of RFAF

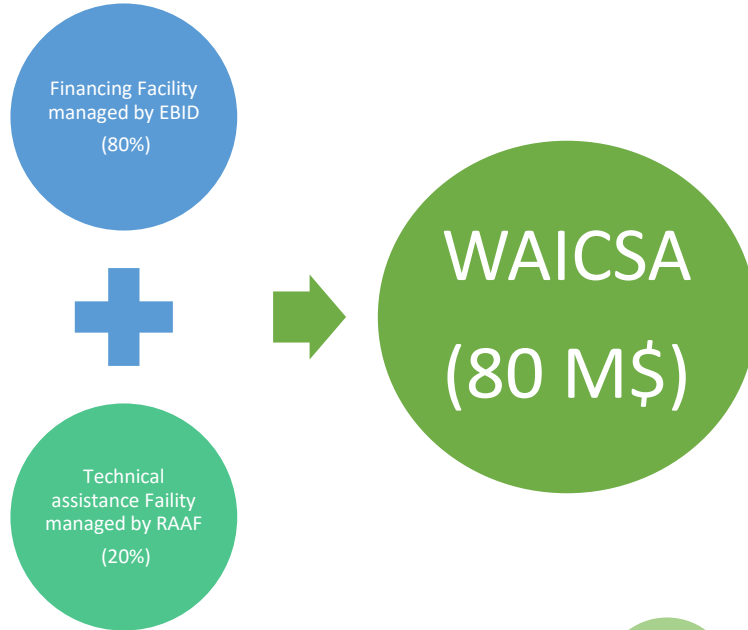
A blended finance fund targeting the 15 member states of the Economic Community of West African States (ECOWAS), embedded in the ECOWAS Regional Agriculture Development Fund (ECOWADF)

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



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 Environnemental 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 WAICSA

4 Investment Opportunities

Investor type	Amount (USD) Year 1-2	Amount (USD) Year 3-7	Role of capital
Commercial investments	US\$ 2 million	US\$ 18 million	<ul style="list-style-type: none">LoansEquity investments
Concessional investments (DFIs, public)	US\$ 5 million	US\$ 15 million	<ul style="list-style-type: none">LoansEquity investments
Donors / Grant providers	US\$ 4 million	US\$ 10 million	<ul style="list-style-type: none">Technical Assistance facility

5 Financial impact

IRR baseline scenario	
Financing Facility	0.7%
Class A (Senior and Mezzanine)	5.1%
Class B - ECOWAS	-7.9%
Fund Manager	3.7%

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

Recrutement 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 1million UA from the ECOWAS Commission

Organisation of the first steering committe of the fund

- Validation of the operationalization strategy and annual work plan



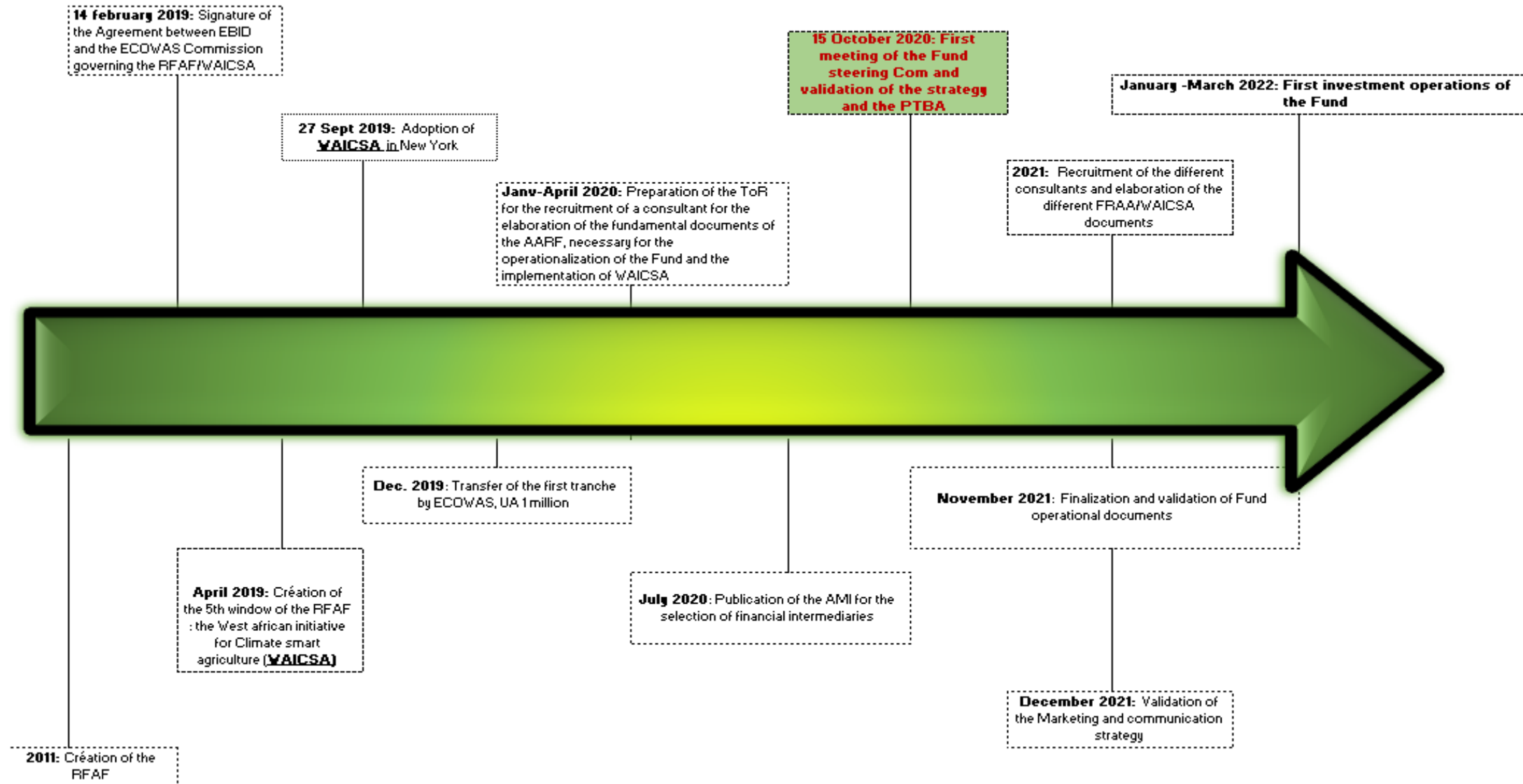
Key ongoing activities

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 2year pilot phase during Q1 2022

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



RECAP



**Thank
you!**



Q&A



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