MITIGATION & ADAPTATION TO CLIMATE CHANGE

4. ACCESSING LOCAL & REGIONAL CLIMATE FUNDS

BCI Better Cotton Initiative
www.bettercotton.org

TRAINING OVERVIEW

- You are in the 4th step of your training
- **Learning outcomes**
  - What is Climate Finance?
  - How can you finance Climate Smart Agriculture (CSA)?
  - How can you get financing at a local level?

Chapters	Time
1. An overview of Climate Finance	10mins
2. Financing CSA at the Global & National Level	10mins
3. Finaincing CAS at the Local level	10mins
Assessment	10mins
Total time: 40mins	

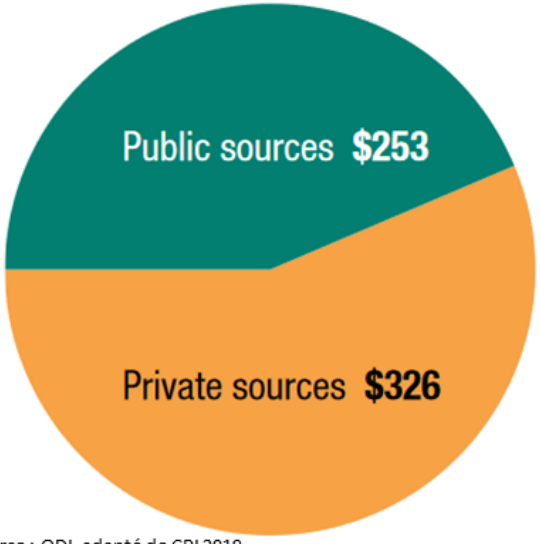
1. AN OVERVIEW OF CLIMATE FINANCE

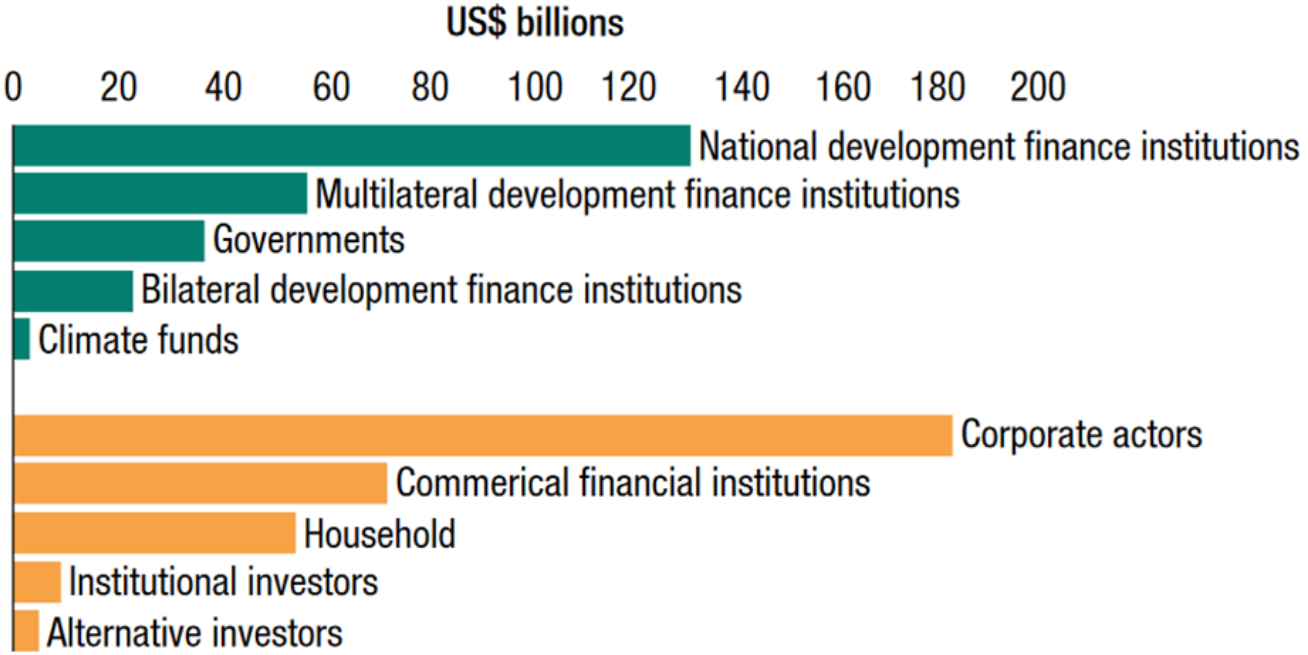
WHAT IS CLIMATE FINANCE?

- Climate Finance offers finance mechanisms for **Mitigation & Adaptation** to Climate Change
- Those funds come from various sources (Public, Private…)
- Those funds can be used at **Regional, National or International levels**

WHERE DO CLIMATE FUNDS COME FROM ?

- Average public and private climate flows in 2017-2018

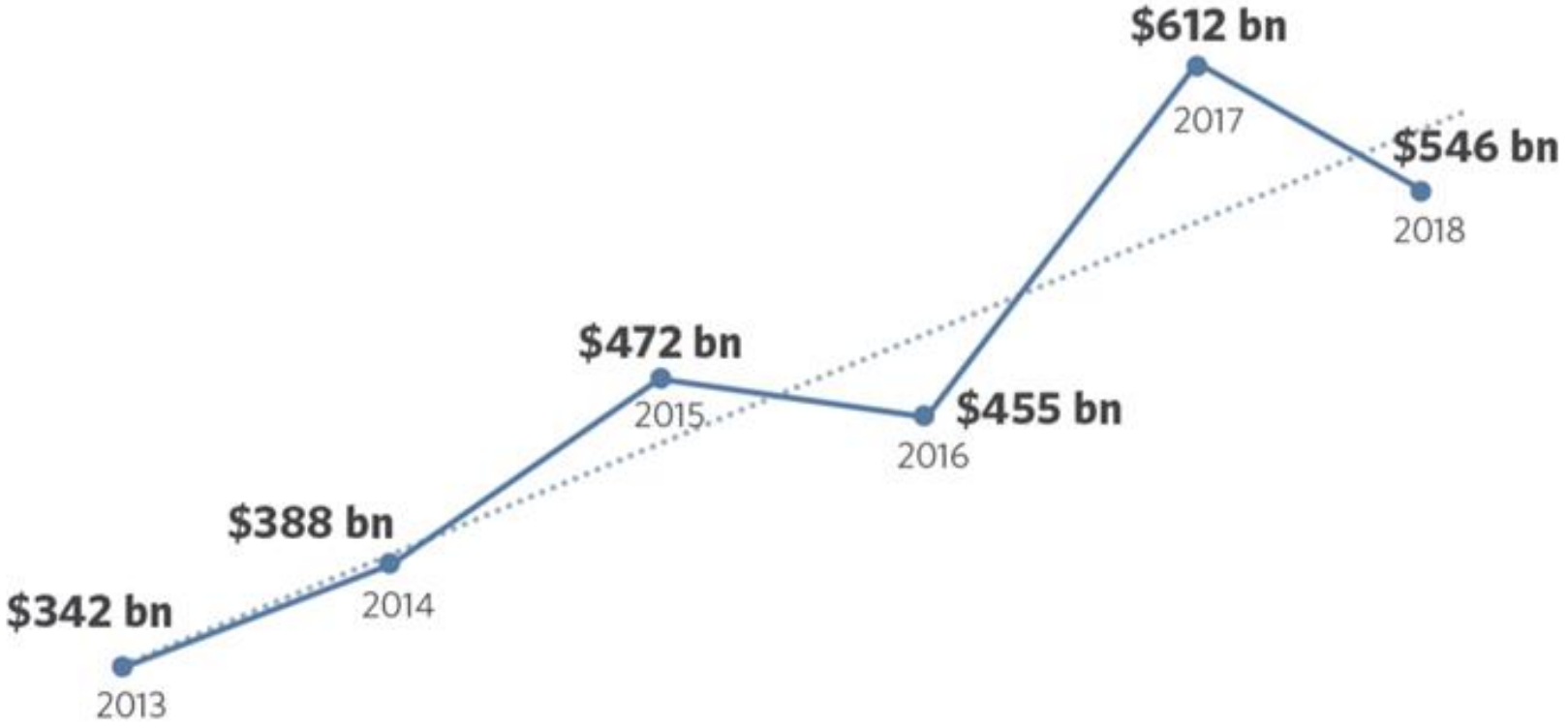




rce : ODI, adapté de CPI 2019

AND THOSE FUNDS ARE GROWING…

Total global climate finance flows between 2013 and 2018



WHERE DO THESE FUNDS GO?

- Destination region of climate finance, by public & private sources
  (in USD billion, for the 2017/2018 annual average)

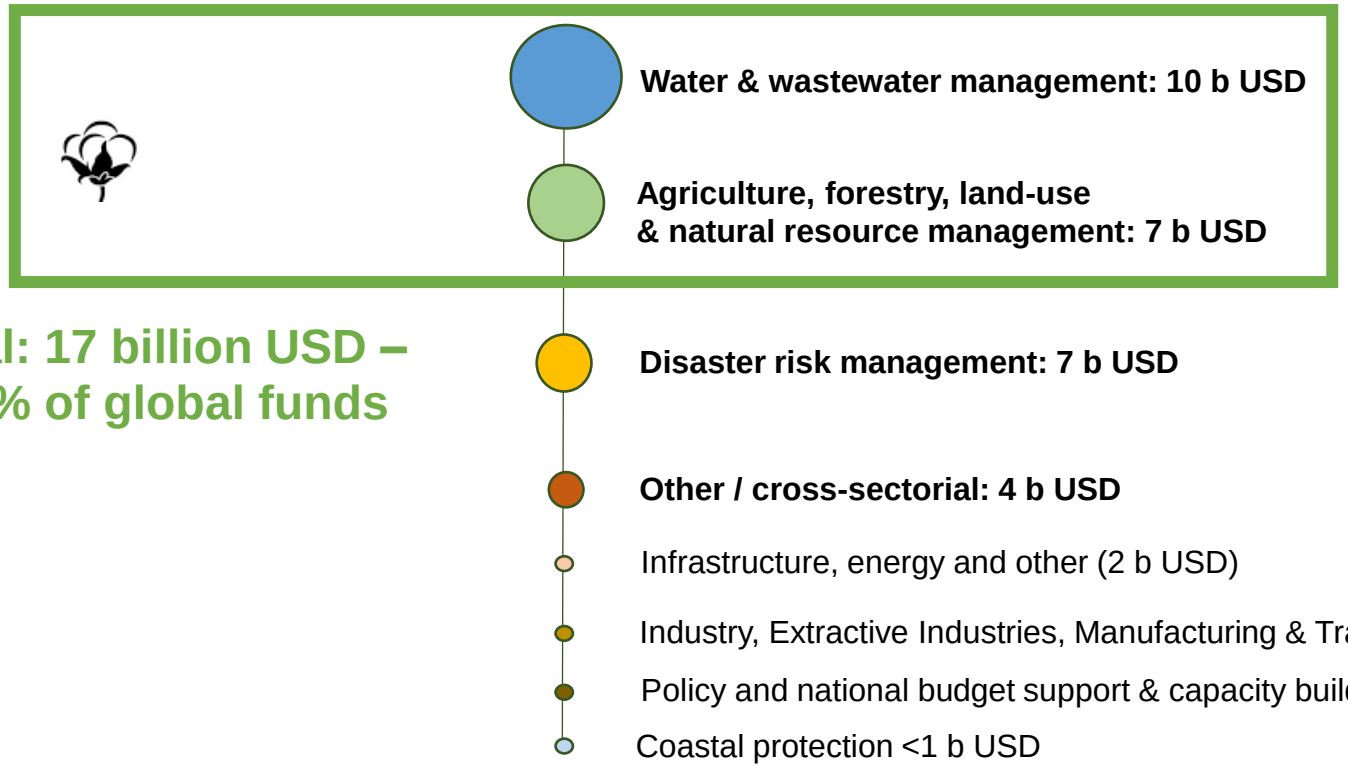
FUNDS TOWARDS BCI COUNTRIES

Average fund perceived for the year 2019 *(Climate Fund update)*:

- India : 1,08 b USD
- Turkey : 665 m USD
- South-Africa : 600 m USD
- China : 349 m USD
- Mozambique : 195 m USD
- Mali : 141,8 m USD
- Madagascar : 117 m USD
- Pakistan : 271 m USD
- Tajikistan : 260 m USD
- Kazakhstan : 347 m USD

WHERE CAN COTTON AGRICULTURE FIT IN TERMS OF FUNDING?

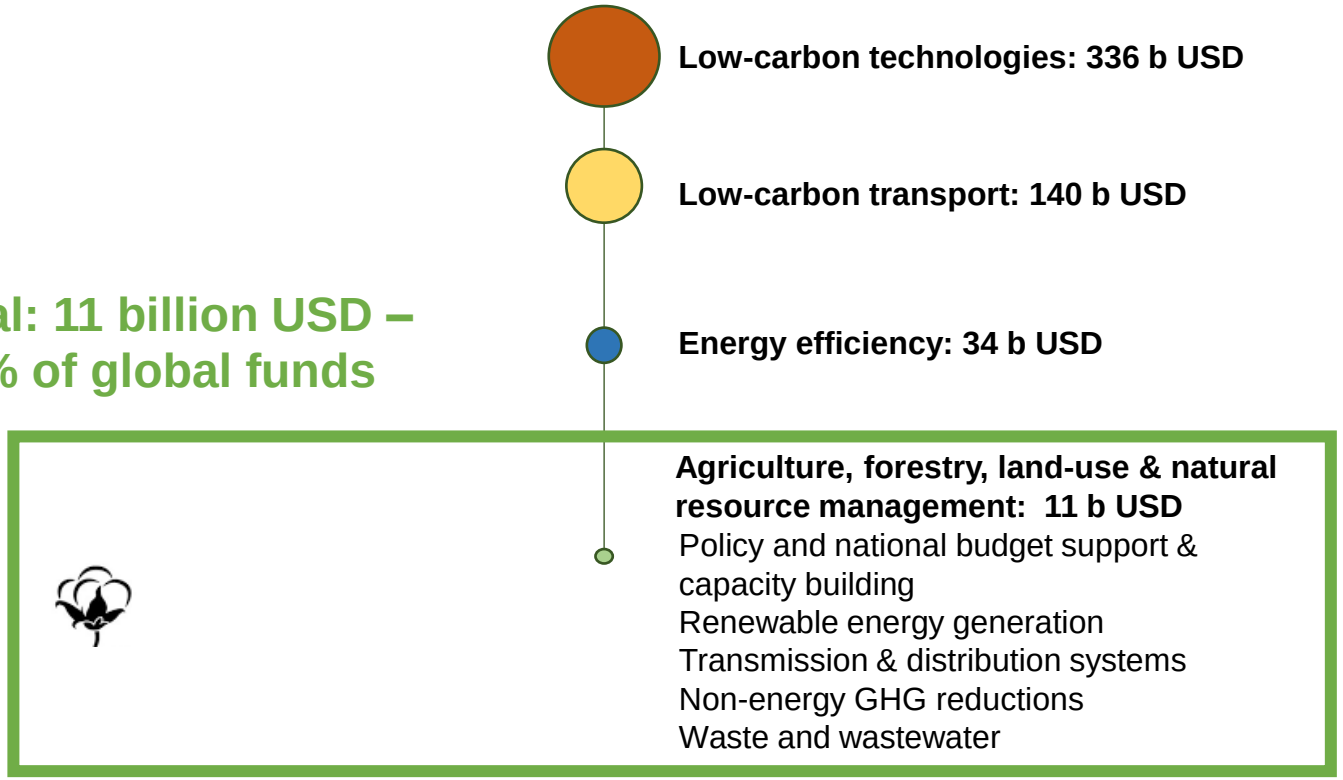
For Adaptation: in water, agriculture, land-use and natural resources management



Total: 17 billion USD – 2.8% of global funds

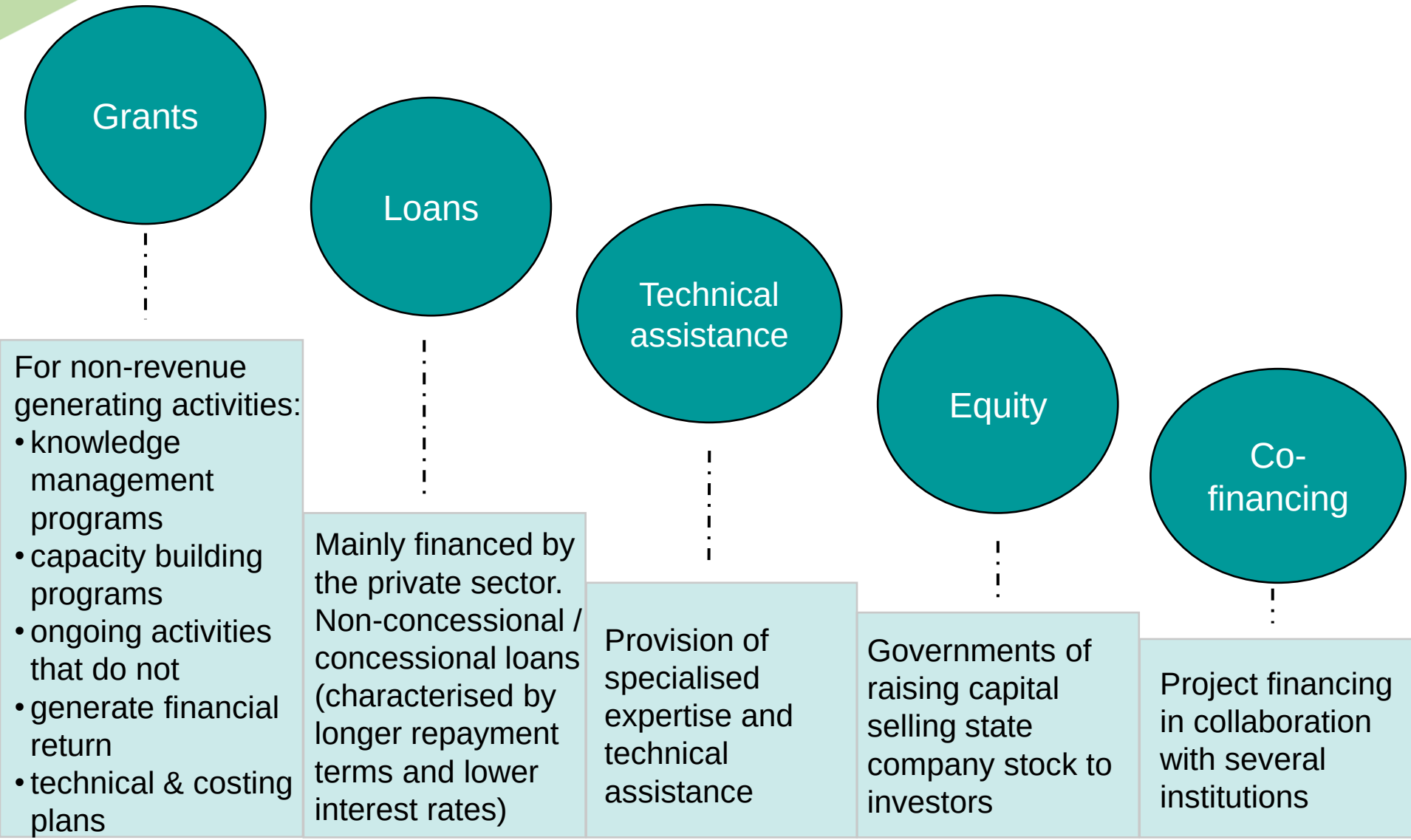
WHERE CAN COTTON AGRICULTURE FIT IN TERMS OF FUNDING?

For Mitigation: in agriculture, land-use and natural resources management



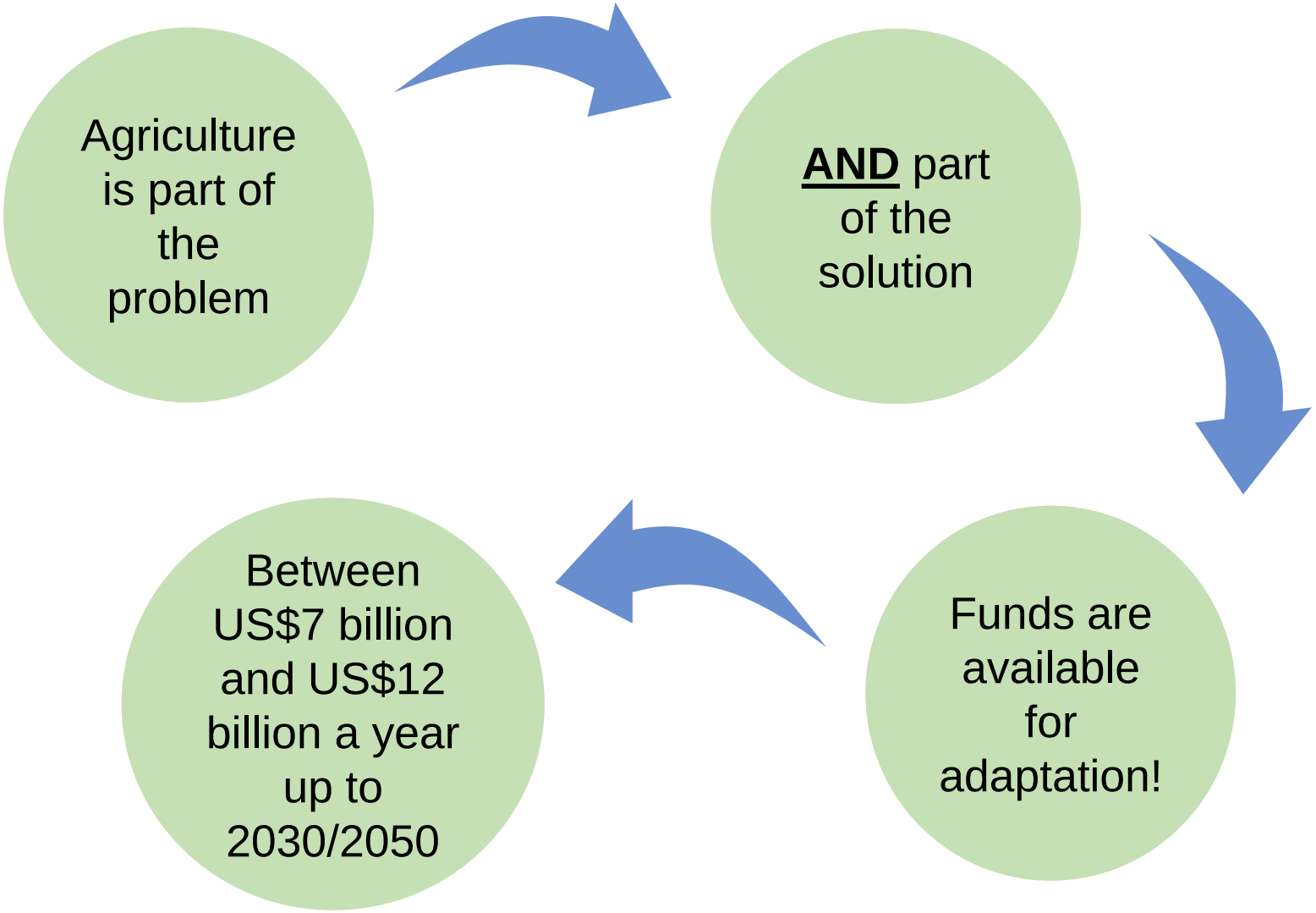
Total: 11 billion USD – 2% of global funds

5 MAIN CLIMATE FINANCE INSTRUMENTS



2. FINANCING CSA AT GLOBAL & NATIONAL LEVEL

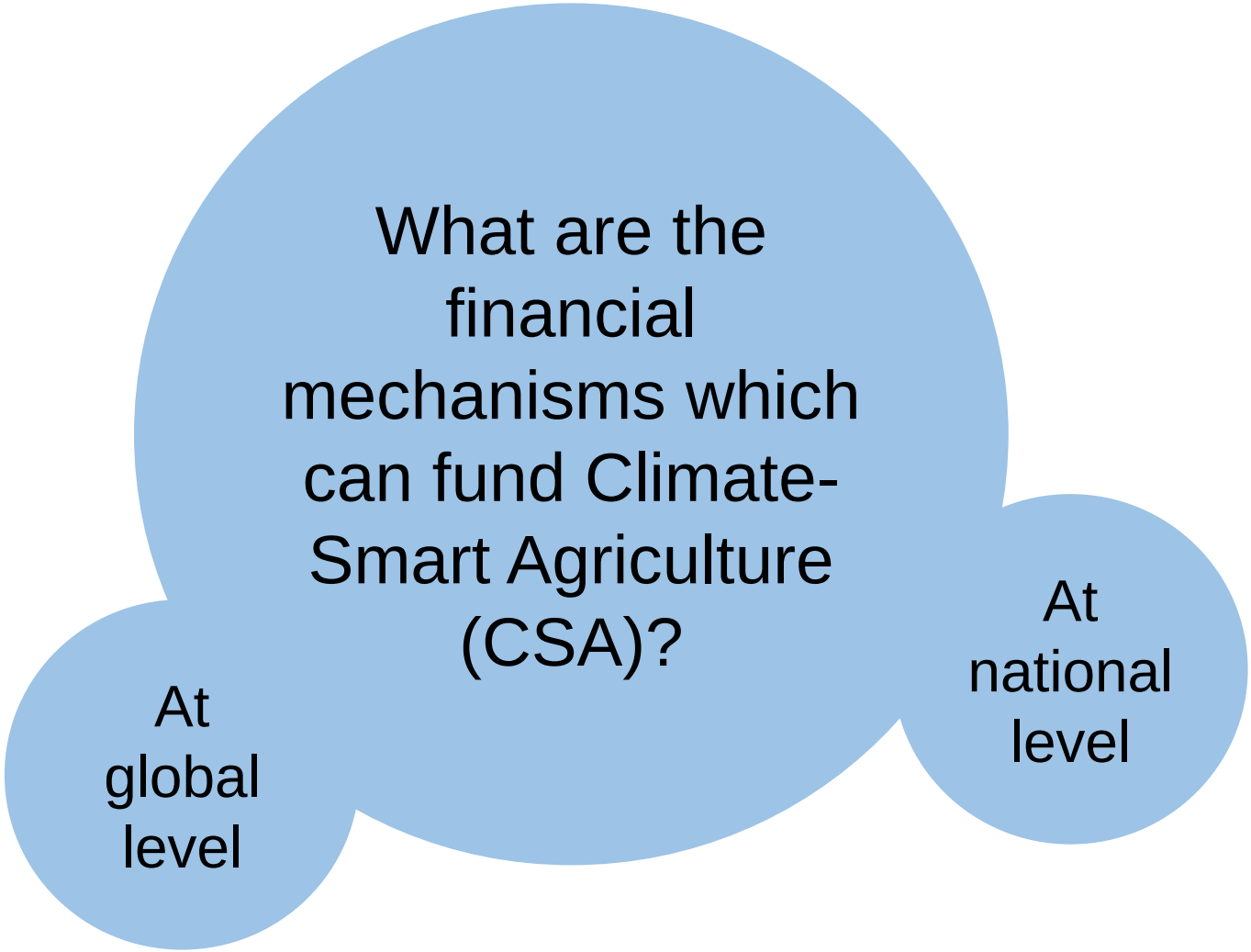
FINANCING CLIMATE SMART AGRICULTURE



FINANCING CLIMATE SMART AGRICULTURE

- There are important needs to **finance fundamental changes in agriculture systems at farm & institution level** through:

1. CSA practices through technical support & funding
2. The development of financial instruments specific to agriculture
3. Institution -building programs
4. Improved access to financial institutions for farmers


What are the financial mechanisms which can fund Climate-Smart Agriculture (CSA)?
At global level
At national level

AT GLOBAL LEVEL (1)

1. UNFCCC

- Green Climate Fund (GCF)
- The Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF)
- The Adaptation Fund (AF)

2. Bilateral funding

- Country-to-country funds
- Covers the topics of agriculture, climate resilient, natural resource management, sustainable land management and water efficiency
- *i.e. AFD, GIZ-KfW, USAID, DFID*

AT GLOBAL LEVEL (2)

3. Multilateral funding

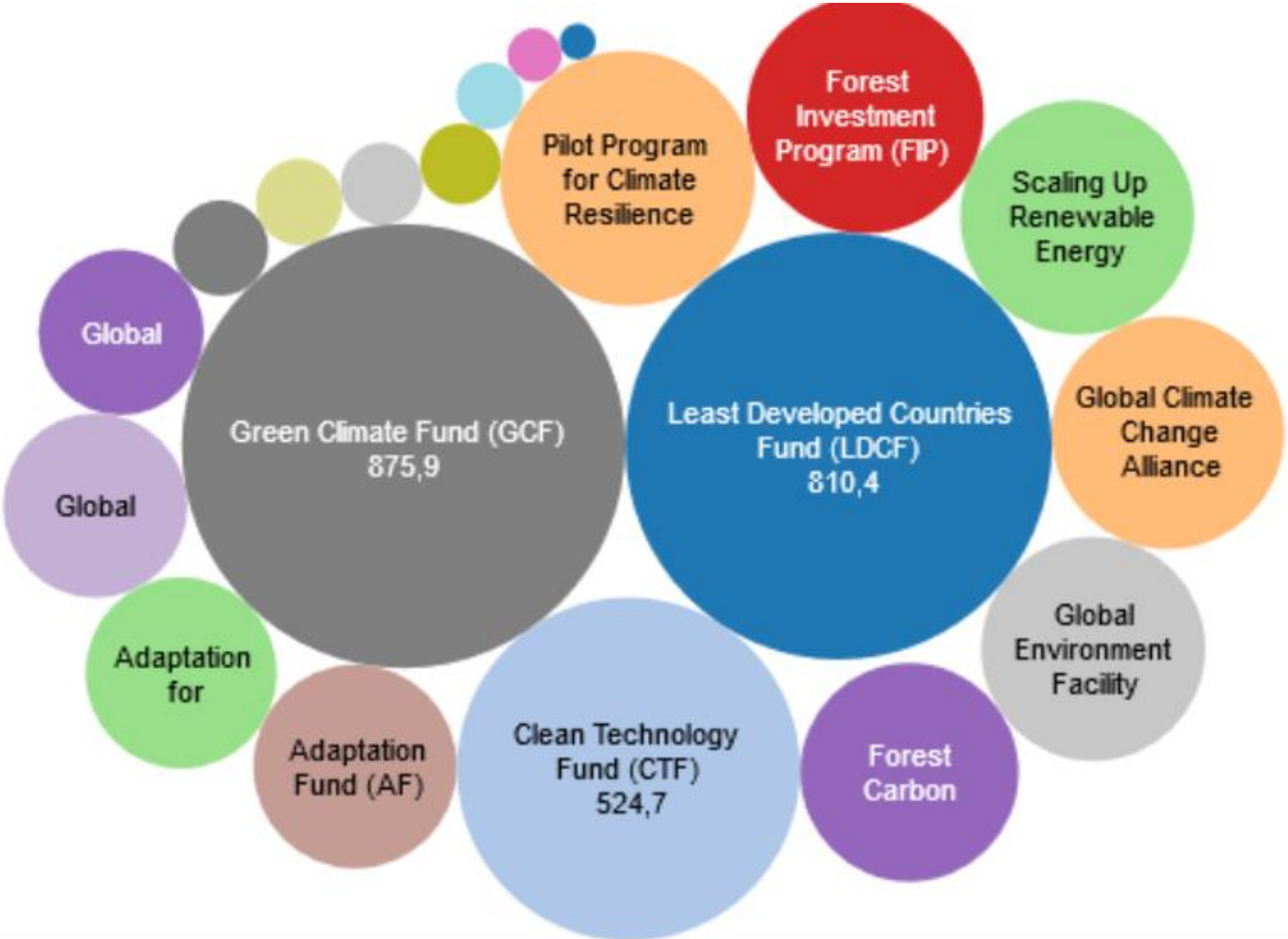
- International Fund for Agriculture and Development's (IFAD) Adaptation for Small Holder Agriculture Programme (ASAP)
- Development banks
  - *i.e. The African, Asian and Inter American Development Banks*
- The World Bank
  - Forest Carbon Partnership Facility
  - The Partnership for Market Readiness
  - The Bio Carbon Fund

AT NATIONAL & REGIONAL LEVEL

- National Climate Funds (NCFs) and Regional Climate Funds (RCFs**)**
- What do those funds consist in? how to access it? Can IPs access it?
- List all potential national/regional funds for BCI direct countries
- Examples:
  - Israel?
  - Pakistan?
  - India?
  - Brazil National Fund On Climate Change

EXEMPLE OF REGIONAL FUNDS CONTRIBUTIONS

- Funds approved (in USD millions) in Sub-Sharan African – including Mozambique, South Africa and Madagascar



WHICH GOVERNMENT TOOLS CAN IPS LOOK AT TO MOBILISE FUNDS?

Clean Development Mechanisms

Green financial policies & regulations

Guarantees from national institutions

Subsidies

Voluntary Standards & Labelling

Grants

Better Cotton Initiative

Insurance

Green & resilient budgeting

Carbon pricing

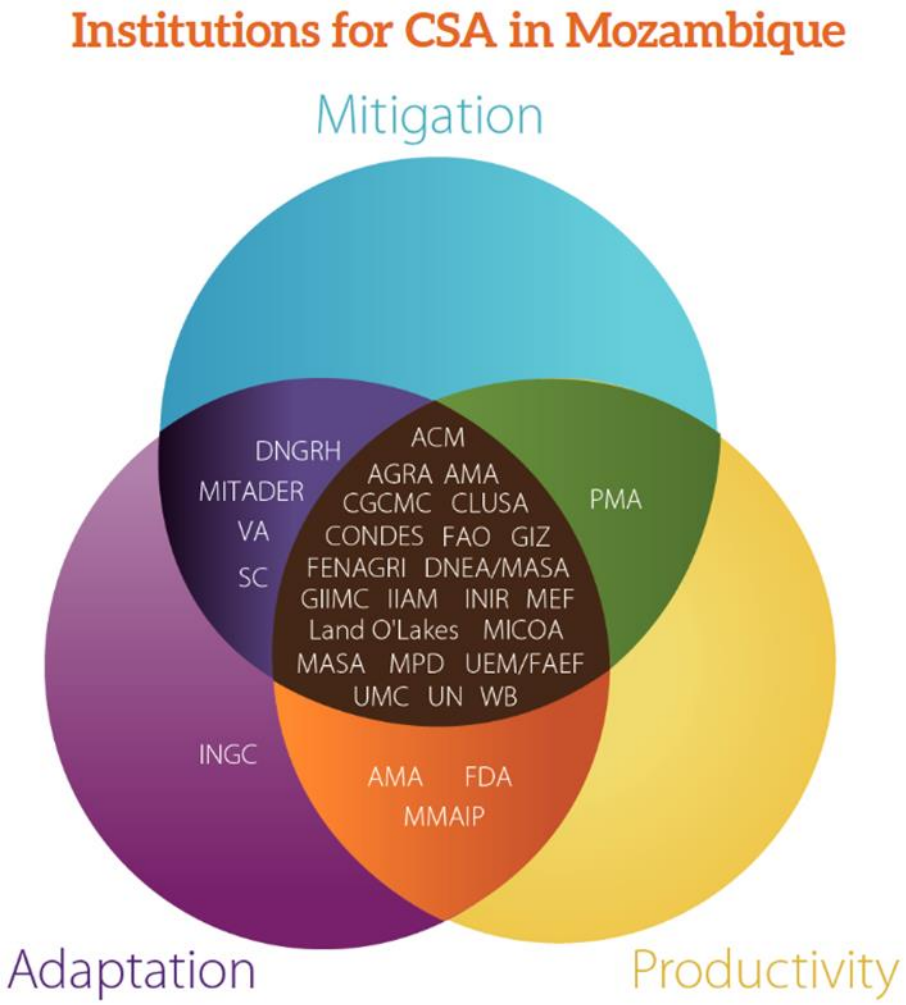
WHAT CAN IMPLEMENTING PARTNERS DO?

- BCI's Implementing Partners can:
  - list

CASE STUDY: CSA FINANCE IN MOZAMBIQUE

- Mozambique represents:
  - 5% of BCI farmers
  - 3rd largest recipient of climate funds in Sub-Saharan Africa in 2016
- Mozambique benefited from 195 millions US dollars from multilateral recipients for adaptation & mitigation projects in 2019

CASE STUDY: CSA FINANCE IN MOZAMBIQUE



- Mozambique got access to 2 key international sources of funding:
  - Global Environment Facility (GEF): 70 million USD
  - The Least Developed Countries Fund (LDCF): 19 million USD for agriculture, forestry & coastal areas

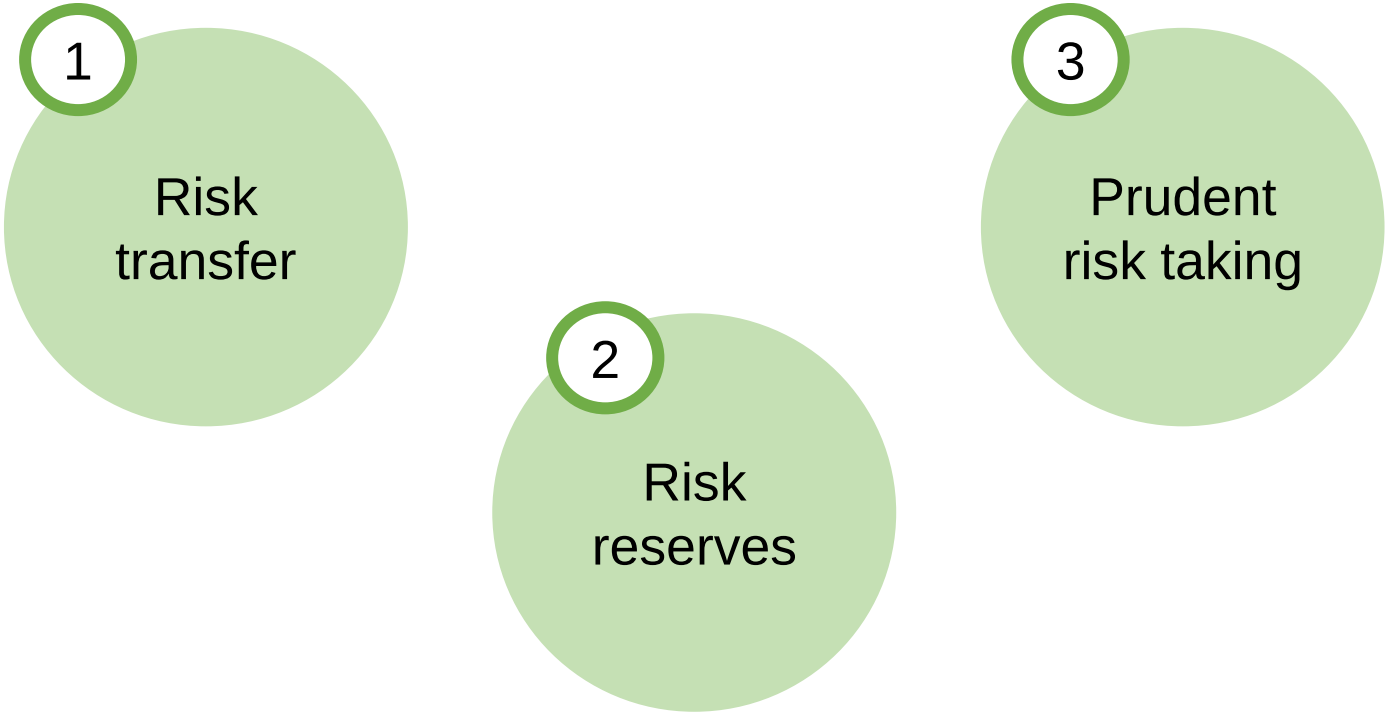
3. FINANCING CSA AT LOCAL LEVEL

KEY PRACTICES OF CLIMATE-SMART AGRICULTURE AT FIELD-LEVEL

- Practices and technologies of CSA are:
  - **Water-smart** (optimised water management…)
  - **Energy-smart** (minimum use of fuel, minimum tillage…)
  - **Carbon-smart** (less use of chemicals, soil carbon restoration…)
  - **Knowledge-smart** (crop rotation, drought or flood tolerant varieties…)

ADAPTATION AND MITIGATION PRACTICES ARE COSTLY

- How do we finance those necessary changes on the field?

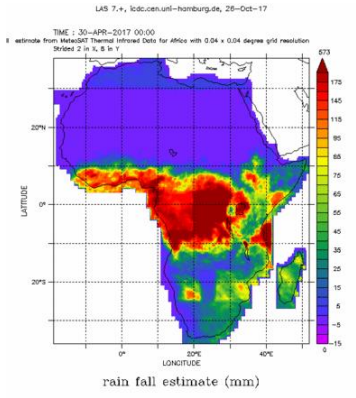


1. RISK TRANSFER

- Risk transfer tools are **a set of insurance tools to prevent farmers from bearing all consequences of climate variability alone**
- In most developing countries, access to insurance services is limited:
  - Remote areas with lack of financial institutions
  - Hard and long process to get reimbursement (for yield losses, for ex., individual claim that need to be verified)
  - Increased risk of moral hazard (corruption, etc.)
  - Historic farm data often required
- Few farmers actually contract insurance in the emerging or frontier markets where it is needed most

1. RISK TRANSFER: GLOBAL INDEX-BASED INSURANCE

- Coverage based on an « Index » corelated with farmers' losses



Estimation of weather variability *(i.e. rainfall, wind, temperature, pest invasions)*

If the variable is higher than expected, and generating losses for the farmer

The farmer benefits from the insurance

1 Risk transfer Case study

Assur'coton in Cote d'Ivoire

- In 2019, an index-based insurance has been proposed to cotton growers in Cote d'Ivoire
- From a subsidiary of Banque Centrale Populaire (BCP)
- In case of droughts or floods, farmers could receive compensation for each ha impacted

Advantages

Less exposure to moral hazard
Less potential errors
Less transaction costs

Disadvantages

> High exposure to basis risk *(i.e. the difference between the level of the index and the farm-level yield or revenue)*

1 Risk transfer

Case study

PlaNet guarantee in Burkina Faso

- The first project of Index-based Crop Insurance for cotton in africa was initiated by PlaNet Guarantee in Burkina Faso in 2011
- Farmers paid a policy of approx. 20 USD/ha
- Damages were compensated regarding the index of rainfall
- In February 2020, 7739 cotton producers received more than 40 000 USD after the annual drought

2. RISK RESERVES: SOLIDARITY FUNDS / SOCIAL NETWORKS

Crop-sharing arrangements
Pooling of capital and labor to manage a plot, sharing risks & profits

Cash cushion
(when possible) savings from the farmer

Solidarity funds
Community-level risk pooling, which occurs in specific communities or extended households. It consists in the transfer of resources among community members
Ex: tontine system in Africa

Social network
Informal loans & gifts (from Community members, extended family)

- This method has limited benefits in case of climate shocks, as in farming communities all members are impacted at the same time

3. PRUDENT RISK TAKING

Livelihood diversification

- An option for risk mitigation is to diversify the source of income in non-agricultural sectors when possible
- i.e.: *artisanal soap making, blacksmithing, beekeeping, phone credit selling, sales of cosmetic products (catalogue), etc.*

3. PRUDENT RISK TAKING

Micro-credits

- Farmers can get access to loans to create small businesses or to buy equipment (farming tools, fertilizer, water pumps…)
- Include steps of the process here
- Micro-credits can be widely used and have proved to work well
- Average amount of all microcredits granted would be close to 250 USD (thousand?)
- 82% of microcredit beneficiaries are women
- In most BCI countries:
  - the average reimbursement is of 98%
  - the average interest rate if of 25%

Case study

Farmers getting access to local CSA funding

Community based projects

The GEF Small Grants Programme funded the recovery of wild cotton by women in Peru

Brought direct support to community-based projects through a local association

Funded 6 projects over an eleven-year period (2003 – 2014)

International Projects

The UNDP supported a project to train farmers in Kazakhstan on Sustainable Land Management (2017)

Private Projects

The C&A Foundation and WWF joined to fund projects in India for organic certification (2018)

CONCLUSION & ASSESSMENT

HOW TO ACHIEVE EFFECTIVE CLIMATE FINANCE?

The need to finance the agricultural shift is important and urgent

Climate finance is fragmented and complex

The focus is mainly on mitigation practices and not yet on adaptation, despite urgent funding demands

An incomplete and yet inadequate set of financial instruments exist at farmers' level

BUT SOME ENTRY BARRIERS PERSIST…

Some barriers to the entry of climate finance into the agriculture space remain, including:

- difficulty in demonstrating short-term “quick wins”
- limited capacity to assess adequately what is needed to finance adaptation and mitigation
- the fragmentation of climate finance sources
- broken links between financiers and farmers
- a lack of capacity and readiness at the country level

A role to play for BCI in the future?

QUIZ: QUESTION 1

In 2018, total global climate finance flows (in USD) accounted for:

3 billion	546 billion
76 billion	852 billion

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3 billion	546 billion
76 billion	852 billion

QUIZ: QUESTION 2

***True or False*: Funds for Climate Smart Agriculture (CSA) adaptation practices are available for up to US$12 billion a year?**

True

False

QUIZ: QUESTION 2

***True or False*: Funds for Climate Smart Agriculture (CSA) adaptation practices are available for up to US$12 billion a year?**

True

False

QUIZ: QUESTION 3

Rank the following funding institutions from the global to the local level:

Green Climate Fund (GCF)

?

?

Governments' funds

?

Micro-credit companies

QUIZ: QUESTION 3

Rank the following funding institutions from the global to the local level:

Green Climate Fund (GCF)

?

?

Governments' funds

?

Micro-credit companies

QUIZ: QUESTION 4

CSA practices can be…

Carbon Smart	Knowledge Smart
Water Smart	Energy Smart
All of the above	None of the above

QUIZ: QUESTION 4

CSA practices can be…

Carbon Smart	Knowledge Smart
Water Smart	Energy Smart
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QUIZ: QUESTION 5

We can finance fundamental changes in agriculture systems at farm & institution level through…

- Institution-building programs
- Improved access to financial institutions for farmers
- CSA practices through technical support & funding
- The development of financial instruments specific to agriculture

QUIZ: QUESTION 5

We can finance fundamental changes in agriculture systems at farm & institution level through…

- Institution-building programs
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- The development of financial instruments specific to agriculture

QUIZ: QUESTION 6

In this regard, financing tools that BCI's Implementing Partners can reach out to at National/Regional level include…

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QUIZ: QUESTION 7

At farm-level, tools for financing CSA include…

- Risk transfert
- Prudent risk taking
- Not taking any risks
- Risk reserves

QUIZ: QUESTION 7

At farm-level, tools for financing CSA include…

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QUIZ: QUESTION 8

What does Risk transfer consist in?

Insurance tools to get 100% covered in case of Climate shocks

Not taking any risks related to Climate Change

A set of insurance tools to prevent farmers from bearing all consequences of climate variability alone

Transferring the risk to other farmers

QUIZ: QUESTION 8

What does Risk transfer consist in?

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A set of insurance tools to prevent farmers from bearing all consequences of climate variability alone

Transferring the risk to other farmers

QUIZ: QUESTION 9

What is true about Risk reserves?

They should be avoided as much as possible

They have limited benefits in case of climate shocks, as farming communities members are all impacted at the same time

They rely on solidarity funds and social networks

They only work in situations of strong climate shocks

QUIZ: QUESTION 9

What is true about Risk reserves?

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QUIZ: QUESTION 10

Prudent Risk taking includes…

- Not taking any risks
- Getting access to loans via micro-credits systems
- Assessing the risk of each farming practice before adopting it
- Diversifying the source of income in non-agricultural sectors when possible

QUIZ: QUESTION 10

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- Assessing the risk of each farming practice before adopting it
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QUIZ: QUESTION 11

What is true about Climate Finance today?

The need to finance the agricultural shift is important and urgent

It is easy to demonstrate short-term “quick wins”

The distance between financiers and farmers is a consequent limitation

An incomplete and yet inadequate set of financial instruments exist at farmers’ level

QUIZ: QUESTION 11

What is true about Climate Finance today?

The need to finance the agricultural shift is important and urgent

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