

Climate finance mobilization initiatives – Promoting climate adaptation in agriculture

Executive summary

Jonathan Casey

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The Commercial Agriculture for Smallholders and Agribusiness (CASA) programme aims to drive global investment towards climate-resilient agri-food systems that increase smallholder farmers' incomes. CASA's research component has recently identified the challenges faced in mobilizing climate finance for agriculture, and particularly for climate adaptation, as well as the existence of a funding gap for small and medium-sized agriculture enterprises (agri-SMEs) of around \$106 billion (ISF Advisors, 2022). CASA is particularly interested in analysing the evolving landscape of initiatives that aim to mobilize public and private finance for climate adaptation and resilience in agriculture.

Overview

The aim of this report is to gain a better understanding of the landscape of climate finance initiatives, the means by which they aim to create change, the types of members who are engaged in them, and areas which may be under-served by such initiatives. The report identifies and analyses initiatives which support climate finance mobilization for climate adaptation in agriculture in low- and middle-income countries.

The report analyses and categorizes (by sector, climate action focus, geographic scope, and membership typology) a total of 51 initiatives from across the world that aim to mobilize climate finance. The report also introduces a typology for categorizing these initiatives, based on the primary means they use to mobilize action and investment.

The report covers the strategies used to encourage and facilitate engagement among members of different initiatives. It also provides an overview of the coverage of these initiatives, including their geographic and thematic focus, as well as the degree to which they address climate adaptation in agriculture. It offers recommendations to initiatives and their members on ways to enhance their impact and address key knowledge and action gaps.

Key findings

There is a vast and diverse array of initiatives that aim to tackle different pinch-points that hold back investments in climate adaptation and resilience, as well as nature-based solutions, in the agriculture sector in low- and middle-income countries. This study identified **a total of 1,700 organizations that are members of one or more of the 51 initiatives** covered in this report, with **132 of those organizations participating in three or more initiatives**.

Agriculture is the sole of focus of a third of all initiatives analysed and it is increasingly a priority for multi-sector initiatives. Public and private entities are increasingly willing to look for 'win-win' solutions for tackling climate mitigation and adaptation challenges in agriculture, and there is a **growing interest in regenerative agriculture practices**.

There is a paucity of initiatives that focus primarily on developing new means of scaling finance for climate adaptation in agriculture in low- and middle-income countries. This limits the capacity of the existing array of initiatives to attract enough investment from private companies and investors to scale climate finance.

The majority of initiatives are global in scope, with just four having a regional focus. This lack of a regional focus is also present in the membership base of these initiatives: **of those organizations participating in three or more initiatives, less than 7% represent the global South**. This translates into a lack of focus on the local nuances and specific contexts of countries that are highly vulnerable to climate change, with the more generic nature of global initiatives often failing to align with regional or national contexts and needs.

Knowledge-sharing and enabling-environment initiatives rely on the contributions of their members to drive action, share data, insights and good practice examples, and

engage in governance of the initiative. While this expectation aims to help increase ‘buy-in’ from member organizations, it might act as a deterrent to companies and commercial investors engaging, particularly if participation in these initiatives does not lead directly to new business opportunities.

Knowledge gaps

Table 1 sets out the main knowledge gaps identified by the analysis. These are topics on which future knowledge initiatives could focus in order to overcome barriers to increased private sector investment in climate adaptation in agriculture in low- and middle-income countries (LMICs).

Table 1: Summary of knowledge gaps

Knowledge gap	Description
Examples of good practice and case studies of success	Good practice examples of innovative financial mechanisms and partnerships, and case studies of business success, to demonstrate the viability and impact of such investments.
Metrics for adaptation outcomes resulting from investments	Common and high-quality metrics, methods, and monitoring, reporting, and verification (MRV) approaches for outcomes arising from adaptation and resilience actions and investments, as well as those arising from the implementation of nature-based solutions (NbS) and regenerative agriculture.
Investment data on climate-smart agri-businesses	Impact data and financial data on climate-smart agriculture technologies in LMICs are important for investment decision-making. Gathering and synthesizing this data was identified as a key knowledge need, with the aim being for initiative members to use this data to identify target businesses for investment.
Understanding nature-based solutions and regenerative agriculture	Agreed definitions and parameters regarding what NbS and regenerative agriculture are. There is a need for a scientific consensus on the long-term carbon sequestration potential of these approaches in agricultural contexts, and the opportunities for monetizing this.
Examples of effective policies for stimulating investment in climate adaptation in agriculture in low- and middle-income countries	A common ‘roadmap’ for transforming the agriculture sector in the context of meeting the 1.5°C maximum global warming target and sufficiently addressing the resilience and adaptation needs of agricultural producers and value chain businesses in LMICs.

Opportunities for action

Table 2 sets out the possible priorities for climate finance mobilization initiatives which could help to unlock new and increased private sector investment in climate adaptation and resilience in the agriculture sector in LMICs. This includes suggested research priorities for knowledge initiatives, to address some of the critical knowledge gaps outlined in Table 1.

Table 2: Summary of suggested action areas

Action area	Possible actions
How to support agri-SMEs in low- and middle-income countries to access public and private climate finance for adaptation and resilience	Work with high-potential agri-SMEs, public climate finance providers, and commercial investors to analyse bottlenecks and barriers to investment, as well as to develop innovative finance models.
Understanding the adaptation co-benefits of regenerative agriculture from a business perspective	Work with a small number of small and large agri-businesses that are interested in regenerative agriculture, and co-operatives of smallholder farmers already applying such practices, to analyse the likely benefits for each stakeholder, and the potential means of enhancing benefits and minimizing trade-offs.
Understanding the economic benefits and trade-offs of in-situ adaptation and resilience measures in existing supply chains	Work with multi-national businesses to produce an economic analysis of the short- and long-term costs, loss avoidance, profits, and supply chain resilience, including consolidation effects, as against the costs of shifting suppliers and locations under near-term and medium-term climate impact scenarios of production suitability niches.
Understanding the motivations and incentives for private sector and investor engagement in blended finance opportunities for adaptation and resilience in agriculture in low- and middle-income countries	Work with blended finance specialists and initiatives to explore incentives for investor engagement in such models in the agriculture sector. This would look to go beyond areas where there is already some interest and investment (e.g. insurance).
Country- and commodity-specific roadmaps for transformative change towards climate resilient production and value chains	Develop specific country- and commodity-level plans which both align with achieving a 1.5°C maximum global warming scenario and also aim to develop sufficient adaptive capacities among producers and value chain actors in relation to expected climate shocks and slow-onset hazards.
Understanding the impact of initiatives on their members: Does engagement in climate finance initiatives increase organizational commitments to climate adaptation action? Do initiatives strengthen the partnerships and networks of member organizations? Does engagement in initiatives improve the climate literacy of individuals and organizations?	Building on the findings of this study, conduct social research analysis of members of key climate finance initiatives, to delve deeper into the impacts such initiatives have on organizational engagement with, and commitment to, climate action, and on the understanding of climate change concepts, and to investigate their ability to foster and/or strengthen innovative partnerships among members. This would test the theory of change of the efficacy of these initiatives and would help to understand what works for different types of members, and why certain groups are often under-represented.

Recommendations for climate finance mobilization initiatives

Table 3 sets out a number of recommendations for each category of initiatives, to enhance their actions towards increasing the mobilization of finance for adaptation in agriculture in LMICs. These recommendations can also serve to inform where initiatives may wish to collaborate, to ensure more co-ordinated action.

Table 3: Summary of recommendations for initiatives

Recommendations	Relevant initiative types
Focus on engagement with companies and investors	<ul style="list-style-type: none"> • Investment • Action • Enabling environment
Link members to technical assistance	<ul style="list-style-type: none"> • Investment • Action
Focus on commercial viability	<ul style="list-style-type: none"> • Investment • Knowledge
Apply a localized approach to initiative-building	<ul style="list-style-type: none"> • All
Co-ordinate efforts on metrics	<ul style="list-style-type: none"> • Enabling environment
Create new initiatives targeted to specific action areas	<ul style="list-style-type: none"> • All
Track the impact of initiatives	<ul style="list-style-type: none"> • All



Commercial Agriculture for Smallholders and Agribusiness

CASA aims to drive global investment for inclusive climate-resilient agri-food systems that increase smallholder incomes. The programme makes the case for increased agribusiness investment by demonstrating the commercial and development potential of sourcing models involving empowered smallholder producers and by tackling the information and evidence gaps holding back investment.

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