

Agricultural Supply Chain Adaptation Facility



Climate change threatens agricultural production, posing challenges to the stability of supply chains. Farmers will need to adapt their practices to become less vulnerable, but often lack skills, incentives, and access to medium- to long-term finance at affordable interest rates, to invest in climate resilience.

The Agricultural Supply Chain Adaptation Facility will partner with agribusiness corporations to provide farmers with technical and financial support for climate-resilient investments through the corporations' supply chains.

The Agricultural Supply Chain Adaptation Facility (ASCAF) works through Multilateral Development Banks, who would partner with agribusiness corporations and work through their supply chains to reach small to medium-sized farmers in developing countries. With donor backing, The Facility would enhance Multilateral Development Banks' and third-party financiers' comfort in lending to these farmers, and support the development of technical assistance measures. In doing so, The Facility would address small to medium-sized farmers' lack of access to medium- to long-term finance and capacity for investments in climate resilience.

If successfully piloted in the Latin America and Caribbean region, the Facility could be scaled up and replicated, helping to offset climate change-induced agricultural production shocks, thereby protecting or increasing farmers' revenues.

The Facility's proponents are advancing conversations with prospective partner corporations. Once corporations are on board, considerable work is still needed to identify specific climate resilience investment opportunities, capacity building needs, and the implementation pathway.

A pilot of The Facility with one corporation in the Latin American and Caribbean region is estimated to require about USD 10-30 million in concessional loans and USD 5 million in grant resources from donors to fund the credit enhancement and technical assistance components of the Facility, respectively. Post-pilot, The Facility would require USD 100 million to achieve scale.

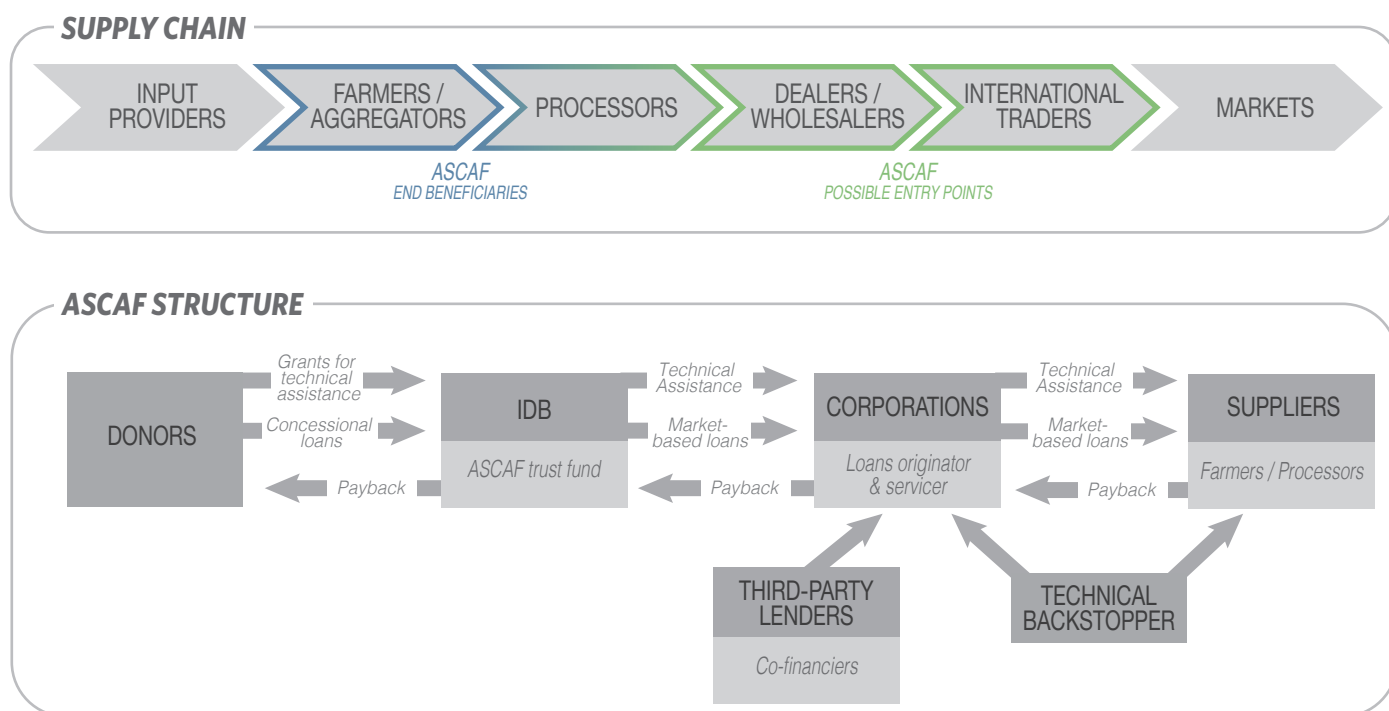
The Inter-American Development Bank, in partnership with Calvert Investments, is committed to piloting The Facility in Latin America and the Caribbean through seed funding from the USD 5 million Climate-Smart Agriculture Fund for the Private Sector.

FACILITY DESIGN

The Agricultural Supply Chain Adaptation Facility would be backed by a donor trust fund, which would be structured to cover a portion of potential first-losses to reduce Multilateral Development Banks' and third-party lenders' credit default risks. Donor resources would be used to fund the technical assistance and first-loss components of The Facility with grants and concessional loans respectively. The depth of the first-loss, and technical assistance funding requirements, may vary depending on context specific circumstances, the underlying risks, and corporations' related value chain needs.

The Multilateral Development Bank, third-party lenders, and agribusinesses would in-turn provide market-based loans to farmers and processors at tenors aligned with the identified climate-resilient investments. Agribusinesses would be responsible for loan origination and servicing, but the majority of the loan portfolio would reside on the Multilateral Development Bank's and co-lender's balance sheets.

The pilot kick-off is dependent on the engagement of one or two corporations, third-party co-financiers, and on donor funding.



ABOUT THE LAB

The Global Innovation Lab for Climate Finance is an initiative that supports the identification and piloting of cutting edge climate finance instruments. It aims to drive billions of dollars of private investment into climate change mitigation and adaptation in developing countries.

Analytical and secretariat work of The Lab has been funded by the UK Department of Energy & Climate Change (DECC), the German Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety (BMUB), and the U.S. Department of State. Climate Policy Initiative serves as The Lab Secretariat.