



Note

Beyond UNFCCC and Paris Agreement: Mapping Financial Support Available for Farmers and Agro-processors in Developing Countries

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Summary

This note aims to explore existing financing opportunities for SME's and smallholder farmers from sub-Saharan Africa which go beyond the known financing arrangements under the United Nations Framework Conventions for Climate Change (UNFCCC). Firstly the report gives insight on the current state of agriculture, agricultural finance, the impact of climate change on agro processing, and agricultures contribution to the implementation of the sustainable development goals. An overview of the existing and conventional types of agricultural finance arrangements such as Microfinancing, venture capital, and insurance is given. The report then highlights the climate funds supporting agricultural investment and concludes with recommendations for future opportunities.

Introduction

State of Agriculture

Agriculture remains one of the key sectors in the economies of developing countries, especially in sub-Saharan Africa, and dominates other sectors in terms of employment creation (NEPAD, 2013). Agriculture employs 26.7 percent of the global populations and 53.2 percent of the population of Africa (FAO, 2018b), however, in recent years the population involved in agriculture is declining. The continued and rising demand for food and other value added agriculture products calls for attention to promoting agro-processing for increased incomes, minimizing product losses and damage in supply chain, meeting the markets and food security for the rapidly growing populations within the developing countries. According to the World Bank (2016), growing population is driving the increased demand for food. In Africa, the demand for food is predicted to more than double by 2050 (AGRA, 2017). However, the impacts of weather, climate variability and change continuing to threaten agriculture, warming climate is projected to cut crop yields by more than 25 percent globally (World Bank, 2016), reduce yields of rainfed maize by 25 percent in Africa (IFPRI, 2017), reduce Robusta and Arabica coffee crop yield by half in 2050 in Uganda (MWE, 2015).

Generally, climate change and increasing climate variability and extremes are affecting agricultural productivity, food production and, natural resources, with impacts on food systems and rural livelihoods, including a decline in the number of farmers (FAO, IFAD, UNICEF, WFP and WHO, 2019)

Positively, changing climate may provide new

opportunities for farmers in sub-Saharan Africa, for example, projections by the International Food Policy Research Institute (IFPRI) indicate that cereal production to double by 2050, meat production to increase threefold by 2050, root and tuber production to double and fruit and vegetable production to increase 1.6 times by 2050. Despite promising projections in terms of increased productivity, agriculture remains predominantly weather based, led by smallholder farming selling raw form products.

Agro-processing in the changing climate

The transformation of products originating from agriculture, forestry and fisheries to intermediate and finished products through value addition, also known as agro-industrialisation is increasingly growing. However, a number of economies in sub-Saharan Africa possess under-developed agro-industrial sector characterized by basic level of agro-processing (AfDB, 2019).

As a result, a number of countries still face huge post-harvest losses (SEATINI, 2015), losses averaging between 35-50 percent. Sweet potato, plantain, tomatoes, bananas and citrus fruit, have been documented to often perish before reaching the market. The key challenges to agro-processing include; high energy costs, poor technology, lack of capital, poor access to financing for agro-industrialisation (Otieno and Washington, 2017) and lack of post-harvest handling capacity (EPRC, 2019). Recognising that agricultural related climate actions (adaptation and mitigation), for example post-harvest handling through agro-processing, could provide a viable solution. There is a shortage of finance and other forms of support

for the necessary interventions. Particularly, accessing finance remains a challenge due to perceptions of low profitability and high risks (EPRC, 2019).

State of agricultural finance

The provision of financial services to smallholder farmers and Small and Medium-sized Enterprises (SMEs) engaged in activities related to agriculture is referred to as agricultural finance. Agricultural finance remains challenging and limited in accessibility compared to other sector finances. According to FAO (2019), investment flows to agriculture, forestry and fishing include public expenditure in agriculture, development cooperation flows, foreign direct investment and credit.

Largely, few actors engage in financing agriculture, these include, banks, microfinance institutions and social lenders among others offering broad range of services such as, lending, short-term working capital loans, equity capital, savings and deposits and, financial intermediary - mobile financial services, transfers, payments and insurance. It is worth acknowledging that total development flows continue to increase but the share of flows to agriculture is steadily declining.

The current agricultural financing gap in Latin America, sub-Saharan Africa, and South and South East Asia is estimated at USD 210 billion (Dalberg 2014). The gap is projected to widen with the growing need for longer-term financial instruments to support adaptation and mitigation related actions in context of agriculture. World Bank (2016) estimate USD 11 billion of investment per year to achieve the desired expansion of agricultural output in sub-Saharan Africa alone.

According to FAO (2018b) Multilateral sources such as specialized funds - International Fund for Agricultural Development (IFAD) and Multilateral Development Banks (MDBs) – World Bank Group (International Development Association (IDA)) remain the largest sources of agricultural financing. Followed by bilateral sources from the United States of America, European Union and private foundations, specifically, Bill and Melinda Gates Foundations feature among the top 5 sources of agriculture finance.

Contribution of agriculture to the implementation of the Sustainable Development Goals (SDGs), UNFCCC and the Paris Agreement

Ultimately the implementation of the Sustainable Development Goals (SDGs) is centered around agriculture as a significant number of goals are connected to agriculture.

Within the framework of the UNFCCC, issues related to agriculture continue to feature predominantly and of recent, a specific work program has been established known as the Koronivia Joint Work on Agriculture. The Paris Agreement to, explicitly links food production and food security to its objectives.

Crucially, information yet to be published reveals that it will be impossible to limit the global average temperature rise to the 2 degrees Celsius mandated by the Paris Agreement without reducing emissions from agriculture. Furthermore, agriculture as a sector has been included in a majority of the countries' Nationally Determined Contributions (NDCs). 127 of the 189 Parties to the UNFCCC that submitted climate action plans included agriculture as one of the sectors under

adaptation and/or mitigation. Therefore, a number of agricultural related actions and measures have been listed as potential investments to address mitigation and adaptation goals thus being made eligible for public sources of climate finance.

Objective

Aim of the paper

The aim of the briefing paper is to document the existing financing opportunities for farmers and agro-processors in developing countries beyond the known financing arrangements under the United Nations Framework Convention for Climate Change (UNFCCC).

Research Questions

The paper intends to respond to the following questions: (i) What are the existing financing options for farmers and agro-processors in developing countries?; (ii) What are existing opportunities related to accessing the different financial options?; (iii) What are the existing challenges related to accessing the different financial options?; (iv) What recommendations are necessary to mobilize and increase financing for agriculture in developing countries?

Methodology

Approaches

Compilation of the briefing paper implored quantitative and qualitative methods. Quantitatively, the paper was informed by comprehensive literature reviews of primary and secondary data and studies through desk review on the existing financing arrangements for agriculture. Cases of existing financial

opportunities in sub-Saharan Africa were also highlighted. Qualitatively, individual interviews were conducted with experts in agricultural financing in Uganda.

Scope

This study was limited to identifying and mapping agricultural financing arrangements for smallholder farmers and SMEs (ex. agro-processors) with a focus on sub-Saharan Africa and the case of Uganda.

Findings

Existing agricultural finance

Although agriculture is the backbone of economies for countries located in sub-Saharan Africa, financing investments in agriculture for example, agro-processing is still low. According to Grow Africa (2014) over USD 940 billion in investment is required to grow African agriculture by 2050. UNIDO's report on Agribusiness for Africa's Prosperity (2011) estimated investment in first-stage processing of USD 207 billion is required in order to meet the 2050 agriculture goal; this portrays the widening gap in financing for agriculture. This is augmented by limited access to credit.

The World Bank (2016) attributes the lack of usable collateral, remoteness of clients, poor transportation infrastructure and high covariant risks due to variable rainfall as some of the factors influencing financial institutions unwillingness to extend credit to agriculture.

The table below presents the existing agricultural financing instruments beyond national budget and development bilateral cooperation support/aid.

Table 1: Overview of existing agricultural financing arrangements

Type of Financing	Finance Providers	Description
Microfinance	Commercial banks, Microfinance institutions	Financial services for small businesses, entrepreneurs and households to access finance and related services. These are affordable to SMEs undertaking agro-processing. For example a local commercial bank operating in Uganda – Centenary Bank is providing agricultural loans (Production loan, Revolving production loan, Marketing Loan, Saving kinked loan and Farm Asset/Equipment loan.
Concessional lending	Multilateral Development Banks (World Bank, African Development Bank), Public finance	Concessional loans or commonly known as soft loans which are provided with terms more generous than commercial market rates for loans. Suitable for commercial farming and irrigation farming.
Venture capital	Investors	Equity financing involves raising capital through the sale of shares of a company to the public and investors. Investors (individual, group or company) take on the risk with expectation of high returns. A case of Biyinzika Poultry Limited (BPL) in Uganda owned by African Agricultural Capital Fund & Voxtra East Africa Agribusiness Fund (both owning 20 percent shares) and 8 miles (owning 80 percent shares) serves a good example of venture capital. In 1990, the founders of the company could not meet the demand for day-old chicks due to capital constraints. By 2014, after opening up to private equity, the company’s annual production of day-old chicks increased to over 10 million broiler and over two million layers.
Public-private partnerships	Government, private sector and individuals	Government incentivize projects undertaken by private sector through different instruments. For example, the Uganda Agriculture Insurance Scheme (UAIS) whose objective Is to hedge farmers against agricultural risks/natural disasters over which they have limited or no control. Government provides 30-50 percent subsidy of basic premium. UAIS provides two types of insurance products i.e. multi-peril/risk insurance and weather index insurance. UAIS is administered by the Uganda Insurers Association (UIA) through the Agro Consortium- coalition of 10 non-life insurance companies, namely APA, Sanlam, Phoenix Assurance Group, Jubilee, UAP, CIC General, First Insurance Company FICO, NIC, NOVA and Pax Insurance
Insurance	Insurance companies	Provision of protection against an eventuality/ a guarantee of compensation for specified loss or damage in return for payment of a specified premium. A number of companies are providing weather index insurance for farmers.

Source: Autho

Case of concessional lending in Uganda

The ACF initiative in Uganda serves as one example of conventional financing that catalytically delivers climate action co-benefits. Practically, the ACF avails predictable and timely credit to agro-processors through local Microfinance Deposit-taking Institutions (MDIs) located in areas closer to farmers. The credit is used to procure acquisition of agricultural machinery and equipment, post-harvest handling equipment, agro processing facilities, storage facilities, which will prevent farm products from impacts of climate change, for example, flooding.

The ACF also provides credit to procure drought resistant varieties - biological assets for example, banana suckers, fruit seedlings, chicks, piglets, cows and goats. In addition to providing credit for acquisition irrigation facilities enabling farmers to stop relying on rainfall for farming over time whilst promoting land cultivation during dry spells and droughts. ACF is indirectly shielding local farmers in Uganda from impacts of climate change such as prolonged droughts and shifting rainfall whilst propelling productivity.

Box 1: The Agricultural Credit Facility (ACF) - Uganda

ACF was set up in 2009 by the Government of Uganda in partnership with Participating Financial Institutions (PFIs) like commercial banks, the Uganda Development Bank (UDB), Microfinance Deposit-taking Institutions (MDIs) and Credit Institutions, to promote the commercialization of agriculture through financing projects in agriculture, agro-processing and mechanization, and to facilitate the provision of medium- and long-term loans to projects engaged in agriculture and agro-processing.

ACF is administered by the central bank (Bank of Uganda) which reimburses PFIs. PFIs appraise approve and disburse funds to projects. Eligible projects include almost all the activities along the agricultural value chain such as; acquisition of agricultural machinery and equipment, post-harvest handling equipment, storage facilities, agricultural inputs (including pesticides and fertilizers, land opening, and paddocking), biological assets (e.g. banana suckers, fruit seedlings, fish fingerings chicks, piglets, cows and goats) for restocking the farm, agro processing facilities, irrigation facilities and other agricultural and agro-processing related activities along the value chain as well as working capital for grain trading.

Bank of Uganda guarantees to pay 50 percent to Commercial Banks and 70 percent to Microfinance Deposit-Taking Institutions and Credit Institutions with interest rate of 12 percent per year for a loan period between 6 months to 8 years and unsecured lending value of up to USD 5000.

Source: Agricultural Finance Year Book, 2019. EPRC

Public Climate Finance responding to agricultural interventions

The agricultural financing gap not met by conventional financing arrangements is envisaged to be narrowed by public climate finance targeted to agricultural investments that address mitigation and adaptation objectives (UNEP, 2016).

The UNFCCC and its Paris Agreement acknowledge the crucial role of agriculture in addressing impacts of climate change in context of adaptation and mitigation to climate change whilst safeguarding food security and ending hunger (FAO, 2019).

Generally, the current global climate finance landscape highlights that agriculture remains underfunded, with only a small portion trickling into climate smart agriculture funding. However, a number of barriers continue to hinder the role of public climate finance in providing liquidity to agriculture.

The World Bank (2015) highlighted limited capacity to identify financial needs for adaptation and mitigation purposes, insufficient technical and financial capacity to screen for climate risks and build climate-smart agriculture profiles with necessary cost-benefit analysis and investment plans as some of the barriers preventing climate finance from flowing into agriculture. Further still, the agriculture sector remains constrained with assessing the potential impact of adaptation and mitigation activities due to the lack of internationally recognized metrics and monitoring and evaluation tools that can measure the exact impact of such interventions.

Positively, the Koronivia Joint Work on Agriculture is providing clarity on the linkages between agriculture and the UNFCCC. Permanent Subsidiary Bodies under the UNFCCC are jointly addressing issues related to agriculture, including thorough workshops and expert meetings, working with constituted bodies under the UNFCCC and, taking into consideration the vulnerabilities of agriculture to climate change and approaches to addressing food security (FAO, 2018a).

Accordingly, the research program on Climate Change, Agriculture and Food Security (CCAFS) of the Consultative Group on International Agricultural Research (CGIAR) suggested 5 ways Koronivia Joint Work on Agriculture could support countries to transform their agricultural sectors; support implementation, facilitate knowledge sharing, scale-up technology transfer, build capacity and mobilize finance (CCAFS, 2018).

In context of facilitating knowledge sharing on issues relating to agriculture, FAO and government of Italy established the Global Alliance for Climate-Smart Agriculture (GACSA), as a multi-stakeholder platform to foster learning, knowledge sharing, partnership building, dialogue and debate in the context of climate smart agriculture. GACSA is a voluntary platform open to governments, businesses, farmer organizations, civil society groups, producer organizations, research bodies and intergovernmental entities.

GCSA intends to enhance knowledge, investment and, financing opportunities, provide policy support, mobilize funds and generate the assessments, tools and methodologies to allow national and local stakeholders to identify and adopt the

appropriate farming systems, practices and technologies that address food security and climate change (FAO, 2019). For more information, visit <http://www.fao.org/gacsa/about/en/>

Highlight of climate funds supporting agricultural investments

Global Environment Facility (GEF) remains the largest source of climate finance over the years since 1991 and has disbursed over USD 17.9 billion in grants to over 170 countries. Through its 7th four-year investment cycle, (known as GEF-7) running from 2018-2022, GEF intends to invest USD 4.1 billion to help safeguard the world's forests, land, water, climate, and oceans, build green cities, protect threatened wildlife, and tackle new environmental threats like marine plastic pollution. During GEF-7, a new impact program - Food, Land Use and Restoration Impact Program seeks to transform food and land use systems and help countries reconcile competing social, economic, and environmental interests by moving away from unsustainable sectoral approaches.

The GEF also administers the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF). The LDCF intends to enhance support to smallholder agricultural producers facing heightened vulnerabilities from the impacts of climate change limited only in least developed countries. The SCCF supports wide range of activities related to climate change than the LDCF including a financing window to support the transfer of climate-resilient technology for both adaptation and mitigation in the areas of agriculture, forestry and water

management. For more info, visit <https://www.thegef.org>

The **BioCarbon Fund Initiative** is a multilateral facility, established in 2013 with fund capital of USD 360 million, which promotes and rewards reduced greenhouse gas emissions and increased sequestration through better land management, including REDD+ (Reduced Emissions from Deforestation and forest Degradation), climate smart agriculture, and smarter land use planning and policies. For more info, visit <http://www.biocarbonfund-isfl.org>

Adaptation Fund supports concrete adaptation projects and programs in developing countries that are parties to the Kyoto Protocol and Paris Agreement, as of 2019. Over USD 755 million has been mobilized since its inception and USD 532 million has been allocated to adaptation and resilience projects in 63 vulnerable countries. The two largest sectors in the Adaptation Fund portfolio are food security and agriculture. For more info, visit <https://www.adaptation-fund.org>

Green Climate Fund (GCF), established in 2010, is the largest multilateral climate fund with capital of USD 10.3 billion. According to the UNFCCC (2019) agriculture is a focus of the GCF, with current portfolio on agriculture estimated at USD 700 million and three out of eight results areas of GCF directly related to agriculture i.e. sustainable land use and forest management; enhanced livelihoods of the most vulnerable people, communities, and regions; and food and water security. For more info, visit <https://www.greenclimate.fund/home>

In line with CCAFS recommendation of mobilizing finance, the aforementioned funds have developed internal measures of according

higher priority to investments in agriculture. The GCF has created a portfolio on agriculture estimated at USD 700 million. The GEF has provide USD 179 million to support FAO to work with countries worldwide at the critical nexus between agriculture and the environment through two landmark Impact Programs i.e. Dryland Sustainable Landscapes Impact Program and Food Systems, Land Use and Restoration Impact Program.

Paradoxically, smallholder farmers and agro-processors continue to cite the complex access modalities and unfavorable eligibility criteria related to accessing funds from GEF and GCF since they are channeled through intermediaries not well grounded with realities and challenges of beneficiaries on the ground. In addition, some stakeholders in GEF and GCF projects have underscored the over delay between project approval, disbursement and actual implementation of interventions.

New financing windows for climate smart investments in agriculture

Increasing agricultural production levels of smallholder farmers and agro-processors requires transforming agricultural systems to be resilient to climate change whilst limiting its impact. However, transforming agricultural systems cannot be done without financing. The known existing financing windows often provide technical assistance. Additionally, existing grant financing windows provide limited and fragmented support to smallholder farmers and agro-processors. The global framework for financing sustainable development provides impetus for private sector through investment and innovation to driver

productivity.

The table below highlights new financing windows offering accessible and scalable financing for agriculture, which are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Table 2: New financing windows

New Financing window	Description	Relation with climate action & agriculture
Land Degradation Neutrality Fund (LDN Fund)	<p>LDN Fund is an impact investment fund combining resources from the public, private and philanthropic sectors. Managed by private sector investment management firm – Mirova. A commitment of over USD 100 million out of a target of USD 300 million has been made. The LDN fund offers long-term non-grant financing to invest in financially viable private projects on land rehabilitation and sustainable land management globally.</p> <p>A Land Degradation Neutrality Technical Assistance Facility (LDN TAF) exists to provide grants and reimbursable grants to (potential) LDN investment projects. LDN TAF only provides pre-investment support to projects that can demonstrate the potential to be investable by LDN Fund within 24 months.</p> <p>For more info, https://www.idhsustainabletrade.com/landscapes/ldn-taf/</p>	<p>The LDN Fund provides long-term financing as well as technical assistance to sustainable land management project developers in the agricultural and forestry sectors. Investments supported are responsive to climate impacts.</p>
Agriculture Finance Support Facility (AgriFin)	<p>An initiative to increase access to financial services for farmers and agribusinesses focusing on activities that promote knowledge sharing and networking among financial institutions globally. The initiative is managed by the World Bank and undertake activities such as, study tours among banking institutions to deepen their knowledge on commercial agricultural lending. For more info, https://www.agrifinfacility.org/about-us</p>	<p>The initiative promotes knowledge sharing and networking among agricultural finance professionals, through regular learning and networking events, and sharing widely knowledge products and practical tools on agricultural finance.</p>
Moringa Fund	<p>An investment fund which targets profitable large scale agroforestry projects with high environmental and social impacts located in Latin America and Sub-Saharan Africa. The fund is managed by Moringa Partnership and makes equity and quasi-equity investments of EUR4-10m. The fund operates the Agroforestry Technical Assistance Facility (ATAF), a grant based mechanism to provide technical assistance in relation to investments of the Fund with the goal to amplify and upscale positive environmental and social impacts triggered through Moringa investments.</p> <p>For more info, https://www.moringapartnership.com/</p>	<p>Provides farmers with access to training, support to innovative research and development programs that address climate change impacts</p>
Adaptation for Smallholder Agriculture	<p>ASAP was launched by the International Fund for Agricultural Development (IFAD) in 2012 to channel climate finance to smallholder farmers so they can access the information, tools and technologies that will help build their resilience to climate change. The objective of ASAP is to improve the climate resilience of large-scale rural development programmes and improve the capacity of at least 8 million</p>	<p>Targeted to smallholder farmers to increase agricultural output while at the same time reducing and diversifying climate-related risks.</p>

Programme (ASAP)	<p>smallholder farmers to expand their options in a rapidly changing environment.</p> <p>First phase of ASAP (2012 to 2017) was valued at USD 305 million in grants in 41 countries.</p> <p>ASAP II is operational and will finance investments to enable climate mainstreaming through technical assistance and capacity building to leverage IFAD investments to incentivize additional co-financing for climate change adaptation</p> <p>For more info, https://www.ifad.org/web/guest/asap</p>	<p>May financing activities such as Mixed crop and livestock systems which integrate the use of drought-tolerant crops and manure.</p>
One Acre Fund	<p>Launched in 2006, the fund works with smallholder farmers in Eastern and Southern Africa. The fund applies the market based strategies to address rural poverty.</p> <p>For more info, https://oneacrefund.org</p>	<p>The fund offers asset-based loans to farmers through high-quality seeds and fertilizer on credit, and offers a flexible repayment system that allows them to pay back in any amount throughout the loan term.</p>
Acumen Resilient Agriculture Fund (ARAF)	<p>ARAF envisaged to be a fund that provides equity & mezzanine products and technical support to early-stage and early-growth agribusinesses.</p> <p>Initial investment of USD 5 million has been made by Dutch entrepreneurial development bank (FMO).</p> <p>Investments will be made to: (i) Aggregators: companies that provide bundled solutions such as climate resilience inputs and/or affordable credit bundled with extension services or access to markets; (ii) Agri Tech businesses: companies that provide digital solutions such as an online market places that connects farmers with input providers and/or offer extension support to improve farmer productivity; (iii) Financial service providers: companies that provide farmers with access to innovative financial services enabling them to diversify their income base. For more info, https://www.fmo.nl/project-detail/56111</p>	<p>ARAF will support smallholder farmers in East and West Africa to enhance their livelihoods and climate resilience.</p>
Agriculture Fast Track (AFT) Fund	<p>AFT fund is a USD 23.7 million multi-donor trust fund managed by the African Development Bank launched in 2013.</p> <p>AFT fund provides grant funding for the initial project development costs of a broad range of agriculture infrastructure projects spanning the entire value chain – from production to market, for example, agro-processing.</p> <p>The fund is eligible to member countries of the New Alliance for Food Security and Nutrition in Africa and provides grants ranging between USD 0.5 – 1 million.</p> <p>For more info, http://www.aftfund.org</p>	<p>The grant funding is aligned to climate action, as well as supporting/ enhancing food production.</p> <p>However, as it stands the online portal seems dysfunctional.</p>

Discussion

Although a significant share of agricultural investments continue to be financed through existing conventional means (referred to in section 4.1), perhaps due to the risks and uncertainty associated with the agriculture sector, which attracts higher interest rates when borrowing as compared to other sectors. Promisingly, international public climate finance is demonstrating potential for leveraging domestic public and private sector investments in agriculture, especially in climate smart agriculture. For example, the Green Climate Fund through its equity financing instrument is de-risking agricultural investments in Ghana, Uganda and Nigeria through the Acumen Resilient Agriculture Fund (ARAF) which intends to shift the pattern of investment in climate change adaptation activities from grants to a long-term capital approach. It has been working through supporting innovative private social entrepreneurs in SMEs by providing aggregator and digital platform and innovative financial services to smallholder farmers. In addressing the financial needs of the agricultural sector in context of climate change, private sector involvement remains critical in leveraging additional financing; whilst mixing the existing UNFCCC funds with new financing windows and existing known agricultural financing arrangements. This could all be sources of climate smart investments in African agriculture.

Recommendations

Developing countries, farmer organizations and civil society working on agricultural related matters should consider joining Global Alliance for Climate-Smart Agriculture (GACSA), to broker knowledge and foster information

sharing on new approaches to financing agriculture.

Initiate a process under the margins of the Koronivia Joint Work on Agriculture in consultation with the UNFCCC Secretariat, FAO, IFAD, WFP, Multilateral Development Banks and non-state actors to establish a dedicated funding window to advance the implementation of climate smart investments in agriculture

International financing entities and Developed countries should expand and expedite the delivery of customized technical assistance to smallholders and agro-processors, especially women, to broaden their capacities to understand, finance, and adopt climate-smart interventions whilst reducing transaction costs. Technical assistance should be channeled through local Microfinance deposit-taking institutions.

Developing countries should establish / support the establishment of an enabling environment for value chain finance. Creating a conducive environment that promotes the expansion and adoption of sustainable agriculture value chain's finance, through provision of financial products and services based on a comprehensive assessment and understanding of the entire value chain, rather than a simple credit risk assessment of a single farmer/agro-processor. For example, intra-value chain financing instruments such as the warehouse receipt

system¹ may de-risk agricultural investments thus foster integration of farmers and agro-processors value chains and markets.

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1 A collateral financing system where warehouse receipts are issued as evidence that specified commodities of a stated quantity and quality have been deposited and under

custody at particular locations by named depositor - producer, farmer group, trader, exporter, processor or company

<https://www.seatiniuganda.org/publications/research/81-baseline-study-the-status-of-implementation-on-the-east-african-standard-for-maize-grains-and-development-of-a-standard-for-sesame-in-uganda-1/file.html> Retrieved August 2019.

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