

The Climate-Smart Credit System for Agri-Lenders

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Co-founder- F3 Life

Linking Financial institutions and companies to farming clients

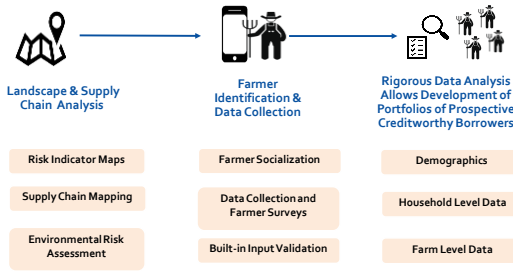


F3 Life

Financial Access

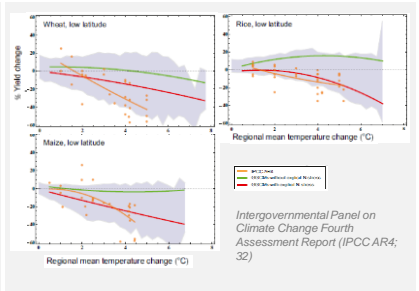


Smallholder Farmer Identification & Acquisition

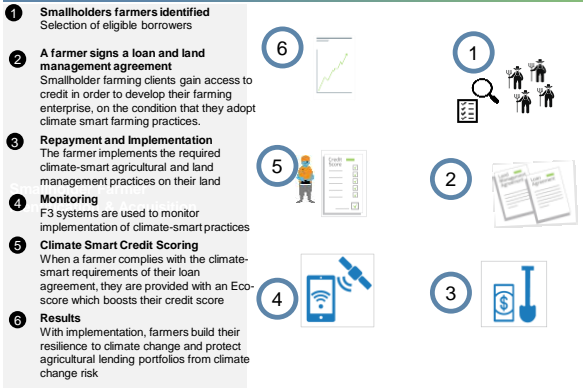


Climate change is a threat to both smallholder farmers and agri-lenders

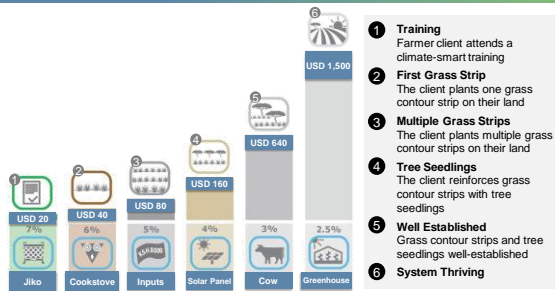
- 1 Reduced Yields**
Climate change models project reductions in yield of important crops
- 2 Reduced smallholder bankability**
Reduction in yield and associated income will further reduce smallholders ability to access and bear debt
- 3 Increased credit default risk**
Increased climate variability and weather-related shocks put agri-lenders' loan portfolios at increased risk



Climate-smart lending addresses climate risks by increasing the climate resilience of smallholder farmers, improving their bankability and de-risking agri-loan portfolios



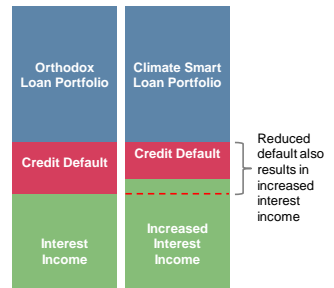
This is an example of a climate-smart lending credit product designed by F3 Life



- This climate-smart lending approach has won several prizes
- Climate Change Finance Innovation Award** - UNDP and Mitsubishi UFJ Morgan Stanley Securities Co. Ltd -
 - Swiss ReSource Award** - Entrepreneurial solutions for resilience in water management
 - Zambezi Award** - the MasterCard Foundation & Legatum Center at MIT Innovations Competition

Climate-smart lending is designed to improve climate resilience and lender returns

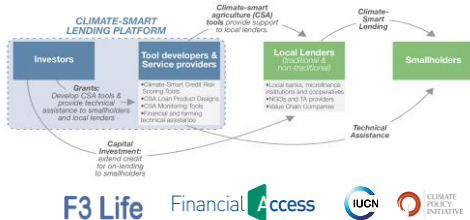
- 1 Increased Farm Yield**
A wide body of scientific evidence shows that climate-smart agricultural practices can also boost crop yield
- 2 Reduced Credit Default Risk**
Research carried out by the Global Innovation Lab for Climate Change Finance shows that use of a climate-smart lending methodology could reduce smallholder lender credit default
- 3 Increased Debt Service Coverage Ratio**
Where farmers adopt climate-smart agricultural practices, they become more bankable



The CSLP will carry the climate-smart lending approach to scale globally

The Climate Smart Lending Platform is bringing together:

- **Investors:** to provide the debt and grants necessary to scale climate-smart lending pilots
- **Tool developers:** to provide the tools and systems necessary to roll-out climate-smart lending practices at scale
- **Technical assistance providers:** to help farmers adopt climate-smart agricultural practices and lenders on-board climate-smart lending systems
- **Local lenders:** to manage the last-mile relationships with smallholder farmers



CSLP Development
4 organisations are currently steering development of the CSLP under a partnership agreement. These organisations are F3 Life, Financial Access, IUCN and Climate Policy Initiative.



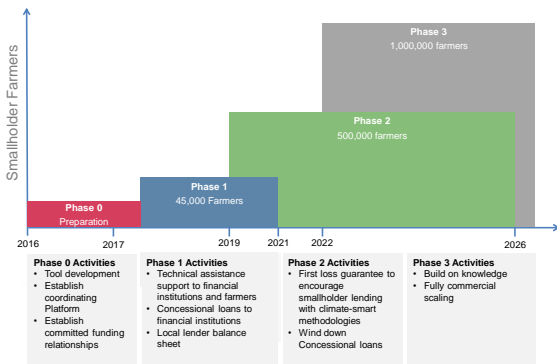
The CLSP partners are currently developing Phase 1 projects - targeting 45,000 farmers



The Role of the Climate Smart Lending Platform

- | A. Project Development | B. Implementation Support | C. Coordination |
|-----------------------------|-------------------------------|-----------------------------------|
| 1. Develop project pipeline | 1. Commission scoping studies | 1. Dissemination of best practice |
| 2. Partnership building | 2. Advice and support | |
| 3. Fund-raising | | |

The CSLP will roll-out in 3 phases



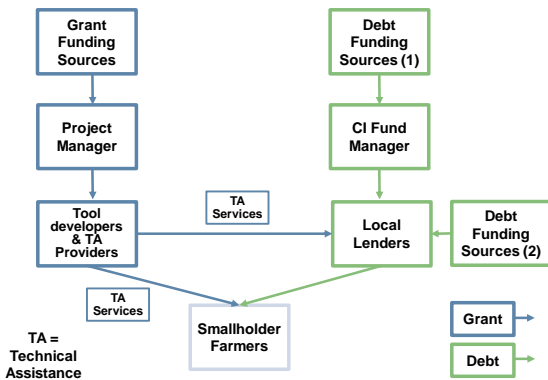
The CSLP is endorsed by members of the Global Innovation Lab for Climate Finance

Lab members are supporting the search for funding:

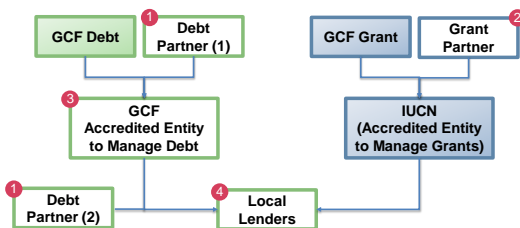
1. The Ministry of Foreign Affairs of the Netherlands is providing direct support for further development of the platform and plans
2. Other Donors are supporting applications to existing funding windows, such as the Green Climate Fund



Climate-smart lending deal structures involve both debt and grants to support TA



The CSLP is seeking partners for a funding possibility with the Green Climate Fund



To complement significant potential funding from the GCF, FONERWA (the Rwandan Climate Change Fund) and the AATIF Facility managed by Deutsche Bank, the CSLP is looking for the following partners:

1. Debt Partners
2. Grant Partners
3. A Green Climate Fund Accredited Entity Financial Institution
4. Local lenders interested in providing loans on climate-smart terms

Illustrative investment case: improving climate-smart agriculture in Kenya

Description	5,000 farmers targeted with climate-smart loans of \$250, which require adoption of climate-smart farming practices including tree-planting.		
Investor	Investment Requirement	Financial return*	Climate Risk Reduction
DFI / impact investor	Concessional Debt: USD 1.25 million / 3 year tenor	4.35% p.a. interest rate	Increased farm tree cover leading to reduced climate-related default exposure
Local lenders	Balance sheet: USD 0.75 million	24% p.a. interest rate	Reduced climate-related default exposure
Grant provider	USD 250,000		Not Applicable
Total	USD 2.25 Million		
Development Returns	<ul style="list-style-type: none"> Farmers revenues 12% higher per year on average Lost revenues reduced by 38% under adverse weather conditions Improved on-farm production of ecosystem services 		

**Investment terms and returns will vary according to country and crop context and are subject to investor requirements and negotiations*

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