

## Concept Note

# Green and Climate Finance in Agriculture: Critical Trigger to Sustainable Food System

Venue: LiYuan Grand Metro Park Hotel, Nanning, Guangxi, China

Date: 05 September 2023; Time: 09.00 hrs. till 16.15 hrs.

### Background:

Addressing climate change and transforming agri-food systems are key to meeting the Sustainable Development Goals (SDGs). The agricultural sectors, including crops, livestock, forestry, fisheries, and aquaculture are greatly dependent on climate stability. It is estimated that in the medium to long term climate-related changes will lead to negative effects on yields of agricultural and allied commodities and potentially impact the economic returns in the less developed countries. Conventional approaches to understanding climate change to agriculture are limited to identifying and quantifying the potential long-term climate impacts on different ecosystems and economic sectors. Majority of the Asian economies are facing the climate variations which resulted in unsustainable agricultural practices and worsen the water related issues (drought and flood), limit productivity, increased income inequality and sub-regional income disparity.

Extending financing facilities to adopt climate smart agricultural practices emerged as one of the critical elements for the transformation of agrifood systems to be sustainable and climate resilient. However, the flow of funds to the value chain actors in the downstream of agriculture is reported to be extremely low in some of the countries in South Asian sub-region. A survey conducted in 11 countries of the region by APRACA in 2020 reported that the investments in AgriTech/Agribusiness startups are much lower than for other service/IT sector startups. The study also revealed that there was no indication of dedicated financing by the organized sector in climate smart agriculture in the countries surveyed. The other important reflection which came out very clearly is that there is a huge knowledge gap on both the demand and supply side regarding climate smart agricultural finance both in terms of financial products and reporting systems. However, it was observed that the national governments in most of the countries already initiated many efforts to mainstream finance to greening agriculture through policy and knowledge level work. The private sector investments to the downstream agrifood value chains for transformation to sustainable growth trajectory have also been limited partly due to lack of well-crafted incentive structures for the investors.

The other studies conducted by many of the global and regional agencies confirmed that the agrifood ecosystem in the Asian region under the current threat of climate changes are facing four (4) major challenges: (a) disconnect between climate resilient agrifood and investments in developing green infrastructure; (b) underdeveloped green supply/value chains as all the actors are do not have the access to finance from public and private sectors; (c) capacity of both the supply and demand side actors to estimate the magnitude of loss due to climate change and other related factors; and (d) non-availability of sustainable business models, low-carbon investment instruments, low carbon technologies, trade practices, and policies that encourage environmentally sustainable development to agrifood sector. A paradigm shift is required both in food and agriculture and in finance to develop

efficient markets around sustainable financial flows for the sector, including true cost valuations of environmental services.

In recent years, collaboration among the financial institutions, development agencies and supply chain actors has been growing to support emergence of new solutions, and interest in the agenda to support greening the agrifood sector is gaining momentum. However, a large gap remains between needs and action. APRACA and international agencies joined hands to build the capacities of the supply side and its supporting agencies for integrating climate smart agricultural activities with the financial instruments and products with the local agrifood system.

### **Objectives:**

The overarching objective of this regional policy forum (RPF) is to learn from the experiences of APRACA member institutions and the international agencies and help build/strengthen the capacities of the financing institutions to activate the policies, financial instruments, and products towards inclusive green and climate to achieve resilient agrifood system. The specific objectives are as follows:

- Understanding impact and pathways to mitigate the risk of climate change on the agrifood sector.
- Pathways to capture the ‘triple dividend’ by supporting investments that contribute to improve the cross-border trade in agrifood sector.
- Align finance with sustainability and integrate environmental risks and opportunities into decisions that drive lending, investment, and insurance.

### **Speakers:**

The speakers for this Regional Policy Forum are the leaders from the financial institutions in the region actively involved in developing, supporting, and delivering green and climate finance to their clientele, representative from national/international agencies promoting green financial services and the academics in broadening the related knowledge. They will discuss their experiences on the current challenges and successes in scaling up green financial services for smallholders and rural enterprises including Agri-SMEs.

### **Registration:**

To join the event, all participants need to complete the registration, visiting the below link provided <https://qtsd.mike-x.com/csVqj>

### **Programme:**

**Date:** 05 September 2023;

**Time:** 9.30 to 16.15 hrs. (local time)

**Venue:** LiYuan Grand Metro Park Hotel, Nanning, Guangxi, China

*[As per the event format, the Regional Policy Forum will be followed by the 76<sup>th</sup> Executive Committee and 23<sup>rd</sup> General Assembly meetings on 06 September 2023. The host has also organized a field visit programme on 7<sup>th</sup> September for the registered participants as per the detailed provided in Annexure]*