

Asian Agricultural Climate Finance Summit 2021

The Asian Agricultural Climate Finance Summit, held in November 2021, was a collaboration between CASA and Grow Asia. It encouraged four investor panels to explore ideas for action to increase investment in climate-smart agriculture:

Mobilizing \$100 billion climate finance

- A trillion dollars of green bonds will be issued in 2022; however, **agriculture remains an insignificant beneficiary of this capital**. Whilst issuing bonds to smallholder farmers is clearly impractical, targeting agricultural banks that lend to SMEs and smaller stakeholders is a possible solution.
- **Securitization could crowd in private capital**, creating pools of projects deploying similar technologies or geographies.
- **Concessional capital** would de-risk the pool of investment and due diligence by the DFIs to reassure private investors.
- Effective reach can be delivered in **partnership with market leaders**, such as off-taking food brands or leading input/equipment suppliers to issue bonds to deploy their products at scale. This requires business model innovations such as a subscription model or convenient financing for farmers.
- **Data** should support the non-financial climate benefit aspects of investments.

Working towards Net Zero

- There needs to be a **clearer Net Zero narrative** for investors to be able to answer questions about their contribution.
- **New taxonomies** that strengthen non-financial reporting are a step in the right direction but need to be supported by **greater investor education** to move climate investment concepts from impact investors into mainstream investment portfolios.
- The **evidence needs to be improved** to justify investments and solidify the existing nascent carbon markets to crowd in capital. As businesses scale, more robust toolkits and methodologies would be required to quantify emissions.
- Investors identify immediate investment opportunities in **novel foods and feeds and cold chain storage to reduce waste**. In the longer term, reusing and recycling products will be commonplace in all value chains, not just in agri-food systems.

Promoting nature-based solutions

- Clarity is needed around **what encompasses investable nature-based agriculture**.
- **Improved measurement techniques** should capture what is happening as nature-based solutions scale (e.g. how to account for belowground biodiversity).
- Investors saw a **role for CASA and Grow Asia** to use their convening power, to coordinate data collection and showcase promising work.
- **Fund managers** could collaborate to coalesce thinking on **credible climate indicators and an evidence base** to move the narrative into mainstream investments.
- **Large European retailers** will increasingly demand actions to **reflect consumer pressure** for improved environmental stewardship & ethical sourcing – aligned to improved smallholder productivity.
- **The investment case may have to be adapted** to the Asian context and bespoke implementation is required.
- It is likely to remain difficult to raise finance for smallholder projects. However, there are opportunities to **align funds for conservation and private capital for nature-based solutions**.

Improving agricultural resilience

- **Investors need improved narratives and datasets** outlining climate-smart investment opportunities. Currently, perception may over-inflate the risks – hampering investment in the sector.
- **Building resilience and adaptive capacity** avoids business interruption from climate shocks and stresses.
- **Adaptation benefits occur over longer periods** and are not always directly to investors, meaning incentives need to be further explored. Endowment, permanent or open-ended capital vehicles would recognise the long-term nature of the challenge better than Closed-End Funds.
- **Funding models need to support operational maintenance** for farmers and other essential areas.
- **Blended finance structures** should be explored to catalyze more investment into agri-SMEs and companies reaching smallholder farmers.
- As with Fair Trade and organics, **climate investments will require price increases to be passed on to consumers**, to reflect the true cost of production
- **Technical assistance** is important at farmer and enterprise level especially in risk mitigation.

Relevant links

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