

ADAPTATION & MITIGATION

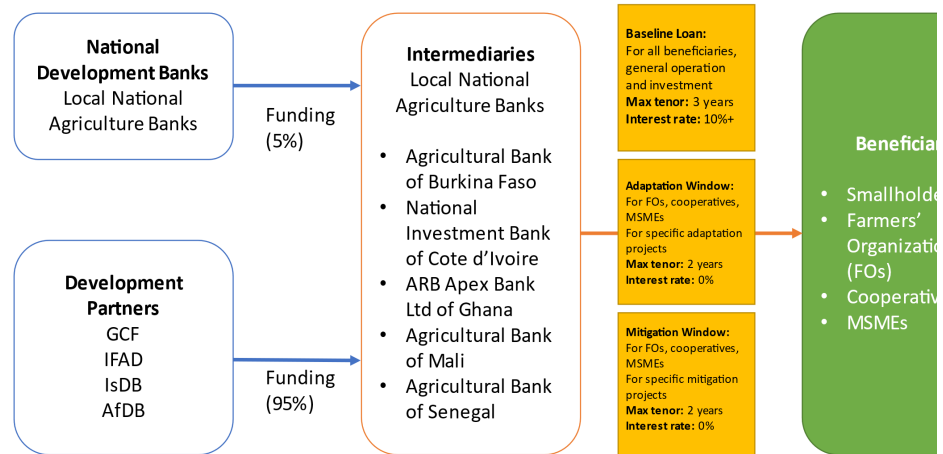
BLENDED

PROJECT NAME	Inclusive Green Financing Initiative (IGREENFIN I): Greening Agricultural Banks & the Financial Sector to Foster Climate Resilient, Low Emission Smallholder Agriculture in the Great Green Wall (GGW) countries - Phase I¹
COUNTRY/REGION	Five African countries (Burkina Faso, Mali, Senegal, Cote d'Ivoire, Ghana)
SECTOR	<ul style="list-style-type: none"> ● Building, cities, industries, and appliances ● Ecosystem and ecosystem services ● Energy generation access ● Forest and land use ● Health, food, and water security ● Infrastructure and built environment ● Transport ● Livelihoods of people and communities
PROJECT/INVESTMENT AMOUNT	<p>Total Budget: \$178 million</p> <ul style="list-style-type: none"> ● Local National Agricultural Banks: EUR 8 million ● IFAD: EUR 38 million ● IsDB: EUR 12 million ● AfDB: EUR 15 million ● GCF: \$105 million
DEVELOPMENT PARTNER(S)/STAKEHOLDERS	IFAD and GCF
BENEFICIARY MINISTRY/ INSTITUTION	Ministries of Environment in the focus countries.
INVESTOR(S) AND FUNDERS	Local National Agricultural Banks (LNABs) from each of the five countries, with support from GCF, IFAD, IsDB and AfDB
GUIDEBOOK TAXONOMY FINANCIAL SYSTEM ACTOR	Bilateral, Multilateral & Development Finance Institutions National Development Banks
PROJECT OVERALL GOAL	<p>IGREENFIN aims to build and scale up the resilience and adaptive capacity of farmers' organizations (FOs), cooperatives and micro, small and medium-sized enterprises (MSMEs) in the focus countries by:</p> <ul style="list-style-type: none"> ● Removing barriers to access to finance ● Accelerating the creation of a green finance market ● Promote the uptake of green agriculture practices and technologies
PROJECT OUTCOMES	Not Included
ALIGNMENT WITH COUNTRY IDENTIFIED CLIMATE STRATEGIES, NDCs, ETC. (IF APPLICABLE)	IGREENFIN aligns with the NDC priorities of Burkina Faso, Cote d'Ivoire, Ghana, Mali and Senegal relating to emissions reductions and investment in key sectors such as water, agriculture, livestock and fisheries, coastal zones, energy, land use and forestry, and transport.
CONTRIBUTION OF THE PROJECT TO THE UN SDGs	<ul style="list-style-type: none"> ● SDG 1 - No poverty ● SDG 2 - Zero hunger ● SDG 5 - Gender equality ● SDG 6 - Clean water and sanitation ● SDG 7 - Affordable and clean energy ● SDG 8 - Decent work and economic growth

¹ This case was provided by the International Fund for Agricultural Development (IFAD) as a contribution to the Sharm El-Sheikh Guidebook for Just Financing

	<ul style="list-style-type: none"> ● SDG 13 - Climate action ● SDG 15 - Life on land ● SDG 17 - Partnership for the Goals
SOCIOECONOMIC IMPACT	The programme will generate jobs for rural people, particularly women and youth, and promote FO, MSME and cooperative investments. It will contribute to cost-saving health benefits and access to clean energy, water and food, thus reducing food insecurity. The program will also increase women's access to finance and improve their livelihoods.
ENVIRONMENTAL IMPACT (ON CLIMATE MITIGATION AND/OR ADAPTATION)	<p>Emissions reduction: reduce approximately 5.6 million tons of carbon emissions over 25 years through introducing agroforestry and SLM practices and increasing the use of renewable energy.</p> <p>Land restoration: introduce ecosystem-based adaptation techniques to restore over 100,000 ha of degraded land.</p> <p>Climate-resilient agriculture: adoption of climate-resilient techniques will reduce soil erosion.</p> <p>Farmer support: increase farmers' incomes by increasing the productivity of key commodity crops.</p>
ENABLING ENVIRONMENT (SUPPORTING POLICIES)	The programme builds on the Great Green Wall Initiative (GGWI), which was launched in 2007 by the African Union. Under the GGWI, environment and natural capital were integrated into the development agenda of the focus countries and multi-stakeholder dialogue was established to ensure country ownership. It also created the opportunity to scale up investments that have seen on-the-ground success, laying the foundation for the IGREENFIN.
TECHNICAL ASSISTANCE (IF PROVIDED)	The programme includes a Technical Assistance Facility (TAF) that addresses capacity, knowledge, and policy gaps hindering the uptake of green business projects in focus countries. It targets LNABs, central banks, and clients (FOs, MSMEs, cooperatives).
FINANCING MODEL/APPROACH (EX: BLENDED FINANCE)	<p>Blended finance. The programme provides concessional loans for LNABs (Agricultural Bank of Burkina Faso, National Investment Bank of Cote d'Ivoire, ARB Apex Bank Ltd of Ghana, Agricultural Bank of Mali, Agricultural Bank of Senegal) to on-lend to green business projects prepared by FOs, women and youth organizations, cooperatives, and MSMEs. Green business refers to investments in select agricultural value chains that promote climate resilient, low-carbon practices in line with the GGWI and target countries' climate change mitigation and adaptation agenda.</p> <p>The programme envisions three types of loan, one a general farm operating or investment loan for smallholders, FOs, MSMEs, traders, and processors, with a tenor of up to 3 years and an interest rate floor of 10%, and two loan products for FOs, MSMEs, and cooperatives to invest in a selection of specific adaptation and mitigation products, with a tenor of up to 2 years and a 0% interest rate.</p>
RATIONALE FOR FINANCING MODEL/APPROACH	Access to credit is key to building farmer resilience and improving productivity, but it remains a constraint for smallholders, FOs, cooperatives, and MSMEs in the focus countries due to underdeveloped financial markets and high perceived and actual risk in investing in smallholder farming. The programme will build the capacity and comfort of LNABs in green lending and lending to smallholders while providing smallholders willing to invest in climate-aligned practices with accessible, lower-cost credit.
FINANCIAL INSTRUMENT(S) (LOANS (COMMERCIAL/ CONCESSIONAL), EQUITY, GUARANTEE)	Loans, and grants for technical assistance

DIAGRAM OF THE FINANCING STRUCTURE



Executive Summary

Inclusive Green Financing Initiative (IGREENFIN) is an IFAD programme focused on attaining climate mitigation and adaptation benefits and socioeconomic co-benefits through increasing African smallholder farmers’ access to affordable credit. It builds on a previous IFAD project in Niger to expand it to five African countries (Burkina Faso, Mali, Senegal, Cote d’Ivoire, Ghana) in Phase I, and a further seven in Phase II. The programme also builds on the Great Green Wall Initiative (GGWI), which was launched in 2007 by the African Union and integrated environment and natural capital into the development agenda of the focus countries.

The programme aims to improve the resilience and adaptive capacity of FOs, cooperatives, and MSMEs in the focus countries by removing barriers to access to finance, accelerating the creation of a green finance market, and promoting the uptake of green agriculture practices and technologies. The programme consists of three components, a “Green Business Financing Facility” that will provide funds for on-lending to select Local National Agricultural Banks (LNABs), a technical assistance component, and a regional support programme to increase learning and innovation across the region. The programme is supported by the GCF (59%), and the remainder by other donors, including IFAD and the LNABs acting as intermediaries for the on-lending.

The programme addresses access to affordable credit, a common constraint for smallholder farmers across countries, and is likely to be replicable across Africa and beyond.

Analysis

WHAT MADE THIS PROJECT SUCCESSFUL?

- Enabling environment: the GGW initiative laid a strong foundation for the success of IGREENFIN through mainstreaming environment and sustainability concerns through policy in the focus countries and jumpstarting multi-stakeholder dialog.
- Country buy-in and pilot project success: IGREENFIN is modeled on a prior IFAD project in Niger, which demonstrated the strengths of the IGREENFIN approach to other GGW member countries with similar contexts, five of which requested that the program be replicated in their countries.
- Comprehensive approach: IGREENFIN benefits from a comprehensive, context-based approach to addressing climate challenges for smallholder farmers, including by impacting systemic issues like access to credit, institutional frameworks and capacity constraints.
- Addressing barriers to investment: IGREENFIN addresses access to affordable credit, a key barrier to investment for smallholder farmers wishing to implement sustainable practices.

TO WHAT EXTENT IS THIS MODEL SCALABLE?

IGREENFIN I is the scaled version of a prior IFAD project, the SAP Niger. In the first phase, IGREENFIN will scale to five countries. In its second phase, it will scale to a further seven (Chad, Djibouti, Eritrea, Ethiopia, Mauritania, Nigeria, Senegal, Sudan). IFAD’s long-term vision is to implement IGREENFIN in additional African countries outside the GGW area.

<p>WHAT ARE THE NECESSARY CONDITIONS TO MAKE IT REPLICABLE IN OTHER COUNTRIES/REGIONS?</p>	<p>Access to affordable credit is a common constraint for farmers across regions. However, as this project's success is predicated in part on an existing enabling environment and country buy-in, replication will need to pay attention to these contextual features.</p>
<p>CONSTRAINTS/DRAWBACKS OF FINANCING MODEL</p>	<p>On lending through local banks and financial institutions can increase challenges in measuring impact and achieving financial additionality; robust standards, tracking and governance is necessary. Limited government and community technical capacities in the target countries could constrain the project's size and impact measurement.</p>
<p>LESSONS LEARNT</p>	<ul style="list-style-type: none"> ● Enabling environment and country buy-in are crucial to success ● Addressing barriers to investment by smallholders can be a gateway to addressing climate, socioeconomic, and inequality challenges ● A comprehensive approach that involves climate, financial, social, and capacity building goals can be a successful programmatic approach to address complex climate problems

SOURCE

Green Climate Fund. Funding Proposal: Inclusive Green Financing Initiative (IGREENFIN I): Greening Agricultural Banks & the Financial Sector to Foster Climate Resilient, Low Emission Smallholder Agriculture in the Great Green Wall (GGW) countries - Phase I. 2021. Available at: <https://www.greenclimate.fund/sites/default/files/document/funding-proposal-fp183.pdf>