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Smart finance. People first.

EUROPEAN MICROFINANCE WEEK 2017

CLIMATE-SMART AGRICULTURE & FINANCE

29.11.2017 | E-MFP | LUX

Done for the e-MFP Microfinance and Environment Action Group

Overview training topics

Overview challenges and definitions

Proposed conceptual solutions

Implementation: implications

Implementation: case studies

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CHALLENGE

IMPORTANCE SMALLHOLDER FARMERS (SF)

Smallholder farmers are key partners and targets for rural development but prone to significant threats that cannot be addressed by current systems

DEMAND
Total productive financing p.a.

$500+ BILLION

SUPPLY (2016)
Total financing p.a.

$20 BILLION

FOOD SECURITY

- 80% of global food supply is produced by smallholder farmers
- food production needs to increase by 70% till 2050

RURAL DEVELOPMENT

- Rural economy depends on agriculture
- High climate vulnerability and lack of adaptation know-how

PRODUCTIVE FINANCE

- Increase productivity
- Increase resilience
- Decrease environmental footprint

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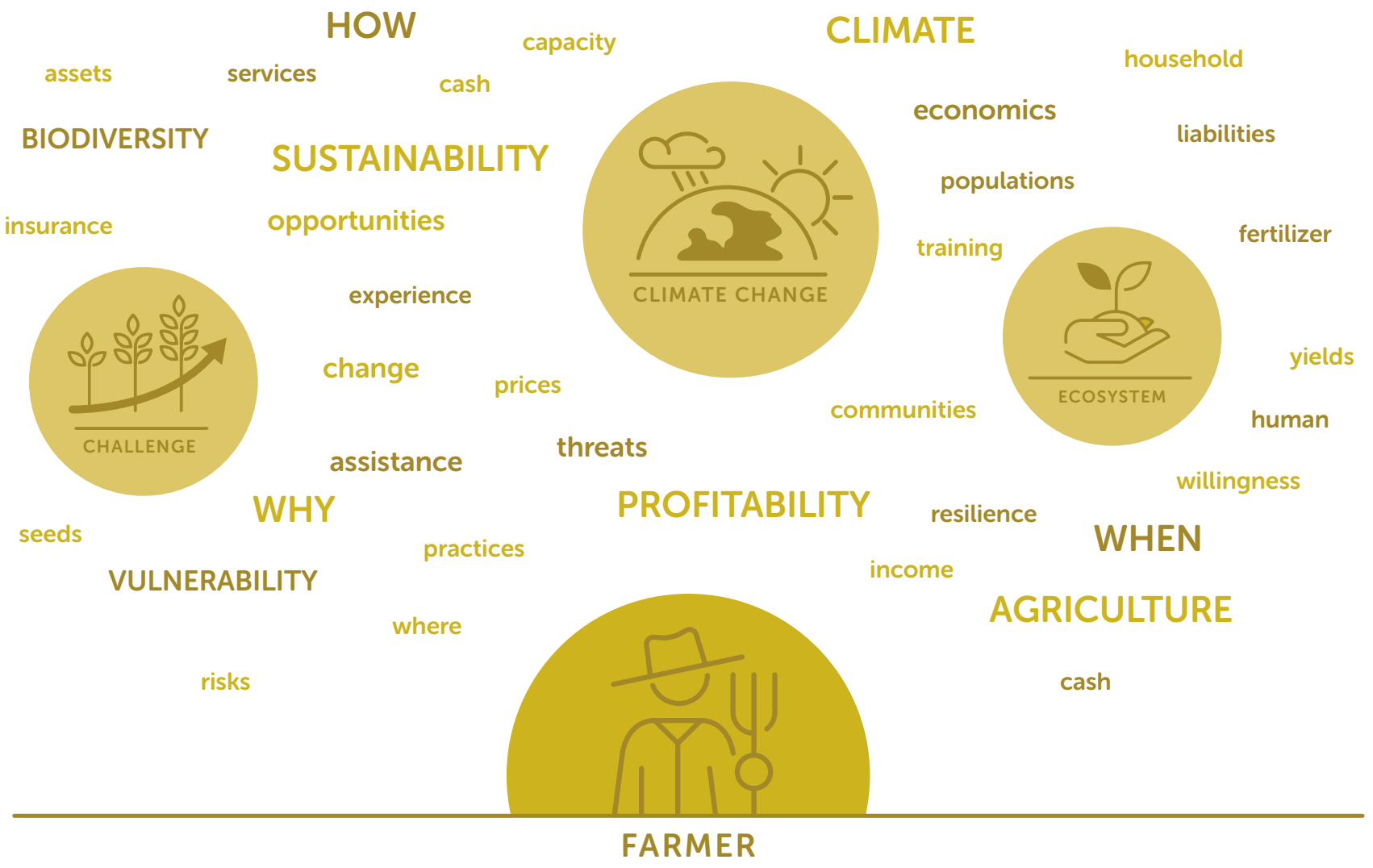
INFORMATION ON SMALLHOLDER FARMERS (SF)

Little structured data on SF available, data collection costly and often on top of other administrative tasks



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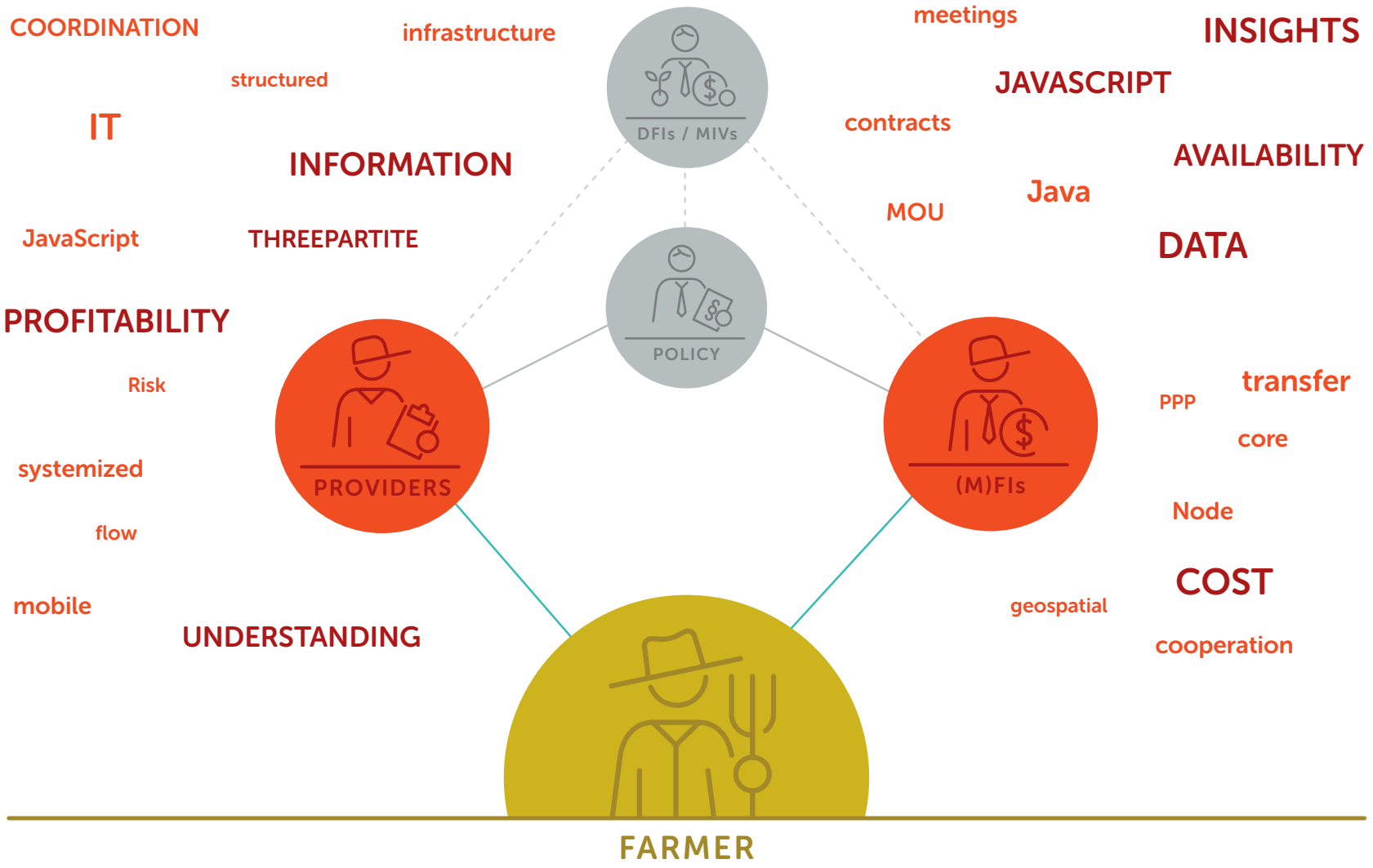
PAIN POINTS SERVING SMALLHOLDER FARMERS

Coordination and cooperation mechanisms for stakeholders not systemized if available,



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DEFINITIONS

How do we measure and manage climate risks?

Climate risk is expressed on several levels, only partially directly manageable.

Climate change EXPOSURE

reality depends on location and cannot be changed there

Climate change SENSITIVITY

reality depends on activity and can be changed by activity change

ADAPTIVE CAPACITY

Adjusted to local threats, strengthens the production according to activity

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What are climate-related production risks?

Small farmers are prone to climate impacts which result from climate threats and bear specific consequence.

Climate change THREATS

e.g. strong rain or storms, raising temperatures

Climate change IMPACTS

e.g. floodings, droughts, erosion, loss of productivity/production

Climate change CONSEQUENCES

e.g. loss of infrastucture and soil, loss of assets, loss of food security

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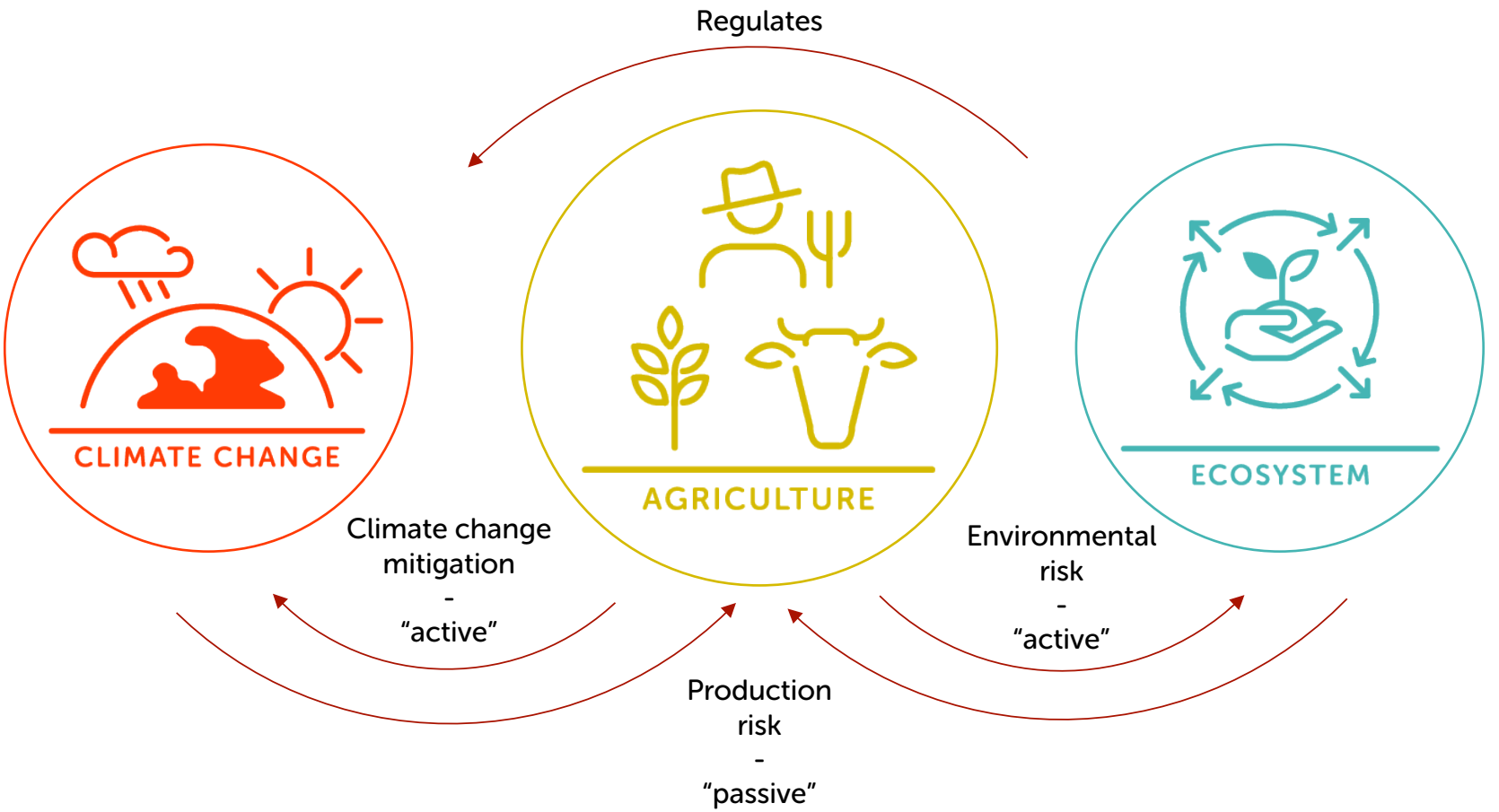
What is climate-smart agriculture?

Climate-smart agriculture relates to the fragile balance between ecosystem management and production related risks



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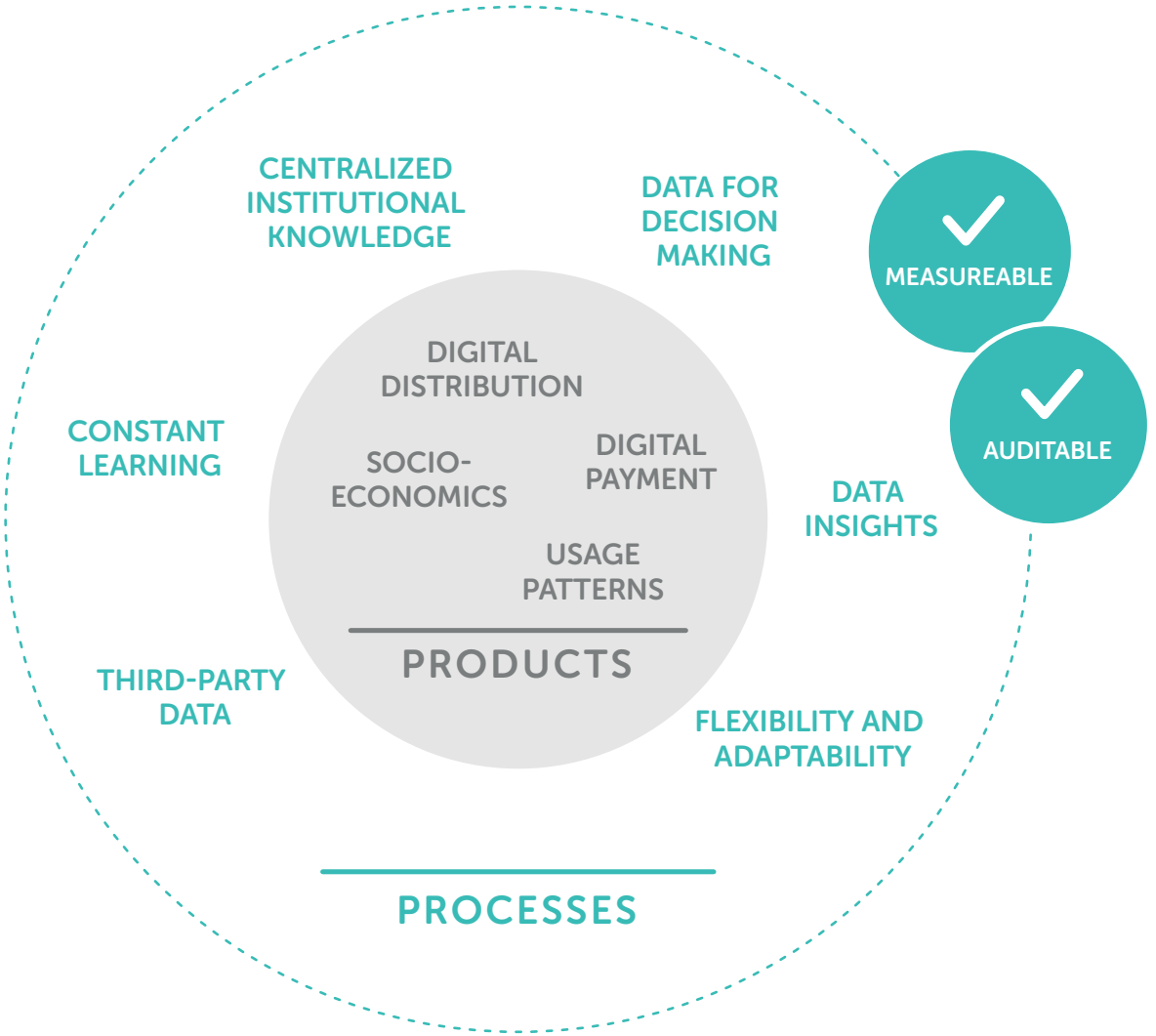
DATA-SMART FINANCE

Data builds the foundation for process & product management, in consequence customer orientation & segmentation is data-driven.



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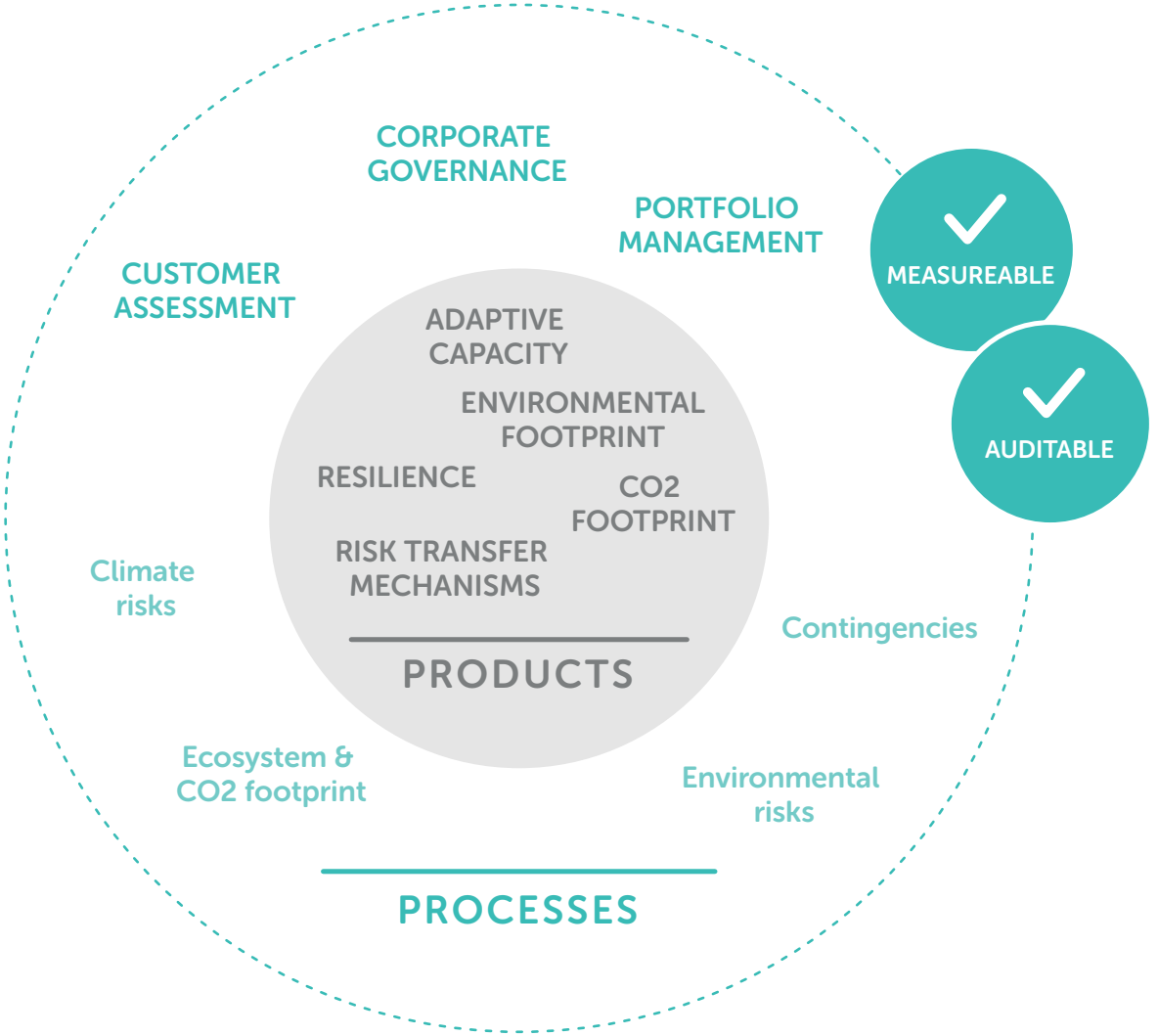
CLIMATE-SMART FINANCE

Structured climate assessment forms part of decision processes, climate mitigation and adaptation technologies and methodologies are being promoted



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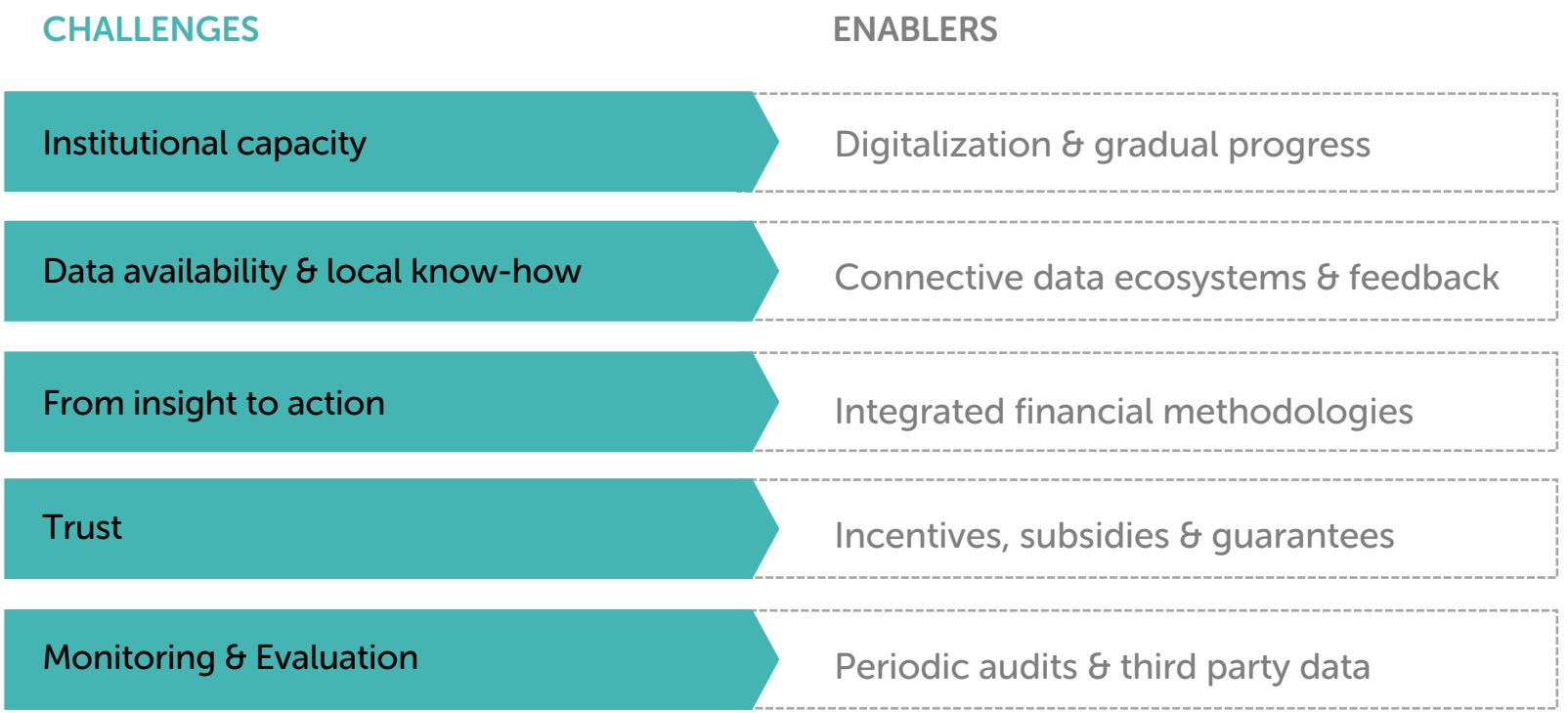
SOLUTION

CHALLENGES AND ENABLERS

The actual implementation of DS and CS strategies are depending onthe actual data environment in a given context, differing institutional capacities.



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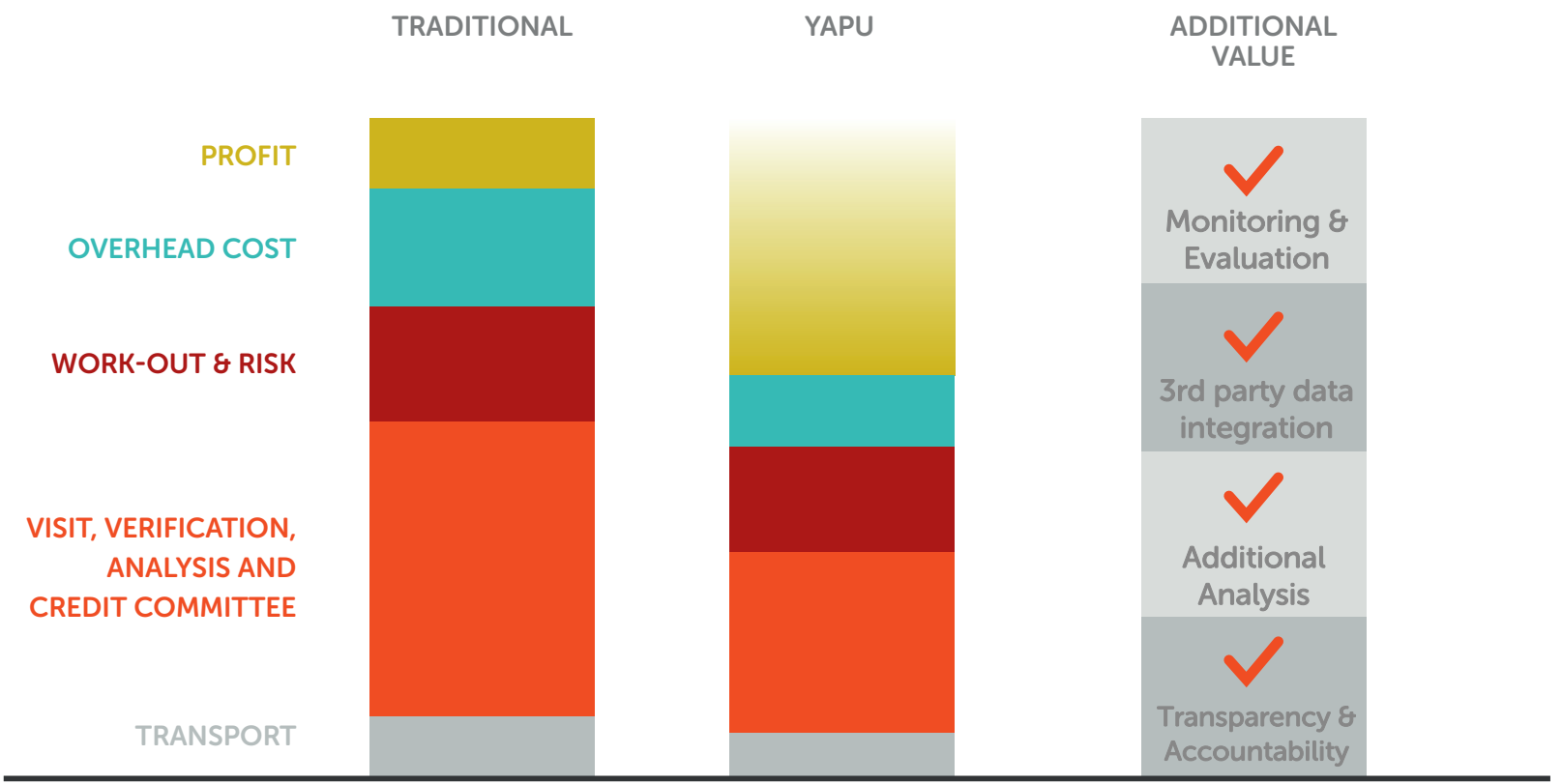
KEY BENEFITS OF MFI PROCESS DIGITALIZATION

Digitalization increases the loan origination and management efficiency, increasing profitability while opening room for price reduction.



* Based on experiences in other projects; actual efficiency and portfolio quality gains depending on traditional approach in partner institution, but typically 50% in efficiency gains;

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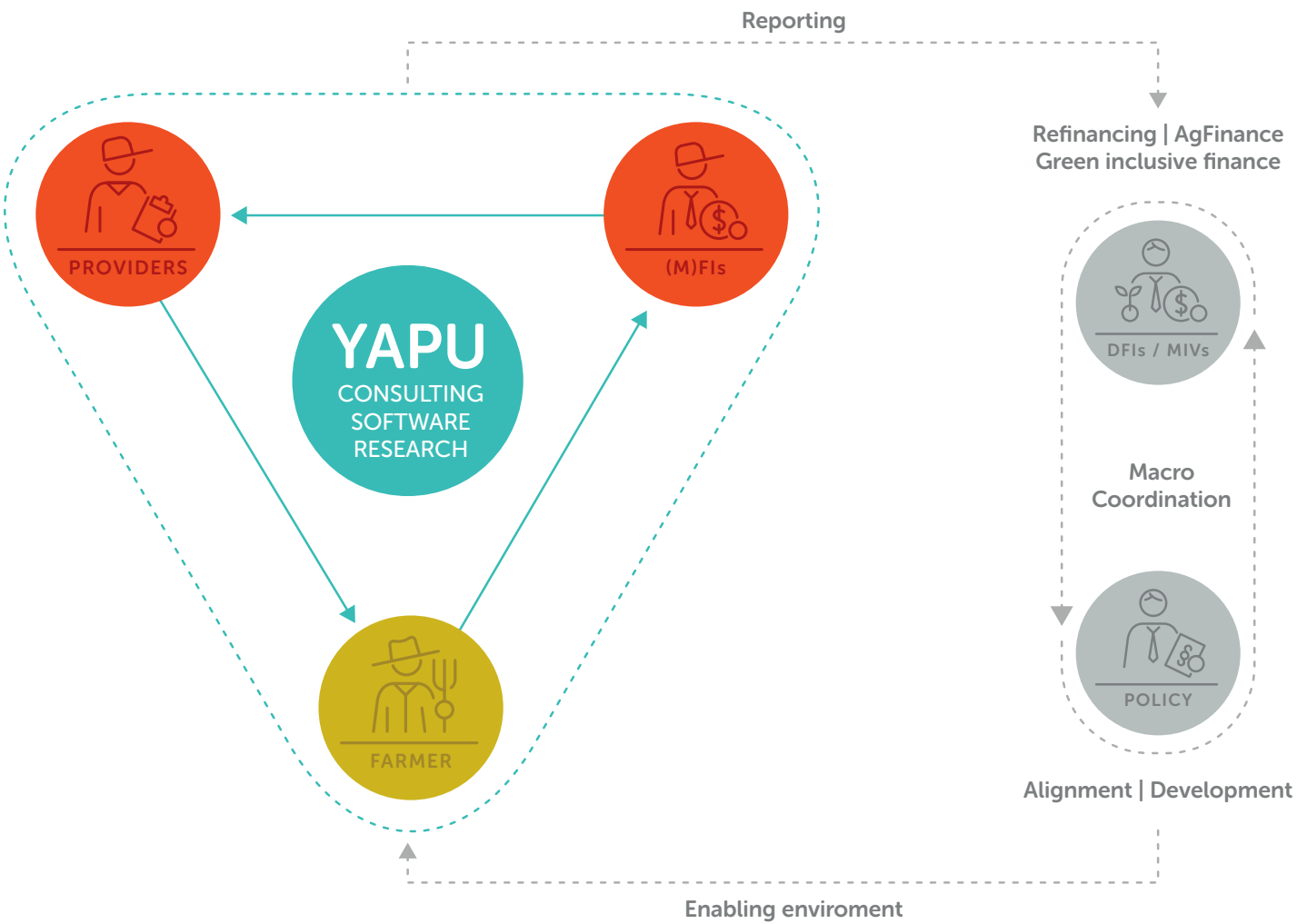
CONNECTIVE DATA ECOSYSTEMS

Emerging connective data ecosystems hold the promise to provide the necessary basis for climate-smart finance; (M)FIs need to prepare to harness such ecosystems



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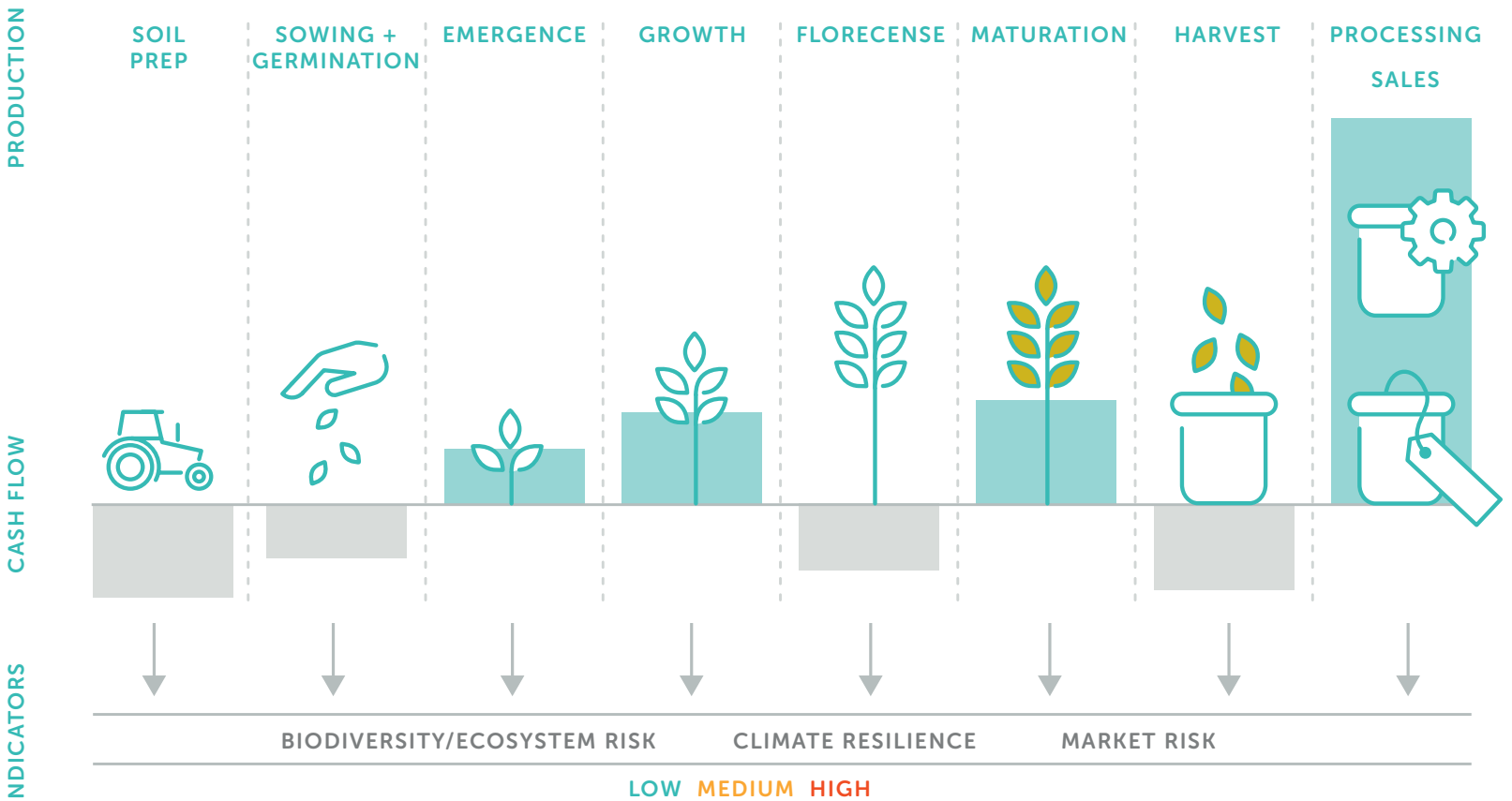
DATA LAYERS

Data on three dimensions of agricultural production needs to be gathered and processed, targeting the verification of triple bottom line returns.



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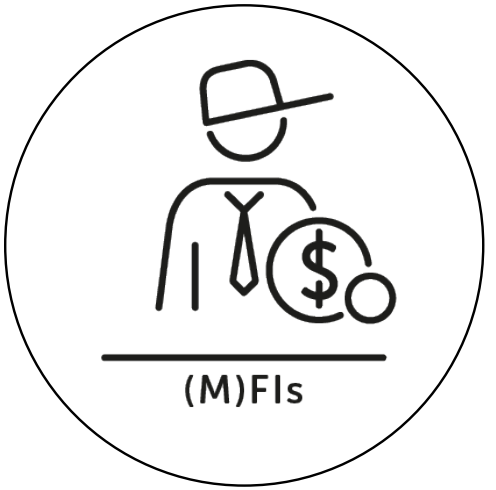
(M)FIs

How does agriculture affect (M)FI portfolios?



- Climate vulnerability
- Energy Exclusion
- Low productivity
- Financial exclusion
- Environmental footprint

- Portfolio risk
- Market contraction
- Risk transfer
- Mission shift
- Environmental footprint

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Complexity: Income sources

Different dimensions need to be assessed, considering productive reality, cash flow implications and climate and environmental risks

Typically small farmers depend on more than one income source

Income streams are aggregated and used to serve expenses of business and household

Loans are hence not only paid by activities financed

In times of distress, customers need to prioritize

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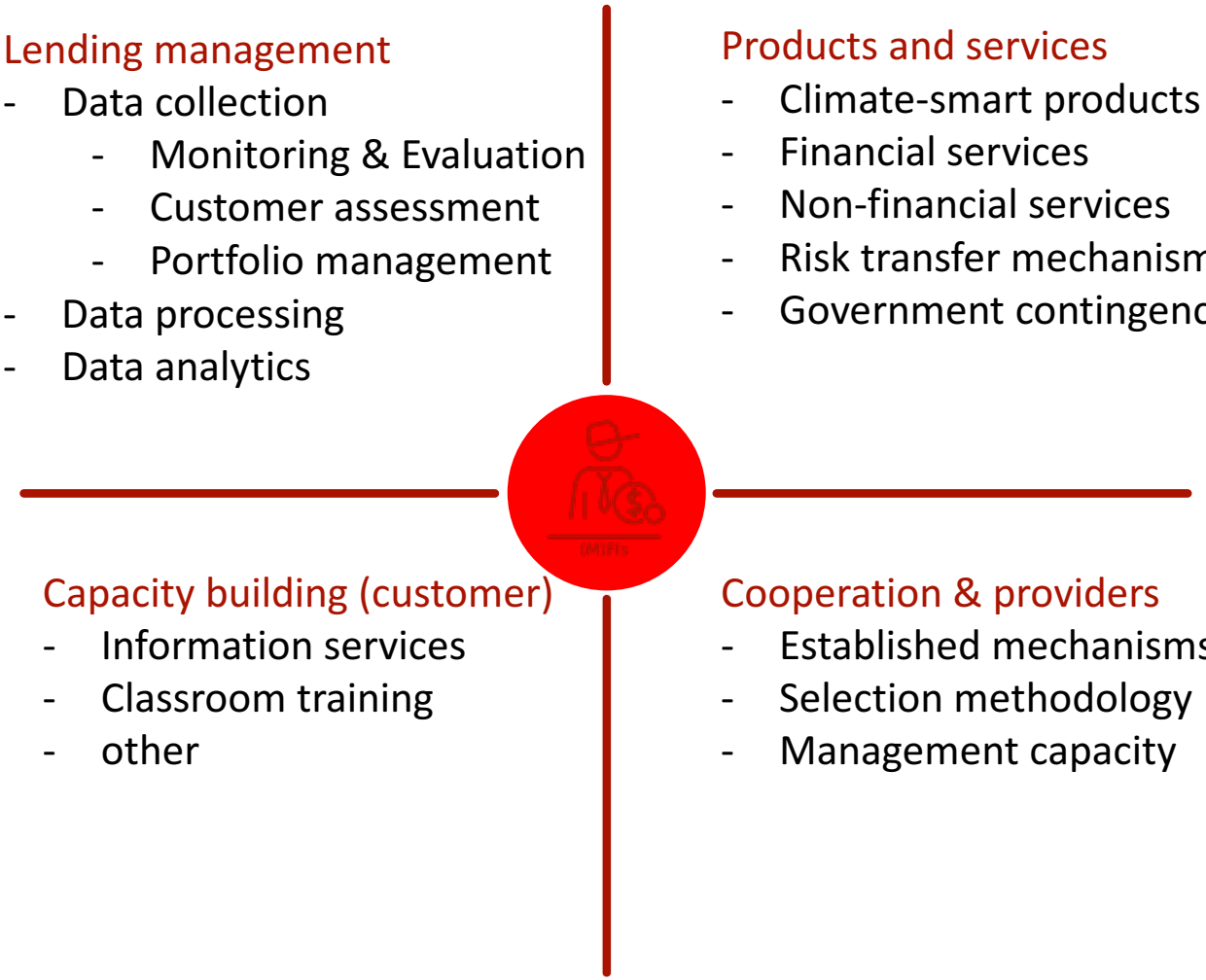
Institutional capacity

Financial institutions have differing maturity levels, which define the starting point for climate-smart finance



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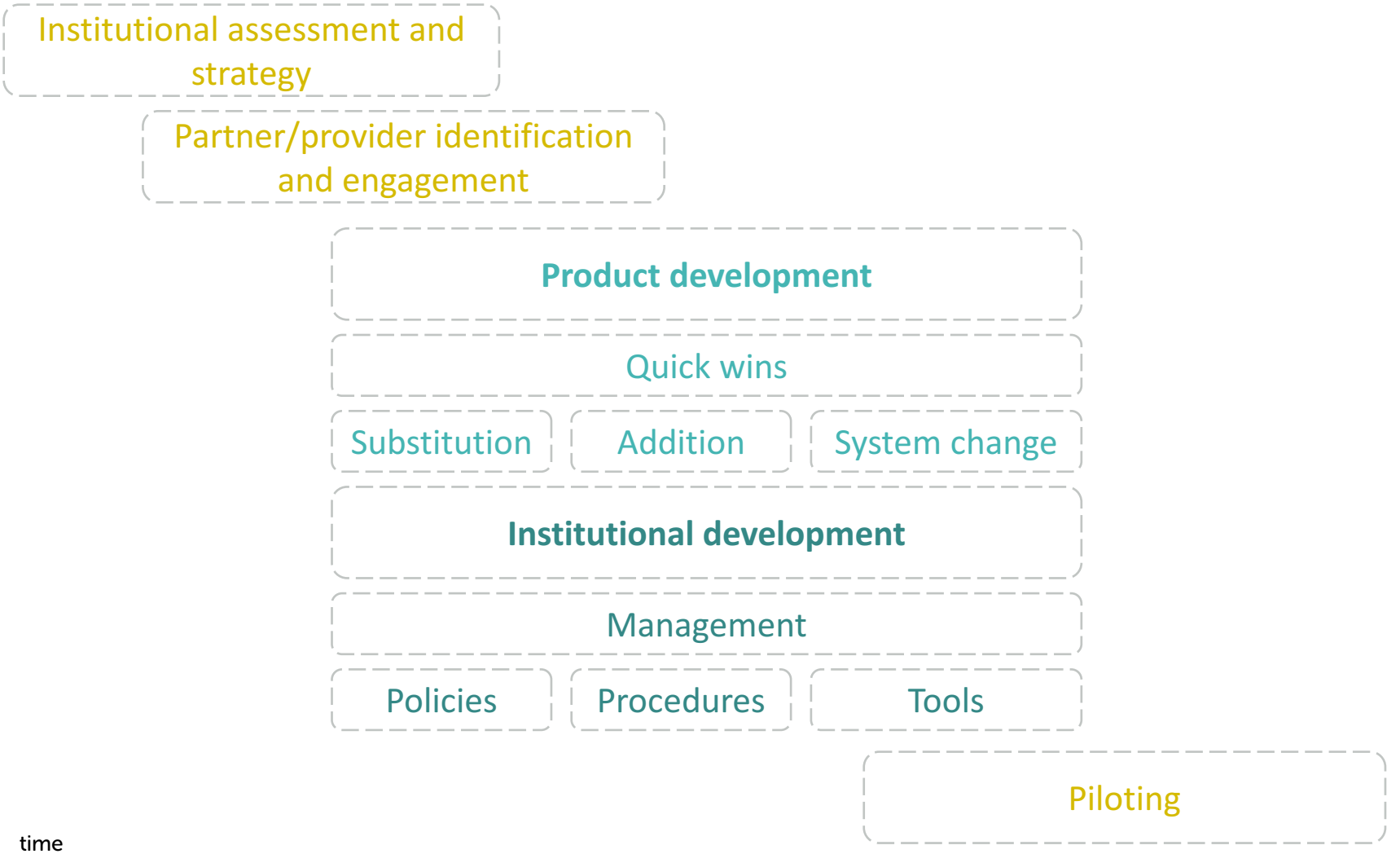
Product development

A structured approach to climate-smart finance is needed, carefully addressing the institutional capacity and ensuring gradual progress



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PROVIDER

Providers of climate-smart solutions

Key partner for the promotion of climate-smart agriculture and finance, these companies face their own set of challenges

Services and products

- Selection of climate smart methodologies
- Proven technologies
- Sourcing/Procurement

Management capacity

- Accounting and bookeeping
- Marketing, including partial introduction
- Distribution
- Finance

Certification and quality assurance

- Technology risk
- Environmental footprint
- Climate change resilience

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Add-on services to customers

Apart from the actual assets, goods or services, customers usually require accompanying services to implement climate-smart technologies

Awareness raising

- What technologies are available
- How do these influence the household economics?

Capacity building

- How to apply technologies
- How to monitor implementation
- How to maintain

Trust generation

- Risk transfer mechanisms
- Partial/Trial approach

After-sales

- Maintenance and spare parts
- Warranties and services

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Drip irrigation and greenhouses

Resilient seed(ling)s

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Solar + wind water pump

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Liquid sowing

YAPU provides a flexible software supporting the operational processes of (financial) institutions targeting smallholder farmers and microenterprises

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FRONT OFFICE: MOBILE APPLICATION

Centrally defined characteristics and contents are displayed in a flexible mobile application, with offline functionality and shaped for digital illiterate users

Your company logo

Colors adjusted to your corporate identity (bright/dark)

Your access to the dashboard, displaying pending activities, such as open applications, monitoring visits, calls

Jump to the respective theme during the interview

Include photos of customers, ID, household or business

Change between bright/dark screen display according to environmental light conditionsa

Where possible, Pre-established answers to chose from

Optimized for “phablets”, i.e. enabling 2-thumb-typing

Offline functionality: no constant internet access required

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If you are interested in

- a demonstration of YAPU Solutions' software or
- a free of charge rapid institutional assessment

please contact us:

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