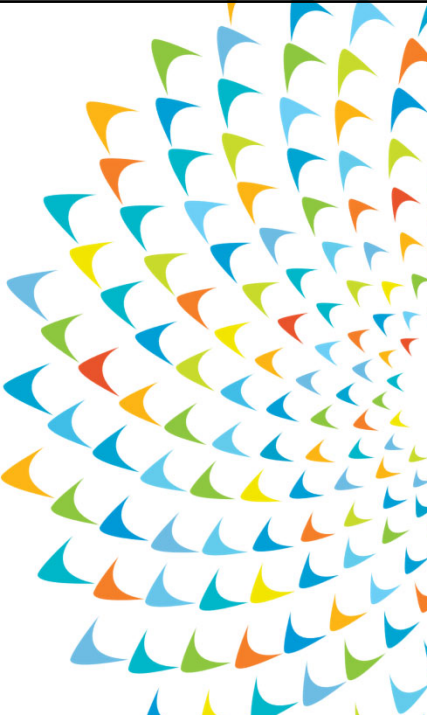



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**Asian Development Bank**  
**Private Sector Operations Department**

AIT Knowledge Event: *“Boosting Climate Resilience of Smallholder Farmers”*

**The Role of Blended Finance**  
Mischa Lentz


26 November 2021

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**Presentation Agenda**

- I. Introduction to Blended Finance**
- II. How Blended Finance can support Smallholder Farmers**
- III. Case Studies**

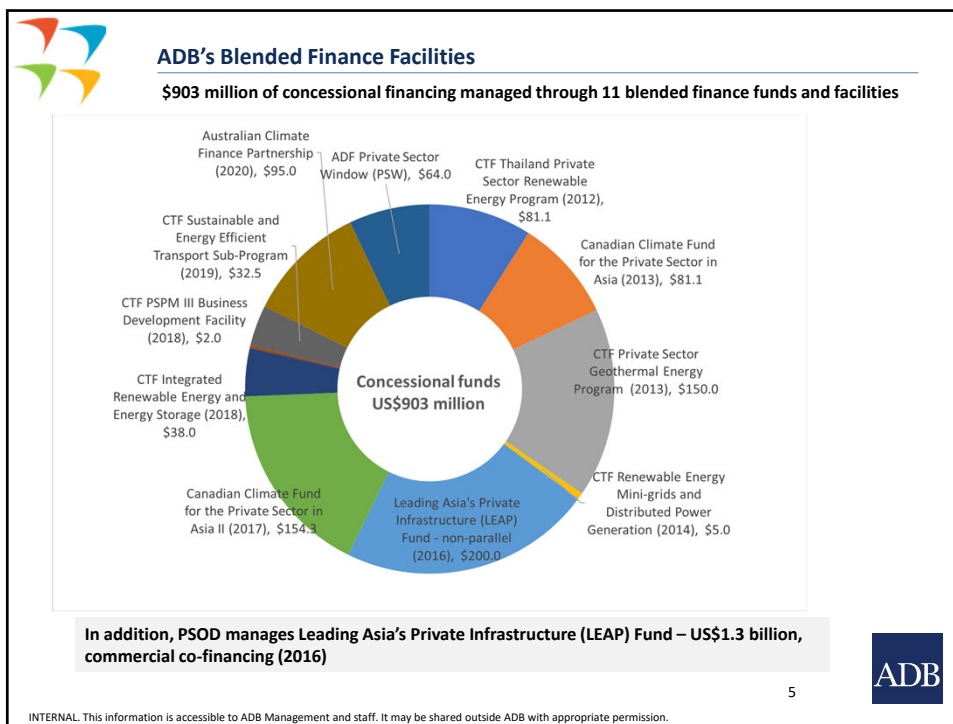


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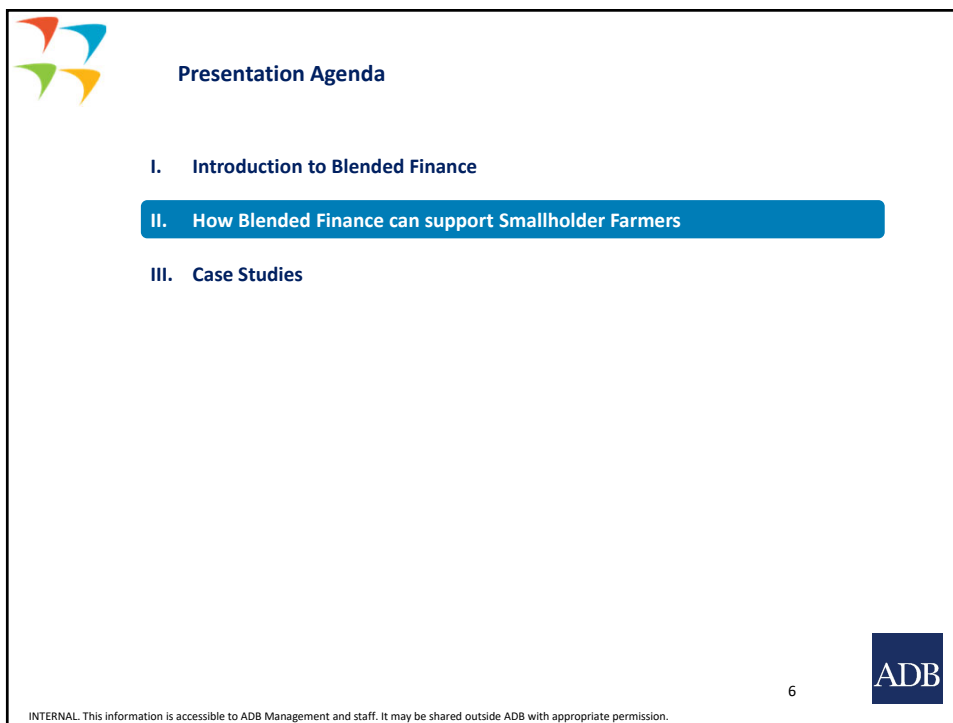
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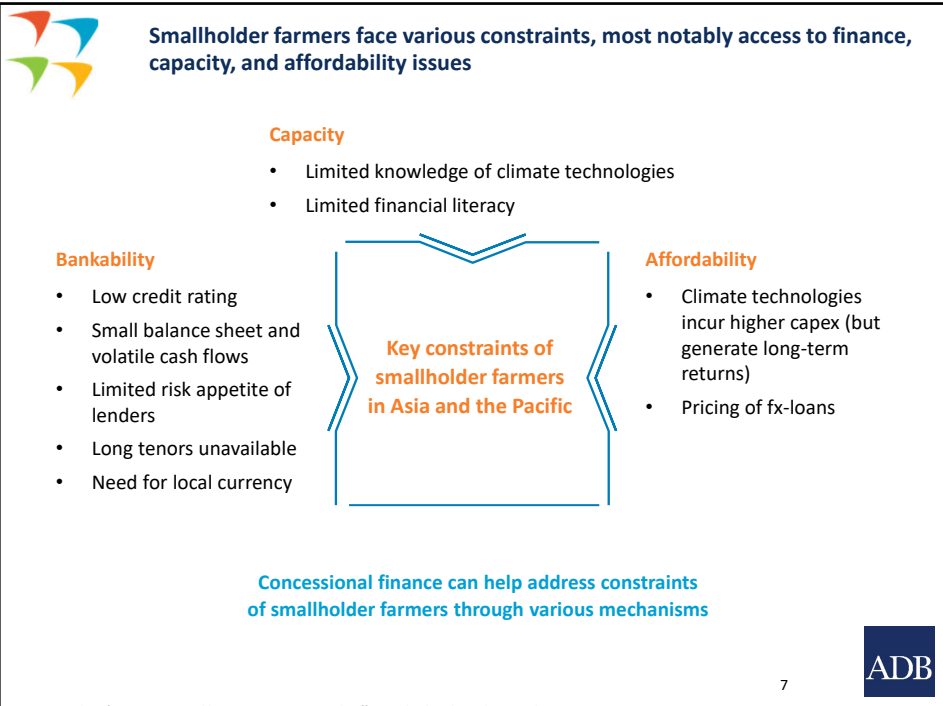




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**Smallholder farmers face various constraints, most notably access to finance, capacity, and affordability issues**

**Capacity**

- Limited knowledge of climate technologies
- Limited financial literacy

**Bankability**

- Low credit rating
- Small balance sheet and volatile cash flows
- Limited risk appetite of lenders
- Long tenors unavailable
- Need for local currency

**Affordability**

- Climate technologies incur higher capex (but generate long-term returns)
- Pricing of fx-loans

**Key constraints of smallholder farmers in Asia and the Pacific**

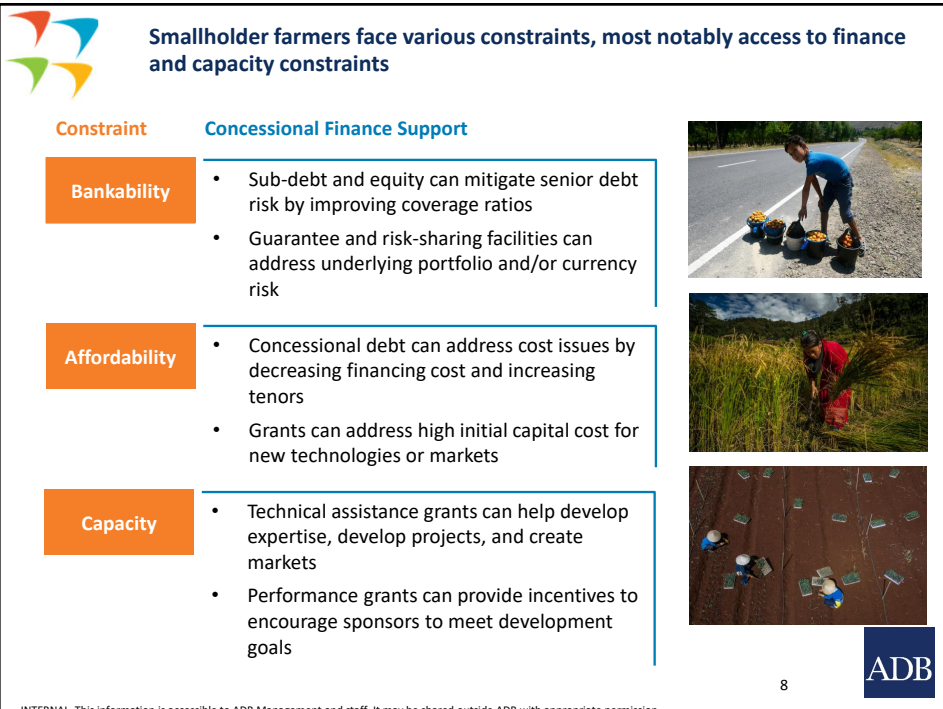
**Concessional finance can help address constraints of smallholder farmers through various mechanisms**

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**Smallholder farmers face various constraints, most notably access to finance and capacity constraints**

Constraint	Concessional Finance Support
<b>Bankability</b>	<ul style="list-style-type: none"> <li>Sub-debt and equity can mitigate senior debt risk by improving coverage ratios</li> <li>Guarantee and risk-sharing facilities can address underlying portfolio and/or currency risk</li> </ul>
<b>Affordability</b>	<ul style="list-style-type: none"> <li>Concessional debt can address cost issues by decreasing financing cost and increasing tenors</li> <li>Grants can address high initial capital cost for new technologies or markets</li> </ul>
<b>Capacity</b>	<ul style="list-style-type: none"> <li>Technical assistance grants can help develop expertise, develop projects, and create markets</li> <li>Performance grants can provide incentives to encourage sponsors to meet development goals</li> </ul>






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## Technical assistance grant will ensure efficient project implementation while increasing farmer's capacity for climate resilient farming

### Bhutan: Climate-Resilient Hazelnut Value Chain Project TA (2016-2019)


- Technical assistance grant alongside ADB/IFC/GAFSP investment to support a smallholder-based company to help farmers generate income through planting of hazelnut trees on unused land
- TA supported capacity building for (i) improved irrigation and water storage techniques, (ii) systems of integrated pest management, (iii) improved harvest and post-harvest management of produce, (iv) improved access to information through smartphone application development, (v) microclimate adaptation strategies, (vi) research and development into new crop varieties

#### Development Outcomes

Indicator	Target	Actual
Farmers equipped with water storage and irrigation by 2018	600 (>50% women)	673 (56%)
Farmers trained in integrated pest management by 2018	11,000 (>50% women)	13,308 (51%)
Farmers trained in harvest & post-harvest solutions by 2018	8,000	11,200
Communities with trained farmer-instructors by 2018	400 (>50% women)	488 (54%)




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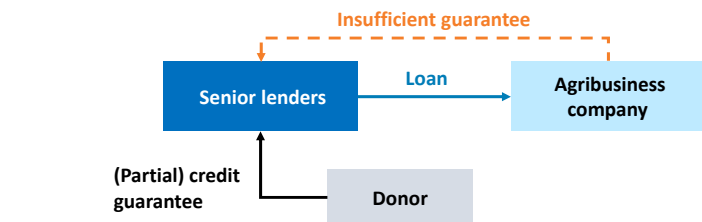

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**Concessional guarantee mechanism will support bankability of otherwise non-bankable agribusiness company**

**Guarantee solution for agribusiness company**

- Loan to local agribusiness company that cannot provide acceptable guarantee for senior debt
- Concessional guarantee structure will support the bankability of the project by covering principal up to a pre-determined amount in case of borrower default





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**Q&A**

**Thank you very much –  
Any questions?**




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**Annex**

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**Technical assistance grant will improve capacity of smallholder farmers to apply clean technologies and efficient farming techniques**

**Regional: Inclusive, sustainable, and connected coffee value chains (2017-today)**


- Coffee is a key commodity in SE Asia and the Pacific and characterized by small-scale farming.
- TA funding will develop and provide:
  - Training to farmers in climate smart agriculture, including adaptation strategies, water management and drip irrigation techniques, and conservation agriculture.
  - Training on gender inclusion and elimination of child labor.
  - 130 demonstration plots for rehabilitation, and advanced soil management techniques
  - Train over 20,000 farmers in Timor-Leste, Indonesia Papua New Guinea, and Vietnam
  - Farmer-to-farmer best practice exchanges facilitated by training farmer-instructors

**Expected Development Outcomes**

Support for trial plots for climate smart agricultural practices	<b>130 farms</b>
Farmers to be trained on climate-resilient farming and gender inclusion	<b>20,000 farmers (25% women)</b>
Farmer-instructors to be trained in agricultural best practices	<b>1,200 instructors</b>
Resource conservation, sustainable chemical use, pollution control training	<b>2,000 farmers</b>



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