

Breakout session 22/09 Financing climate-smart agriculture through MFIs

Addressing: Green Business Cases, Upscaling & Partnerships, Impact Measurement & Reporting

Moderator: Michaël van den Berg (Triodos Investment Management)

Speakers: Jaap Spreeuwenberg (Hivos), Luis Lacayo (FDL), Celine van Soest (ENCLUDE)

Programme:

Jaap Spreeuwenberg (Hivos approach Green Microfinance with the Graduation Model)

Luis Lacayo of Fondo de Desarrollo Local (FDL).

Celine van Soest (ENCLUDE) and Michaël van den Berg of Triodos (as investor) with case of producer organization ALDEA Global. About capacity building of a credit providing organization.

Michaël van den Berg: Microfinance has reinvented itself as sector. It is therefore a “resilient sector”. Greening of the sector is not new but now there is a reformulation of for example the Hivos Triodos Fund with green as its’ core. Green is about agriculture and food. Let’s “Make a top meal with today’s ingredients”.

Jaap Spreewenberg - Hivos

Graduation Model (see slide for the model).

There is a gap between grant funding and becoming investment ready. In the future Hivos will redesign its’ programme. The focus will still be on grant funding but also on convertible loans. (For example The Accelerator programme) This way Hivos want to bridge the gap between the two. Thus, Hivos works with loans and mitigates them. Besides this, Hivos provides technical assistance. The cases of FDL and ALDEA Global are both part of the Graduation model.

Luis Lacayo - Fondo de Desarrollo Local (FDL)

FDL has 25 years of work experience. Started with “**Trees are worth it**” which stopped due to low demand and lack of economic feasibility. In 2005, development loans with an environmental impact (medium to long term) were introduced. For example:

- The “**Green Package**” with amicable practices for the environment for cattle and coffee farming to avoid soil degradation. Within this project there was a difference between coffee and cattle farmers’ interest in agroforestry and diversification. Coffee farmers had much more interest in this than cattle farmers. This also has to do with external factors such as prices of land. These factors strongly affected the success of the business case.
- The environmental loan “**Project Cambio**” to protect biodiversity, soil and forest conservation. This project was a success because of the high motivation of farmers for example due to the “Biopremiums” (payments for environmental services). This case showed the need for performance based incentives.
- The Green Financial Product for climate change adaptation **ECOMICRO** with investments in adaptive measures to reduce vulnerability to climate change in high risk areas. This case showed for example the ongoing challenge to convince farmers to diversify and make long term investments for resilience. Furthermore we should not only look from a financial perspective but also financial institutions with a social mission are necessary when looking at the business case of financing sustainable food.

In sum, Credit + Technical assistance + Incentives: i.e. an integrated microfinance plus approach is needed to generate a positive impact in a country based on agricultural production. In the future tailor-made programmes, longer term payments, and technical assistance that is subsidized at the beginning are needed for the Nicaraguan context.

Michaël van den Berg (Triodos) and Celine van Soest (ENCLUDE) - ALDEA Global case: an alternative delivery model for green Microfinance.

ALDEA Global is a farmer’s cooperative/producer organization. A good farmer’s cooperative, however, is not always a good credit cooperative. Therefore, HTF gave a long term loan to ALDEA for

renovation plantation. This was based on the positive track record of HTF and its' deep knowledge of the coffee activities.

ENCLUDE provided technical assistance supported by Hivos. The support to ENCLUDE to provide technical assistance to ALDEA has been crucial to build the capacity to run such a portfolio of long term finance/credit to members. Technical assistance includes:

- Institutional readiness
- Product Design and staff training
- Mobile tech and MIS
- Exposure visits

In the case of ALDEA Global it was about upscaling and readiness for growth. Therefore the technical assistance consisted of:

- HR: replacement of the team, training of new staff, renewed spirit.
- Processes: increased clients, loan processing time decreased, lending and operational efficiency improved.
- Portfolio Management: control and improvement
- Geographical Expansion: opening of a new branch

One important lesson is to embed technical assistance in a wider institutional perspective (in this case the strategic plan of ALDEA). This way technical assistance is used as means to enhance the organization.