

Financing Sustainable Rice for a Secure Future

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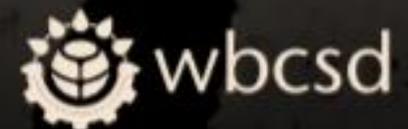
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Why Rice? Why Now?

- Despite rice's critical importance for food security and climate resilience, it is not a well-known or well-understood impact finance opportunity for global sustainable investors.
- Now is an opportune time to raise the impact profile of the rice sector and leverage the global momentum to invest in resilient food systems—48 countries include rice in their NDCs but do not outline how to engage the business and finance sectors.
- 2020 will be a key year for green bonds for agriculture with the Climate Bonds Initiative's release of a new taxonomy for agriculture—the existing Sustainable Rice Platform (SRP) Standard and Performance Indicators can serve as the universally-accepted impact framework for new finance innovations.



Strategic Analysis to Mobilize Action



- The global report's goal is to **identify opportunities to adapt sustainable finance innovation** to accelerate the rice sector's sustainable transition in two key regions: South East Asia and West Africa.
- The collaborative process **engaged over 60 stakeholders** including banks, asset managers, impact investors, major rice traders and agribusiness companies, international organisations and civil society groups.
- The ultimate aim over the next year is to mobilize **new practical pathways for innovative financing partnerships** that deploy finance to scale-up sustainable rice production practices.

Three Innovative Financing Blueprints



Barriers to Finance

Barrier 1

The absence of a financial infrastructure to service millions of rice smallholders who lack access to services

Barrier 2

The upfront investment needed for companies, suppliers and farmers to switch to climate-smart production methods

Barrier 3

The lack of public financing for governments to attract private sector investment through blended finance instruments

Blueprints for Action

Blueprint 1

Create a digital finance platform for financing to reach smallholder farmers

Blueprint 2

Issue a 'rice bond' to finance sustainable rice value chains

Blueprint 3

Leverage international climate finance to attract private sector investment for climate-smart rice production



Blueprint 1



Create a digital finance platform to channel finance to smallholders

Action Recommendations:

- Convene a **Digital Rice Finance Task Force** involving agribusinesses, banks, and technology providers to define the scope and services of an integrated digital finance platform for sustainable rice.
- Develop an **integrated digital finance pilot** which demonstrates how technology, finance, government and value chain actors can partner to enhance finance access to smallholders working towards the SRP standard.

Case Study: Mastercard Lab for Financial Inclusion gives farmers a unique ID and connects them to potential buyers, links their businesses to payment systems, and enables them to build a digital transaction record to

access formal credit



Blueprint 2



Issue a 'rice bond' to finance sustainable rice value chains

Action Recommendations:

- A **global rice processor, trader, retailer** that has off-take agreements with sustainable rice farmers and an integrated value chain to consider issuing a 'rice bond'.
- Develop a **'rice bond' that uses the purchasing power of the World Food Programme (WFP)** to drive global demand for sustainable rice, ~~enabling upfront investments in climate-smart production.~~

Case Study: Launched in July 2019, the Responsible Commodities Facility (RCF) provides low-interest credit lines to 1,000 medium-sized soy farmers committed to using degraded lands and avoiding deforestation. Funds are raised by issuing investment grade rated green bonds through a special purpose vehicle aimed at institutional investors.



Blueprint 3



Leverage International Climate Finance to Unlock Private Sector Investment

Action Recommendations:

- Multilateral climate funds can support national governments in preparing for the planning, design and issuance of a **sovereign green bond for climate-smart rice investments**.
- Agribusinesses and international donors **can collaborate to develop blended finance funds** that increase financing directly to smallholder farmers and helps to mobilise the domestic financial sector.
- Agribusiness and international donors can **collaborate to develop and scale nature- and landscape-based solutions** for sustainable rice, including tapping into carbon market mechanisms.



Thank you

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