

[COLOMBIA / DNP]



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Project title	Building resilience of vulnerable farmers and ecosystems in Colombia through innovative financing mechanisms.			
Result areas	Sector	Total financing, USD	GCF financing, USD	Financial instrument
<ul style="list-style-type: none">• Most vulnerable people and communities• Ecosystems and ecosystem services	Public-private partnership	185.5 M	77 M	17 M Grant 50 M Loan 10 M Guarantee
Description of specific climate change problem and how the project will address it	<p>In Colombia there are 2.2 million farmers, of which 1.6 million have less than 5 hectares. Small-scale farmers are key in Colombia for food security and provide the basis of the agriculture economy in rural areas. Their livelihoods are affected by their high degree of exposure and low adaptive capacity to changes in rainfall patterns or an increase in temperature, in addition, unsustainable use of natural resources has resulted in a fast deterioration of ecosystem services, such as water regulation or soil stability. Climate change has already caused damage and losses in rural areas. In 2008, drought produced, on average, a 5% reduction in the yields of 17 crops, while the increase in rainfall from 2010-2011 generated losses in agricultural production estimated at 2.1% of GDP, and an increase of 1.6 million hectares in areas that are periodically flooded.</p> <p>The project proposes a public-private partnership for financing and technical assistance addressed to vulnerable populations. It is intended to accomplish this by i) actively involving the private financing sector and promoting a sustainable adaptation mindset in its business processes; ii) increasing the supply of EbA/CSA alternatives that vulnerable populations may access via tailored financial products; and iii) increasing capacities in technical partners to accompany small-scale farmers in the implementation of these sustainable adaptation alternatives.</p>			
Alignment with key country priorities and stakeholders engaged	<p>The project is aligned with the National Climate Change Policy through the strategic line for climate resilient and low carbon rural development. Also with the cross-cutting lines for climate change management planning: information, education, financing and economic instruments. Furthermore, this proposal is supported in two fundamental axes of the National Plan for Climate Change Adaptation, addressing biodiversity and ecosystem services as they relate to the agricultural sector. Besides, the project will help to address the goals established in Colombia's Nationally Determined Contribution, specially the one related with the implementation of innovative adaptation actions in agricultural sector.</p> <p>The project has a multi-sector integration approach. It seeks to promote public and private partnerships to achieve joint goals that transform rurality into a resilient and productive sector. The Ministry of Agriculture and Rural Development (and its technical agencies), the Ministry of Environment and Sustainable Development, the Ministry of Commerce, Industry and Tourism, Bancóldex (second tier bank), a network of financial intermediaries, UN Environment and the National Planning Department, are some of the institutions that will cooperate for the successful development of the initiative.</p>			

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Activities

1. Build capacities in Financial Intermediaries to deliver products and services geared to sustainable adaptation options (Including gap analysis to deliver EbA solutions, training of staff in EbA, adjustment of internal procedures and policies to promote EbA, adjustment or design of EbA-oriented products, piloting and roll-out)
2. Development and launching of the Financing Mechanism for promoters of sustainable adaptation options and insurance/guarantee scheme (including the recording of results, monitoring and assessment of the credit line's impact)
3. Strengthen capacities in technical assistance entities and vulnerable populations to support the widespread implementation of sustainable adaptation options (including a rural extension model coordinated between technical institutions, EbA solutions providers, and financing options. Demonstrative plots of Sustainable adaptation solutions are also planned)
4. Public policy agenda and knowledge management for the long-term and large-scale promotion of sustainable adaptation options through innovative financing mechanisms

Expected outcomes

- 10 EbA financial products developed and launched by Financial Intermediaries
- A \$60M USD credit line launched by Bancóldex with special market conditions to promote products oriented towards EbA practices
- \$ 96 M USD of private investment towards EbA practices (revolving mechanism)
- 75000 rural producers sensitized on climate change and EbA concepts
- 10800 rural producers trained on EbA solutions in demonstration farms
- Between 60000 – 80000 rural producers less vulnerable to climate change
- 80000 microloans oriented towards sustainable adaptation practices disbursed

Paradigm shift potential

This proposal seeks a paradigm shift from the way adaptation is financed in the country. Faced with the gap in the participation of private sources in climate change investment and the existing needs that exceed the supply of public resources, the project aims to involve the private sector and especially the financial sector in the creation of products and services that foster the resilience of small-scale farmers and the ecosystems on which their livelihoods depend. Competitiveness and the improvement of financing conditions are encouraged so that the final customers obtain loans that are more comfortable and adequate to their needs. In particular, a more competitive microfinance sector will mean lower adaptation costs for the small-scale farmer in three ways: increased efficiency that reduces operational costs; access to reduced rates under the dedicated credit line, and risk-adjusted pricing to those who increase their adaptation capacity.