

INSIGHT BRIEF



FINANCE FOR THE AGRICULTURAL SECTORS

TRENDS IN NDC
PARTNERSHIP SUPPORT

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INTRODUCTION

Ahead of the 26th Conference of the Parties (COP27) to the United Nations Framework Convention on Climate Change (UNFCCC) held in Glasgow in 2021, parties to the Paris Agreement were requested to submit new or updated nationally determined contributions (NDCs) setting forth ambitious climate commitments. Almost all the new or updated NDCs mention specific mitigation and adaptation actions to be taken in the agriculture, forestry, land use and fisheries sectors (agricultural sectors), demonstrating their importance in addressing climate change.¹ At the same time, countries recognized the lack of adequate international or domestic finance to support the implementation of NDCs in the agricultural sectors.

Recent FAO analysis shows that allocations of climate-related finance to all sectors have continued to increase since 2000, but the share of climate-related finance allocated to the agricultural sectors has been continuously and significantly decreasing. Considering the global commitment set forth by the Paris Agreement to mobilize USD 100 billion of climate finance each year starting from 2020 and the increasing attention to the topic from government, nongovernment and private-sector entities, the issue of reporting and monitoring climate finance will remain prominent in the global climate policy discourse over the coming decades.

The agricultural sectors are at the heart of transformative climate action, with food systems corresponding to about 34% of global greenhouse gas (GHG) emissions and 70% of biodiversity loss. As evidenced by the Intergovernmental Panel on Climate Change (IPCC), the objectives of the Paris Agreement cannot be met without the crucial contribution of the agricultural sectors. Urgent action is needed to both adapt to and slow

1. 2021 (Interim) Global Update Report — Agriculture, Forestry and Fisheries in the Nationally Determined Contributions; Food and Agriculture Organization of the United Nations; 2021; <https://doi.org/10.4060/cb7442en>

ABOUT INSIGHT BRIEFS

Insight Briefs are analyses developed by the NDC Partnership's Support Unit, members or partner institutions to share insights into thematic issues based on requests received by countries and the support provided by the Partnership. The following Insight Brief, developed by the Food and Agriculture Organization of the United Nations (FAO) based on NDC Partnership data, addresses requests related to finance in the agriculture sector and provides recommendations on how to strengthen support to countries.

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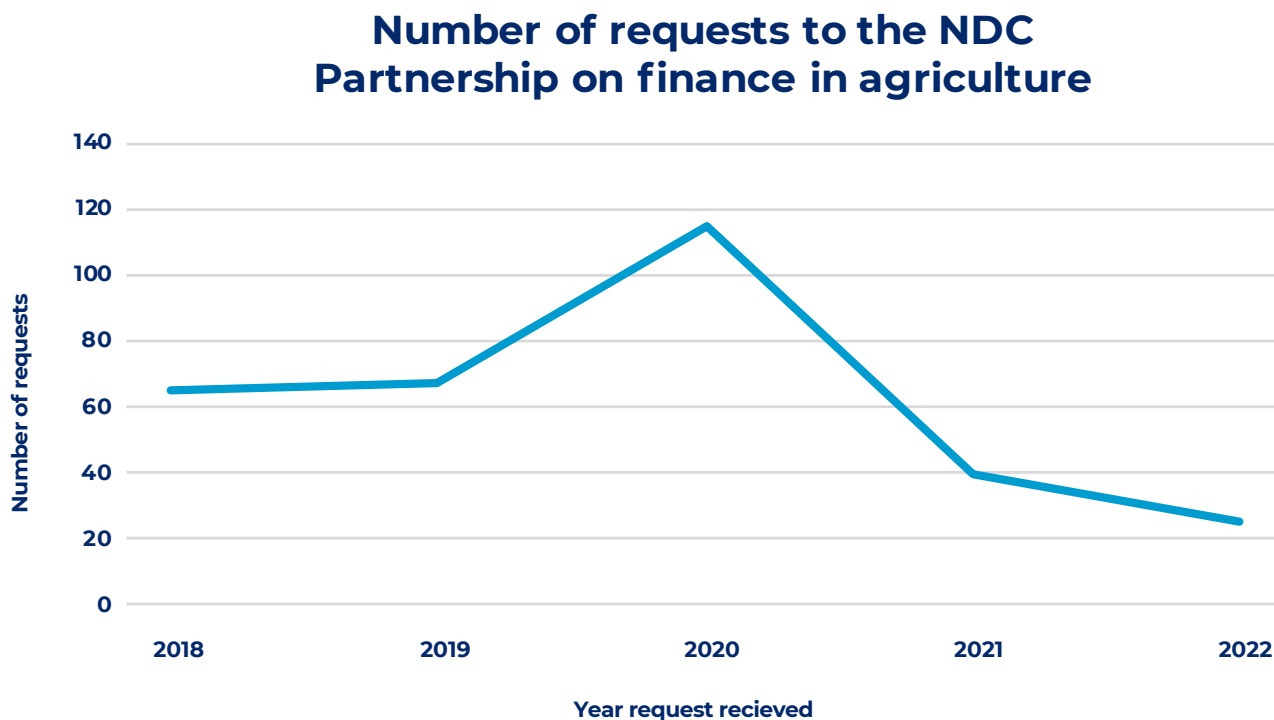
the irreversible changes in conditions for agricultural livelihoods (IPCC AR6) through an acceleration of the implementation of countries’ NDCs. This requires the deployment of climate finance at speed and scale. Agricultural sectors’ stakeholders need to strategically address the dynamic and accelerating global development climate finance landscape and the transition to more diverse access to types and sources of flows. To enable such transitions, stakeholders will need strategies outlining the main actors, mechanisms and overall developmental climate finance architecture that are comprehensive and holistic.²

ANALYSIS OF TRENDS IN COUNTRIES’ REQUESTS FOR SUPPORT

As of 1 July 2022, the NDC Partnership received requests for support from 73 countries. Of these, 43 countries have requested support on finance in the agricultural sectors. Looking at the individual requests received from those countries (4,669 total), 6% (312 individual requests) are for support around finance in the agricultural sectors and the focus of this brief. For these 312 agricultural finance requests, Figure 1 indicates the incidence of these requests from countries over time. Nearly 40% of all agricultural finance requests (115 requests) were received in 2020, and nearly 80% (247 requests) were received before 2021.

FIGURE 1
Agricultural finance requests by year

Note: 2022 requests are as of July 2022.



2. Climate-related Finance in the Agriculture and Land Use Sector Between 2000 and 2020 — Brief update; Food and Agriculture Organization of the United Nations; 2023; <https://doi.org/10.4060/cc3651en>



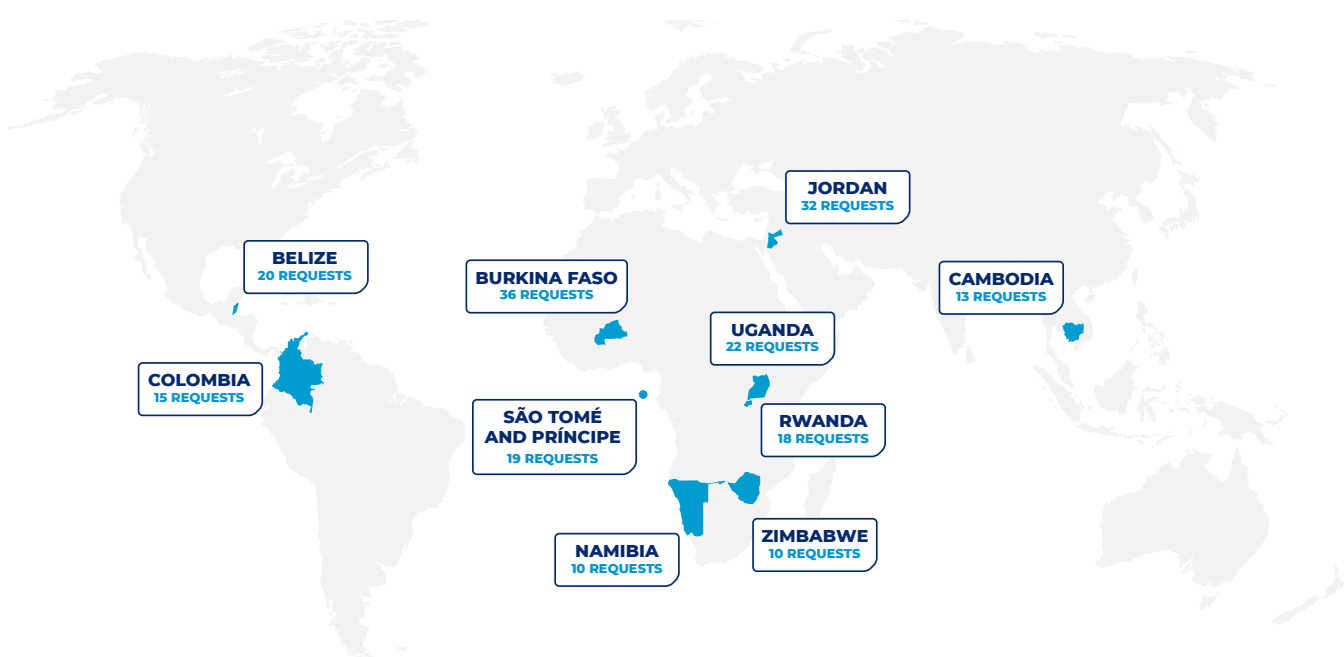
Geographical focus

Geographically, more than 60% of agricultural finance requests come from only 10 countries, with dominance from the sub-Saharan Africa region. All three main income groupings are represented equally among the requesting countries, with 12 countries each from low-income and lower-middle-income economies and 17 countries from upper-middle-income economies. Panama and Antigua and Barbuda, both high-income countries, are also looking for support on finance in the agricultural sectors. Six Small Island Developing States (SIDS) and 12 landlocked developing countries (LLDCs) put forward requests on finance in the agricultural sectors.

FIGURE 2

Agricultural Finance Requests by Country

Note: Requests are as of July 2022

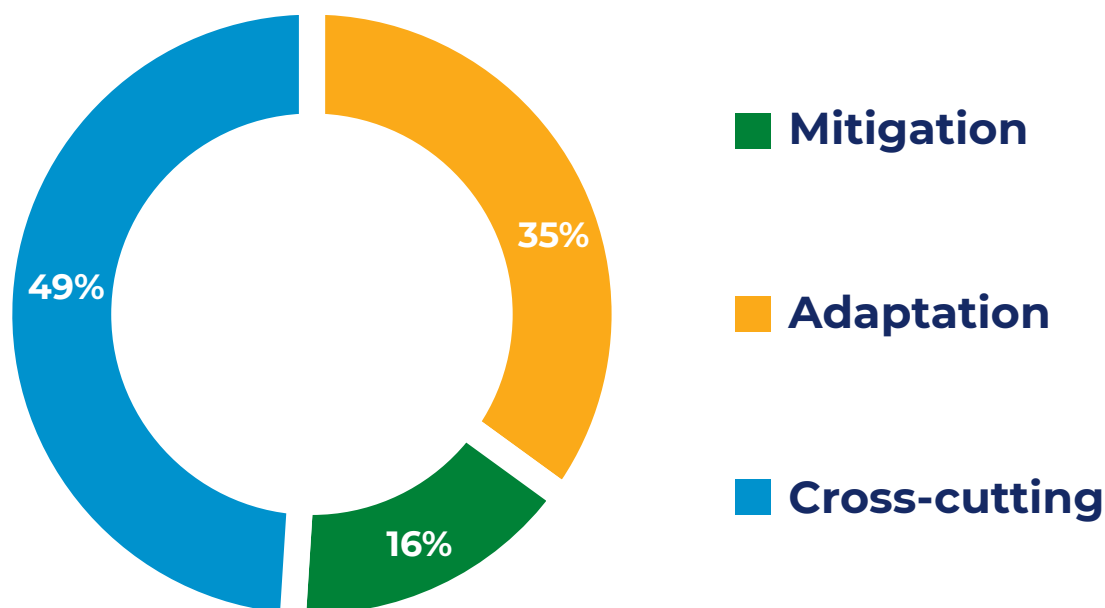


Focus area

Activities with a focus on adaptation represent 35% of requests, 16% of requests focus on mitigation and the remaining half of the requests (49%) are cross-cutting.³ The breakdown varies across regions, with Middle East and North Africa and East Asia and the Pacific showing a greater focus on adaptation, representing more than half of their requests. This reflects the high vulnerability of those regions to the impacts of climate change and the urgency to increase the adaptive capacity and resilience of their agricultural sectors. At the same time, requests put forward by low-income countries also focus predominantly on the adaptation component, while for all other income groups the preference is for cross-cutting activities. Most requests indicate the sectoral domestic agency, often the Ministry of Agriculture, as the lead, recognizing the importance of a sectoral approach to the agricultural sectors.

FIGURE 3

Agricultural finance requests by focus area



³ Adaptation-related country requests are defined as those which have a focus on resilience, disaster reduction or buffering climate impacts. Mitigation requests are defined as those focused on emission reductions. Cross-cutting requests focus on integrated climate action or the development of climate laws or policies that touch on both adaptation and mitigation.

Gender and youth

Only 20 requests relate to gender among the key sectors covered, and three mention youth. Requests related to gender come mainly from Africa, with 16 requests from Rwanda, Uganda, Namibia and Burkina Faso. In Latin America, there were three requests from Ecuador and Colombia, and in the Middle East region, there was one request from Jordan. More than half of requests have attracted support, while support is still being sought for eight requests:

- › Rwanda: Four requests in the Partnership Plan related to the increase of productivity, nutritional value and resilience through sustainable, diversified and integrated crop, livestock and fish production systems in a gender-responsive and climate-resilient manner. The requests ask for all data to be disaggregated by gender, and two of them include youth as an additional key topic covered in the activity.
- › Burkina Faso: Two requests under the Climate Action Enhancement Package (CAEP) initiative for the organization of consultations with stakeholders in relevant sectors, including gender organizations and civil society organizations (CSOs) in support of the NDC update process.⁴
- › Namibia: One request in the Partnership Plan related to the strengthening of policy and institutional framework for effective gender-responsive governance of climate change in Namibia.
- › Colombia: One request, partially supported by the FAO, for the design of the gender approach guidelines for the implementation of the Plan Integral de Gestión del Cambio Climático Sectorial (PGICCS) in the agricultural sector and the deployment of resources for financing a first group of projects with a gender focus in the agricultural sector.

The additional request related to youth is from Jordan for the development of guidance and tools to support small and medium enterprises (SMEs) go green and help youth sustain agricultural activities in the wadi.

Scope of work

NDC implementation-related requests made via Partnership Plans and request for support letters (totaling 80% of all agricultural finance requests received by the NDC Partnership) were screened against the Partnership's Value Chain of Services, or service offerings to member countries.⁵ The analysis shows that budgeting and investment is by far the most requested service, accounting for 80% of the requests, especially in sub-Saharan Africa and North Africa and the Middle East, followed by policy, strategy and legislation. The most frequent activities for which countries have requested support are on development of bankable projects and pipelines and financing projects and programs and mobilizing resources. Moreover, finance and investment is the main topic mentioned in the requests analyzed, followed by nature-based solutions and ecosystems and disaster risk reduction.

4. The CAEP initiative was launched in 2019 to support countries in enhancing their NDCs and in fast-tracking the implementation of these as part of the 2020 NDC update process under the Paris Agreement. The initiative was completed in 2021. For more information see [the CAEP](#).

5. Also known as NDC Implementation Plans for NDC Action Plans.

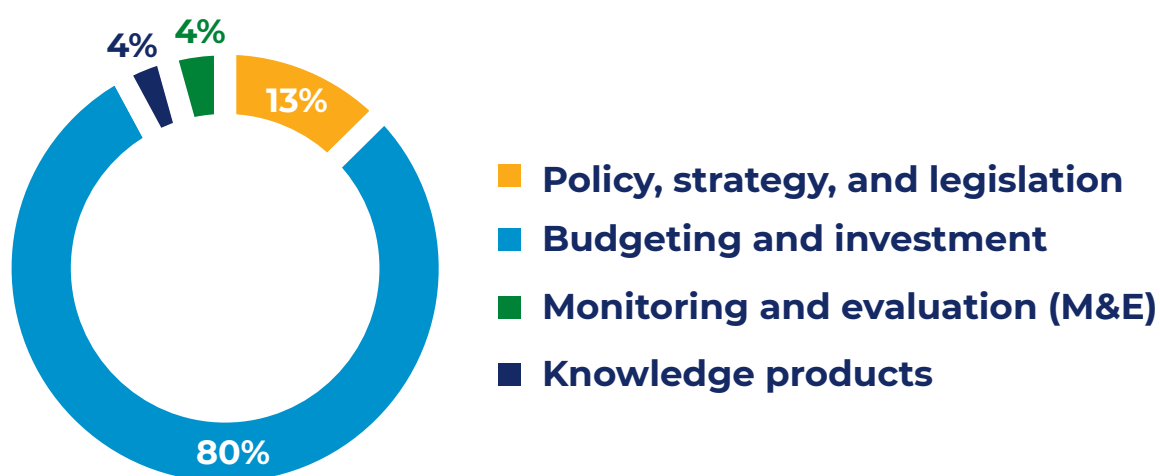


With regards to the sectors covered in each request, countries requesting support for finance in the agricultural sectors also expressed interest in receiving support in the energy, water and waste sectors, highlighting the strong connections between these sectors and agriculture. For example, Mozambique requested support for the formulation of an integrated climate adaptation and resilience project addressing the reforestation and restoration of degraded areas, climate smart agriculture and integrated water solutions in arid/semiarid zones.

FIGURE 4

Distribution of agricultural finance requests by Value Chain of Services

Note: This figure only includes requests which have been assigned a Value Chain of Services. Due to rounding, total does not sum to 100%.



ANALYSIS OF SUPPORT

Out of the 312 requests related to finance in the agricultural sectors, 55% are fully supported, while 45% have no, partial or indicative support. The most frequently fully supported requests (29%) focused on preparing bankable projects and pipelines. For example, Burkina Faso received support for 13 requests to develop bankable projects, each of them related to a larger ongoing national and regional program such as the Great West Irrigation Program (PIGO) or the Competitive African Rice Initiative (CARI).⁶ São Tomé and Príncipe found support for 10 requests to develop bankable projects to implement national policies related to forest and landscape restoration. The Government of Belize received support for a total of seven requests focused on two main outcomes on increasing the quality and quantity of forested land managed and reducing emissions from agricultural land use change.

TABLE 1

Support trends for agricultural finance requests

Type of support	Number of agricultural finance requests	Percentage of total agricultural finance requests
Fully supported	172	55%
Not fully supported	142	45%
Partial or indicative support	38	12%
No support	104	33%
Total	312	100%

Requests linked to developing studies and analysis are the second most frequent type of request. These involve supporting countries to define baselines and targets of adaptation and mitigation activities, assess adaptation and mitigation potential of specific sectors, define climate change risk and vulnerability as well as identify costs and benefits of climate actions and market potential to involve private stakeholders. A total of 14% of requests are related to the private sector, and they are mainly from Africa (22 requests) and Latin America and the Caribbean (14 requests). While most requests have been supported, nine requests remain unsupported, namely from Uganda, Jordan, Belize, Burkina Faso and Guatemala.

There are also clear trends in the NDC Partnership members and other development partners providing support for finance-related agricultural sector requests. FAO responded to the highest number of requests (48 in total), followed by the Government of Germany, the World Bank and the United Nations Development Programme (UNDP). A total of 53 individual implementing partners have pledged full support to the requests, while 25 have pledged partial support.

6. Support for these requests has been provided by Germany, World Bank, Sweden, African Development Bank, Swedish International Development Cooperation Agency (SIDA), Lux-Development (LuxDev), European Commission, Agence Française de Développement (AFD), France, West African Development Bank (BOAD) and the Islamic Development Bank.



The FAO provided support to activities related to countries' NDC implementation, including activities expressed in countries' Partnership Plans (30 requests) and Request for Support Letters (5 requests), as well as activities related to countries' NDC update process, namely CAEP requests (13 requests). Most of the request activities relate to the budgeting and investment Value Chain of Services, while a few activities relate to policy, strategy and legislation, knowledge products and monitoring and evaluation, mirroring the larger trends referenced above. These trends demonstrate the need for increased capacity at the country level to access funds dedicated to the agricultural sectors, which are often central to developing countries' adaptation and mitigation strategies. The analysis also reveals that 56% of requests come from Francophone/Hispanophone/Lusophone countries, who experience the added difficulty of having to develop proposals in English for all major climate funds. Notably, the FAO is providing 46% of its support jointly with one or more partners. This speaks to the breadth of expertise available within the Partnership on the topics of climate finance and agriculture.

GAPS IN SUPPORT

A total of 45% of requests (142) have partial, indicative or no support. However, this support trend differs across focus areas: while 30% of cross-cutting requests received only partial or no support, this number rises to 63% and 54% respectively for requests focused on adaptation and mitigation.

Of the gaps in support, 27% (38 requests, mainly coming from Colombia, Cambodia and Rwanda) are receiving partial or indicative support. Partial support indicates that only part of the request has received support, whereas indicative support refers to requests for which support is being discussed but is not yet formally offered. Preparing bankable projects and pipelines remains the most requested activity seeking support, followed by financing projects and programs and mobilizing resources. The FAO, UNDP and Governments of Germany and the Netherlands are among the partners who pledged partial or indicative support.

With regards to requests for preparing bankable projects and pipelines, Cambodia has nine requests which are partially answered. These relate specifically to manure management and organic input agriculture, solar irrigation systems, food crop production and increased knowledge on resilient farming. Rwanda also has four partially supported requests related to this type of activity, with a focus on livestock, postharvest facilities, multicropping and water management. Other countries' requests focus on sustainable management of forest land, rangeland and upland (Palestine), coral reef conservation (Republic of the Marshall Islands), livestock and harvest waste management (Georgia) and energy in agriculture (Côte d'Ivoire and Nigeria).

Concerning outstanding requests for financing projects and programs and mobilizing resources, Colombia has nine requests which are partially supported. These relate specifically to analysis on loss and damage, designing gender approach guidelines, structuring financial plans, estimating GHG emissions from agricultural activities and agro-climatology support for national ministries. Other countries' requests include irrigation projects (Nigeria), development of a climate insurance system for the agricultural sector (Gabon), engagement of private-sector companies (Uganda) and protected areas and forest management (Grenada).

The remaining 73% of requests lacking full support (104 in total) remain fully unsupported. These requests are mainly from Jordan (29), Burkina Faso (16), Rwanda (10) and Belize (9). Most unsupported requests have a climate focus on adaptation (54%), followed by cross-cutting (27%) and mitigation (19%). Preparing bankable projects and pipelines is by far the most-mentioned request activity type, followed by mobilizing resources, developing capacity and integrating NDCs into national planning and budgets. Further details on some of the unsupported activities are provided below:

In Jordan, 20 of 29 unsupported requests pertain to the development of bankable projects. These unsupported requests related to developing bankable projects cover a wide range of agricultural activities, including crop and livestock production, financial support to farmers, ecosystem management, water management and the private sector to market agricultural products.



A number of these unsupported requests related to bankable projects are cross-sectoral and span multiple ministries. For example, the Jordanian Ministry of Energy requested support to install renewable energy systems for small-scale cattle farmers, while the Ministry of Social Development requested support to fund a project to improve income and agricultural productivity for poor rural households. In addition, three requests are led by main ministries, including agriculture and energy, and they relate to building a 100-kilometer green belt and launching ecosystem-based enterprises in forested areas located at the desert edge. Similarly, in Namibia, the Partnership Plan includes unsupported requests for support for finance to support development projects at the agriculture-water-energy nexus.

Unsupported requests in Burkina Faso's Partnership Plan are predominantly focused on financing activities to enhance climate adaptation and resilience. For example, the Ministry of Agriculture has six requests which aim to deploy finance to scale climate adaptation actions in the agriculture and water sector, with a focus on developing, restoring or improving cultivated land and irrigation systems. Similarly, the Ministry for Animal Resources and Fisheries has four requests aimed at improving the resilience of the livestock and fisheries sector through the development of bankable projects targeting biogas and fodder production, the creation of intensive production zones and the rehabilitation of degraded land for agroforestry.

Meanwhile, the majority of unsupported requests (10 requests) in Rwanda's Partnership Plan focus on the development of bankable projects towards mitigation. The requests are related to crop management practices, improved fertilizers and conservation tillage as well as improved livestock husbandry and manure management.

When reviewing unsupported requests across regions, several trends are notable:

Sub-Saharan Africa: The most mentioned type of activity for unsupported requests in Africa is related to the development of bankable projects, resource mobilization and integration of NDCs into national planning. For example, Uganda has requested support to produce a study on public and private climate financing in key NDC sectors, Zimbabwe has requested support for reforestation projects and water-smart land use and protection of wetlands, São Tomé and Príncipe has one unanswered request to support the fisheries sector and Mozambique aims at improving the conservation of agricultural inputs.

Latin America and the Caribbean: Unanswered requests in this region focus less on the development of bankable projects, with only two requests mentioning this activity type. Rather, requests from this region are related to developing studies and analysis, mobilizing resource, developing capacity and integrating NDCs into national planning. For example, Colombia, through its Partnership Plan, requested support to develop a monitoring, reporting and verification (MRV) and monitoring and evaluation (M&E) mechanism for the formal agriculture sector, a strategy for the efficient use of water in the agricultural sector and an analysis concerning incentives for forest plantations to decrease the pace of deforestation.

Europe and Central Asia: Unsupported agricultural sector finance requests in this region have a focus on financing projects related to bioenergy. For example, Georgia requested support for the development of financial support mechanisms for accessing alternative energy resources and technologies to lessen demand for fuelwood, and Albania has requested project finance support for pilot projects focused on pellet production from agricultural sector waste.

Asia and the Pacific: As of the date of data collection, there was only one unsupported request in this region, with Cambodia requesting support for the development of bankable projects to implement smart agriculture in the tourism sector.

CONCLUSION AND RECOMMENDATIONS

The analysis reveals an important gap in support for activities related to finance in the agricultural sectors, particularly for adaptation. This is consistent both with the overall trends seen in the Partnership across sectors as well as with the global gap in finance for adaptation, and it highlights the need to dedicate more funds to adaptation actions, in line with the Global Goal on Adaptation (GGA) established under the Paris Agreement.



For this reason, it is essential to assist countries to ensure that their NDC implementation plans, strategies and related projects are well integrated in the national budgets, fostering the feasibility and sustainability of the agricultural activities proposed and contributing to the attainment of climate adaptation as well as mitigation targets.

With regards to implementation, Ministries of Agriculture are the most frequent lead agency, followed by the Ministries of Environment and the Ministries of Forestry. The fact that the Ministry of Agriculture is the lead agency for most multisectoral requests suggests that interministerial collaboration and coordination has already taken place in several countries. These mechanisms should be maintained and possibly strengthened where they are already in place. Other countries may also use examples of cross-sectoral requests to establish their own multistakeholder, whole-of-government approaches, with the support of partners. The involvement of different line ministries in NDC Partnership requests is also an important recognition of the specificity of the agricultural sectors and their role in facing the climate crisis.

The recommendations arising from this analysis are the following:

- › More support is needed for the **development of bankable projects** and pipelines, which is a starting point to leverage the resources needed to implement climate commitments. Increasingly countries are coming forward with large numbers of requests in this area, including in the agricultural sector, which is a positive sign of political momentum with a view to leverage the outcomes and build on the momentum created at country level.
- › **Funder coordination** is important to ensure coverage of countries' needs, especially with regards to diverse sectoral requests where multiple development and implementing partners may be engaged. This is particularly important in the agricultural sectors, where support to harmonize data, define institutional arrangements and build capacity both at national and local levels is critical to reducing barriers in accessing climate finance.
- › **Collaboration** is also important to leverage further opportunities around the water-energy-food nexus and how it can support food security and sustainable agriculture. Development and implementing partners should draw attention to and target their support in response to the interrelated nature of the global resource system. Important strides have already been made by the United Nations system, including the FAO.
- › To facilitate access to information for development and implementing partners, it is suggested that the Support Unit regularly consolidate and share unsupported requests with members. This could help inform the development of new programs and projects, especially on a sectoral level.
- › In line with the **NDC Partnership Finance Strategy**, partners may explore opportunities to support private-sector engagement and strengthen public-private partnerships at national and regional levels to accelerate the mobilization of finance within the agricultural sectors.

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