

# Climate Adaptation Bonds for Agricultural Resilience

## *Webinar Summary*

26.09.2024  
Online event



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### 1. Introduction and Platform Overview

Thierry Latreille, the Agricultural Public Development Bank (Agri-PDB) Platform coordinator, opened the session, highlighting the coalition led by IFAD and the French Development Agency (AFD), with support from the European Commission under the ILSA program. The AgriPDB Platform connects 141 public development banks globally, aiming to increase the volume and quality of green finance for sustainable agriculture and facilitate the exchange of best practices among these institutions. Thierry expressed gratitude for the European Commission's support, which is instrumental in advancing the platform's activities, particularly in ACP countries.

Paul Smith expressed his honor in joining the Agri-PDB Platform, emphasizing its alignment with UNEP Finance Initiative's mission. He highlighted UNEP FI's work with nearly 400 commercial banks and 150 insurance firms globally, with a focus on adaptation and resilience, particularly through target setting guidance and initiatives to address insurance gaps in emerging markets.

The highlight of the event was FIRA Mexico's presentation of a successful case study which showcased their first issuance of green bonds to support the country's agri-food industry.

### 2. Keynote Presentations :

#### Alexander Wiese – UNEP Finance Initiative

- Climate Adaptation Bonds Overview: Alexander introduced climate adaptation bonds, emphasizing their role in addressing financing needs for agricultural resilience. He explained that these bonds fit within the green bond principles established by ICMA and are critical for funding projects that mitigate climate risks and overcome systematic barriers in the agricultural sector.
- Project Selection and Evaluation: Alexander outlined the importance of a rigorous project selection and evaluation process, stressing the need to align with global standards and investor expectations. He noted the challenges in defining eligibility criteria and measuring impacts for adaptation projects, which are often less predictable compared to mitigation projects.
- Growth of Thematic Bonds: Highlighting the rapid growth of thematic bonds, Alexander projected that the market would surpass one trillion dollars in the current year. Despite this growth, he pointed out that adaptation projects remain significantly underfunded compared to mitigation efforts, underscoring the urgent need for more investment in this area.

#### Erick Rodriguez Maldonado – FIRA, Mexico

- FIRA's Adaptation Bonds Experience: Erick shared FIRA's journey in issuing their first green bonds, designed to support the agri-food sector in Mexico. He detailed the steps taken before bond issuance, including developing a taxonomy to identify suitable projects and collaborating with international financial institutions like AFD and GGGI.

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- **Engagement with Stakeholders:** Erick emphasized the importance of engaging a diverse set of stakeholders, including the government, to ensure a holistic approach to addressing climate challenges through financial instruments. He discussed the use of a National Atlas of Vulnerability to Climate Change in Mexico to pinpoint areas most in need of intervention and support.

### 3. Panel Discussion and Q&A

#### Public Development Banks' Role in Climate Finance

- *Pius Mulekano (Malawi)* raised concerns about the bureaucratic hurdles and capacity gaps within governments that can delay bond issuance projects. He highlighted the need for capacity building within governments to facilitate a smoother process.
- *Alexander and Erick* both emphasized the need for early engagement with all stakeholders and the role of supportive regulatory frameworks to overcome these barriers.

#### Central Banks and Green Bonds

- *Christian Fusillier* asked about the role of central banks in promoting green bonds. *Alexander* shared his experience with the Bank of Mongolia, highlighting the potential for central banks to lead by setting regulatory frameworks and incentives. *Erick* added that Mexico's central bank has been supportive of sustainable finance initiatives, promoting financial stability through these instruments.

#### Challenges in Accessing Climate Finance

- *Ketumile Direng (Botswana)* discussed the difficulties financial institutions face in accessing climate finance, especially the complex accreditation processes with bodies like the Global Climate Fund (GCF). *Alexander* acknowledged these challenges but noted that issuing green bonds is more straightforward and can serve as an entry point for institutions to engage in climate finance.

#### Issue of bonds at lower interest rates

- *Hawabai (Tanzania, TADB)* posed questions about how to issue bonds at lower interest rates to support local farmers. This concern was echoed by many participants who acknowledged the difficulties in aligning investor expectations with the needs of their beneficiaries. *Alexander Wiese* from UNEP Finance Initiative suggested innovative solutions, such as combining use-of proceeds bonds with sustainability-linked bonds to lower coupon rates if climate targets are met, illustrating the flexibility and potential of these financial instruments.

#### Investor Education on Adaptation Bonds

- *Ketumile (NDB, Botswana)* also asked about resources to educate investors on adaptation bonds. *Alexander* recommended platforms like the Adaptation & Resilience Investors Collaborative (ARIC), which provides guidance and technical support to help investors and institutions better understand and engage with adaptation finance.

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### 3. Closing Remarks and Next Steps

Thierry Latreille concluded the session, thanking speakers and participants for their valuable contributions. He highlighted the importance of innovative financial tools like climate adaptation bonds in bridging the funding gap for agricultural resilience. Thierry outlined upcoming initiatives of the Agri-PDB Platform, including regional working groups and webinars focused on guarantees and nutrition. Participants were encouraged to stay engaged and contribute to future discussions.

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