



for

# Agrifood Systems

## Module 7

Financing & insurance



## ValueLinks for Agrifood Systems

Framework

Analysis & Strategy

Transformative Actions Menu

**1** Scope of transformation

**2** Agrifood system analysis

**4** Green & social business models

**7** Financing and insurance

**3** Transformative strategy

**5** Reliable & fair business linkages

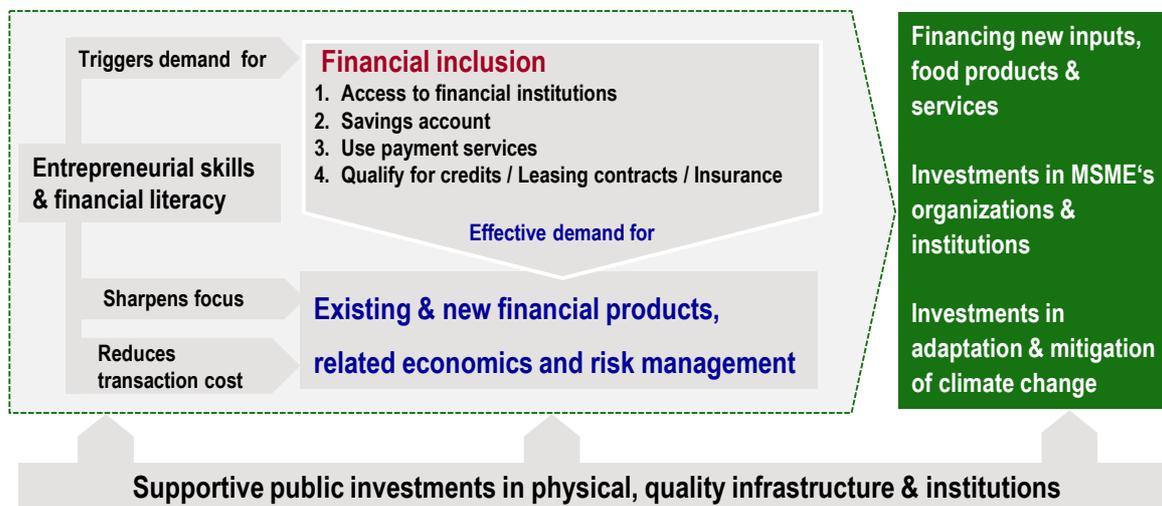
**8** Nutritious food and standards

**6** Services for innovation

**9** Policies for AFS transformation



## Financing inclusive, productive, and sustainable Agrifood Systems



## Module 7 Financing & insurance

**01** Financing needs of AFS enterprises & solutions

**02** Financing AFS transformation

**03** Risk management & insurance



## Financial services for AFS enterprises

### Savings

Savings account  
Savings account   
Current account  
Targeted saving deposit

### Loans / Sales

Group / Individual lending  

- Working capital loan
- Input & service loan
- Investment loan

**Murabaha**  Cost+Financing  
**Salam**  Advance payment sale

### Physical Asset Collateralization

Leasing  
Warehouse receipt system  
**Ijarah**  Leasing

### Insurance

Social insurances  
Index / Indemnity insurance  

- Input insurance
- Crop insurance
- Livestock / Animal insurance

Infrastructure insurance

### Payment Services

Cheque      Wire transfer      Credit / Debit card      Mobile money      Agent banking      Letter of credit (international trade)

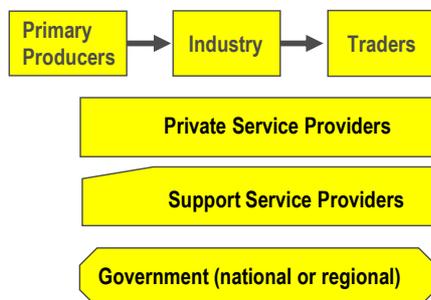


Based on GIZ Stauber J. 2021. [Financial products and services for agrpreneurs | Agri-Business Facility for Africa](#) ← Short service profiles



## Financing needs of Agrifood Systems

Short term working capital	up to 12 months	for inputs, labour, services	<i>Production cycle</i>
Medium term investment capital	2-5 years	for fixed assets equipment	<i>Investment's economic life</i>
Long term investment capital	> 5 years	for buildings, infrastructure	



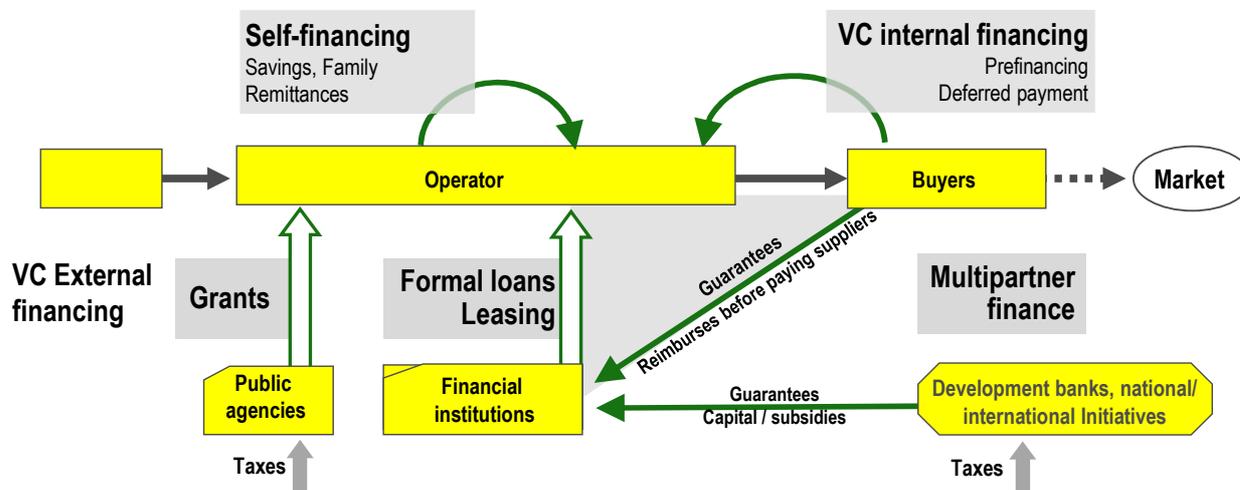
Long term capital  
Short term working capital

Long term capital  
Short term working capital

Rural infrastructure  
from resource management to communications



## Financial sources of AFS enterprises



## Module 7 Financing & insurance

**01** Financing needs of AFS enterprises & solutions

**02** Financing AFS transformation

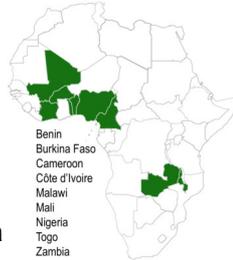
**03** Risk management & insurance



# Improving access to agricultural finance in rural areas GP AgFin

Capacity development for agricultural and agri-based MSME  
 - led by men, women and youth - and financial service providers on

- Value chain financing,
- Business model analysis
- Investments



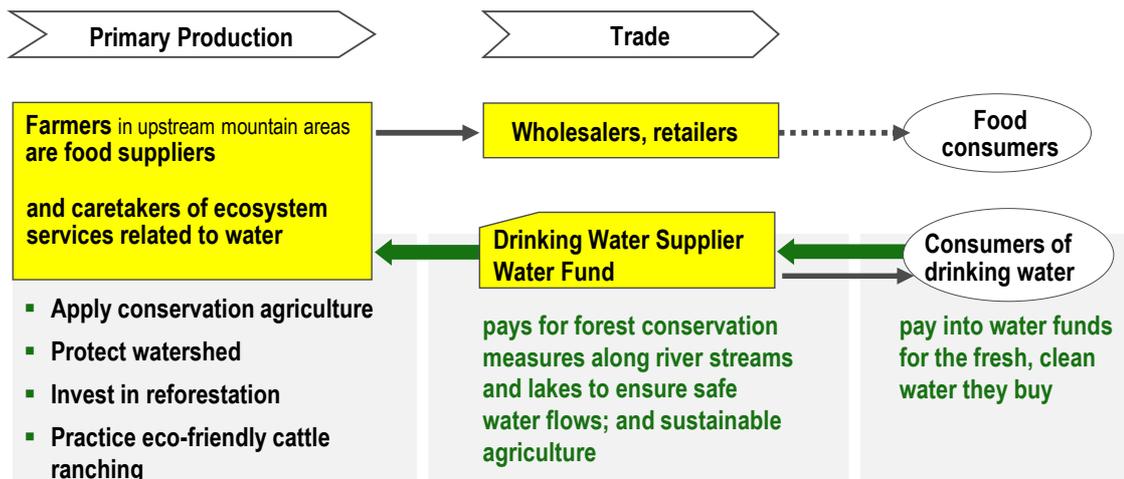
Combinations of financial and (agricultural) insurance product  
 → tailored to the business owners' needs  
 → integrated into the portfolios of financial institutions

[Promotion of agricultural finance for agri-based enterprises in rural areas | GP AgFin - giz.de](#)

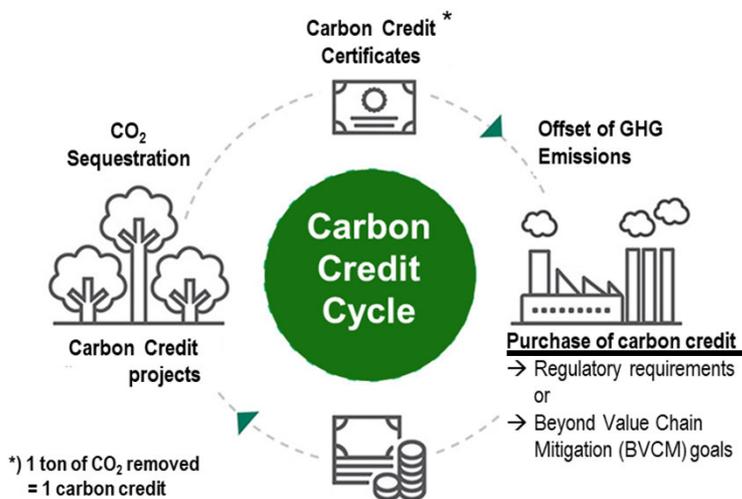
Worthwhile reading >> [giz2024-en-guide-access-to-finance-for-women-in-agri-food-2024.pdf](#)



# Payments for ecosystem services – Example Water Fund

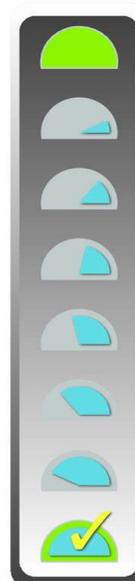


# Carbon Credit Trade - Offsetting



## Greenhouse Gas Emissions Reduction

- Eligibility Assessment
- Protocol Development
- Monitoring
- Reporting
- Verification
- Registration
- Carbon Credits Trading and Retirement**



[The Carbon Credit Lifecycle • Carbon Credits](#)



# EthioTrees Ecosystem Restoration Association Tigray Ethiopia



Start date	2016	
Activities	Afforestation/Reforestation Agroforestry & Improved land management	
Participants	56 community groups with PES agreements with approx. 22,856 households 144 smallholder households with PES agreements	
Area under PES agreements	11,530 ha	
PES Payments to participants	557,486 USD (total)	221,846USD (02/2023-01/2024)
Saleable emission reductions	233,264 tCO <sub>2</sub> (total)	65,774 tCO <sub>2</sub> (02/2023-01/2024)
PVCs issued to-date	167,490 (total)	

[EthioTrees Annual report 2023-24 | planvivo.org](#)

PVCs = Plan Vivo Certificates

In 2023, a total of 221,846 USD was allocated to Payment for Ecosystem Services (PES). The funds were allocated to 5,247 vulnerable households from the project zones who got direct cash-for-food support (equivalent to 42 USD per household on average).



## The Rice Sustainability Hub

- Resources, tools and templates to support carbon credit project developers, validation and verification bodies (VVBs)
- Focus on promoting sustainable rice activities in Vietnam

Partners



BUSINESS PARTNERSHIPS PLATFORM



Very interesting information under >>

[Rice Sustainability Hub – Gold Standard for the Global Goals](#)



Gold Standard  
for the Global Goals



### Methane emission reduction by adjusted water management in rice cultivation

- Alternate wetting and drying method;
- Aerobic rice cultivation methods; and/or
- Switching from transplanted to direct-seeded rice (DSR)

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## Module 7 Financing & insurance

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Financing needs of AFS enterprises & solutions

02

Financing AFS transformation

03

Risk management & insurance



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## Risks along food value chains

<b>Management risks</b>	Poor quality control, forecast and planning errors, use of outdated technologies
<b>Weather risks</b>	Periodic deficit and or excess rainfall or temperature, hail, storms
<b>Natural disasters</b>	Floods and droughts, hurricanes, earthquakes and volcanic activity
<b>Biological risks</b>	Crop and livestock pests and diseases, food contamination, pandemics
<b>Market risks</b>	Supply, demand, price volatility, changing quality & food safety requirements
<b>Infrastructure risks</b>	Degraded transport, communication, energy infrastructure
<b>Institutional risks</b>	Changing monetary & tax policies, uncertain legal policies Weak institutional capacity
<b>Political risks</b>	Security-related risks, national or international political and social instability



## Risk management instruments to promote food VC

<b>Technology development &amp; adoption</b>	R&D, postharvest technology, technical & entrepreneurship training Vocational education, Digital apps for enterprise management
<b>Enterprise management</b>	Farm diversification, certification, just-in-time management, inventory control, food safety practices, logistics planning, early warning systems
<b>Financial instruments</b>	Credit, insurance, warehouse financing, guarantee schemes
<b>Investment in infrastructure</b>	Transport / communication, energy, informatics and knowledge transfer, storage and handling, processing facilities, weather stations
<b>Policy &amp; public programs</b>	Regulatory measures, agricultural policies, property rights, labor laws, disaster management, safety nets
<b>Private collective action</b>	Action by cooperatives, industry associations



## Weather Index Insurance (WII)

### Based on a pre-defined weather index

WII compensates insured enterprises' financial loss incurred by erratic & extreme weather and climate incidents

Paid whenever the realized value of the index

- exceeds a prespecified threshold e.g. protection against too much rainfall
- or is less than the threshold e.g. protection against too little rainfall

**Micro level** for MSME and Cooperatives → e.g. AIC products 

**Meso level** e. g. to offset loan defaults and liquidity problems caused by El Niño-induced excess rainfall in Peru [Geosciences | ENSO Index-Based Insurance for Agricultural Protection in Southern Peru \(mdpi.com\)](#)

**Macro level** [Caribbean Catastrophe Risk Insurance Facility| CCRIF SPC](#)

