



# Summary of Roundtable Dialogue: Climate Smart Agriculture in South Africa

*As Part of Scaling Up Climate Finance Through the Financial Sector:  
NDC Component*

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## Summary of Roundtable Dialogue

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### Overview

Under the *Scaling Up Climate Finance through the Financial Sector* program, IFC held a high-level multistakeholder dialogue on 26 April 2023, on accelerating private sector development and financing of projects in climate-smart agriculture (CSA) in South Africa. The roundtable dialogue aimed to bring together stakeholders (e.g. national government, agricultural industry associations, local and international development finance institutions, banks and other financiers) to discuss solutions to developing CSA projects in South Africa, and encouraging private sector investment into the CSA sector. This summary document provides key takeaways from the roundtable dialogue.

### Participants

The roundtable dialogue brought together 40 participants. Representatives from different stakeholder groups include:

- 16 government, regulators, or DFIs
- 10 agricultural and commodity organizations
- 9 intermediaries and technology providers
- 5 financial and insurance sectors

### Summary of Discussions

Participants discussed three themes that capture the barriers and opportunities for scaling up CSA finance: (I) Innovative CSA Financing Approaches, (ii) CSA Technologies, and (iii) Policy, Coordination and Capacity Building.

**Innovative CSA financing approaches** are being piloted in several areas and could be scaled up, such as index-based weather insurance, carbon credits, green finance, and new methods to assess project finance and bankability. Commercial banks have introduced processes that consider climate change risk and are already servicing demand for CSA lending from larger farms but lack a consistent framework and data systems to monitor their CSA investment. Sometimes the regulatory frameworks provided by the public authorities and those employed by the financial sector may have to be reformed to facilitate that progress.

**CSA technologies** can reduce risk to and inherent in farming activities and projects. Climate change, water scarcity and the severe energy crisis call for the scale up of energy-efficient, water-saving and productivity increasing CSA technologies. Lack of knowledge and awareness about existing opportunities exist at all levels of the public, farming, and financial sectors. Farmers are hesitant to invest in something they don't have sufficient information on. Access to know-how and awareness of profitable CSA investments among farmers can be increased by agricultural extension and digital information services which would drive their demand for CSA finance.

**Policy, coordination, and capacity building** are important building blocks of enabling environment for CSA investments. Coordinated efforts by multiple stakeholders in various sectors, including agricultural research and extension, policy, finance, agribusiness, service providers, farmers, and others is required across administrative levels for successful implementation on the ground. Coordination along the value chains can provide a great opportunity for institutional mechanisms to facilitate channeling CSA finance to small farmers.

**The roundtable dialogue helped participants develop 33 targeted recommendations which are summarized in the tables below.**

## Recommendations: Innovative CSA Financing Approaches

<b><u>Recommendation:</u> What kind of solutions and actions should be included in the Roadmap?</b>	<b><u>Target group:</u> Who should implement this recommendation?</b>	<b><u>Timeframe:</u> by when should this recommendation be implemented?</b>
1. Awareness campaigns with banks to encourage the use of digital platforms and data from intermediaries and service providers to improve information flows and traceability between banks and farmers.	Digital platforms and Commercial Banks, banking sector association,	1 year
2. Increase coordination between banks and the various commodity organizations in value chain to improve access to information, leverage market access for farmers and mitigate risk.	Commodity organizations	1 year
3. Collaboration between insurers and banks to better mitigate risk and improve collateral. Explore government subsidies on premiums and more cost-effective products.	Insurance sector, Re-insurers, Government	2 years
4. Address regulatory barriers for group and index-based insurance and fast-track approval of weather-based index insurance.	Government, Insurance sector	2 years
5. Explore use of carbon credits to enhance cashflow for farmers and/or serve as security for financiers.	Service providers, Government	3 years
6. Investigate alternative forms of security on communal land and land leased from government (e.g. step in rights)	Government, Banking sector	2 years
7. Assess the feasibility of establishing a climate smart credit guarantee scheme with associated risk sharing and technical assistance facilities as well as a reinsurance link	Banking and Insurance sector	2 years
8. Pilot study with banks on alternative innovative methods of credit assessment.	Banking sector & Financial Regulator	2 years
9. Identify and address any specific regulatory barriers to implementing new alternative innovative methods of credit assessment.	Banking sector & Financial Regulator	3 years
10. Improve bankability of farmers through capacity building to improve financial literacy and assistance with business plans	Commodity organizations, Commercial Banks, Government and other services providers	3 years
11. Explore options to access international funded “green CSA funds” based on blended finance principles.	Government, various DFI’s	3 years
12. Improve coordination between commercial banks and accredited Green Climate Fund conduits to unlock access to funds.	Banking sector	1 year
13. Embed CSA metrics in funding criteria	Banking sector	
14. Coordinate and leverage on findings from existing pilots and studies such as pilot between BASA and NBI and Greencape finance accelerator	Banking sector and various intermediaries / service providers	1 year

## Recommendations: CSA Technologies

<b>Recommendation: What kind of solutions and actions should be included in the Roadmap?</b>	<b>Target group: Who should implement this recommendation?</b>	<b>Timeframe: by when should this recommendation be implemented?</b>
15. Conduct a regulatory assessment of the enabling environment for microgrids.	A neutral body that can convene stakeholders across sectors	2 years
16. Create and confirm a tariff structure for a greater number of independent power producers to supply to the grid (feed-in tariff) from renewable energy sources (e.g. Solar PV).	Energy regulator	3 years
17. Develop an agriculture chapter for the Green Finance Taxonomy Report	Financial regulator and banking sector	1 year
18. Conceptualize value chain-based pilot projects, for example water storage, which can increase the bankability of CSA finance at local level to demonstrate 'proof of concept'	Commodity organizations together with financial sector	1 year
19. Investment in Management Information Systems and Traceability	Various commodity organisations	6 months – 2 years
20. Conduct a regulatory assessment of standards and compliance cost for new CSA technologies such as biogas, insect farming, biofertilizer, agrivoltaics	National Energy Regulator of SA Government	2 years

## Recommendations: Policy, Coordination and Capacity Building

<b>Recommendation: What kind of solutions and actions should be included in the Roadmap?</b>	<b>Target group: Who should implement this recommendation?</b>	<b>Timeframe: by when should this recommendation be implemented?</b>
21. Speed up current policies in the pipeline i.e. Climate Change Bill should be finalized	PCC, Government, DFFE	1 year
22. Existing policy and strategy reforms (in some cases minor reforms) to simplify and standardize compliance and where needed to make it more affordable	Government, Banks and Insurers	1-2 years
23. Framing climate as a crisis (as was done with COVID-19) to ensure quicker implementation of existing policies	Government and its subsidiaries	6 Month
24. Establish a CSA Centre for Excellence	Academics/Experts, Banks, Insurers, Input suppliers, Producers	1 year
25. Increase awareness for both banks and farmers on the benefits of CSA practices and technologies to mitigate risk, such as climate resilient crops.	Agri representative organizations, Banking sector, Sustainable Banking & Financing Network	6 months

26. Develop a knowledge product and guidance notes on bankable climate smart technologies for the financial sector	Commercial banks, commodity organizations	1 year
27. Utilize existing information platforms such as the EU Switch Africa Green (Manuals) and the AfDB SMME Enhancer to be shared to improve awareness and knowledge	Commercial banks, commodity organizations	1 year
28. Practical case studies with implemented CSA practices and shares in peer-to-peer learning	Commercial banks, commodity organizations	1 year
29. Form a national Network on CSA	Government	6 months
30. Effective policies should enable the transition to CSA	Government	3-4 years
31. Develop investment strategy to enhance climate smart investment	Government	1 year
32. Alignment of value chain initiatives that should onboard CSA that could feed into legislative changes	Commodity Organizations	6 months
33. Promote end user demand and responses for enhanced CSA	Consumer groups, Governments, Commodity Organization	1 year

## Next Steps

The roundtable dialogue culminated in a detailed body of feedback and record that helped validate the conclusions of the Issues Paper and will be used to inform and develop a Roadmap for the sector, by the sector.

Next steps following the roundtable dialogue include:

- Deep dives into actionable solutions based on the recommendations above through targeted discussion groups.
- Development of a sector Roadmap of actionable solutions for each stakeholder group that reflect the insights and outcomes of the roundtable dialogue.