



Training on **Developing Financial Solutions for Climate-Resilient Agricultural Value Chains**

June 19-21, 2024

Mekong Institute Training Centre
Khon Kaen, Thailand



Background

The Greater Mekong Subregion (GMS) stands at the forefront of agricultural innovation and climate change challenges. As one of the world's most diverse and dynamic agricultural hubs, the region faces unique risks related to climate variability and extreme weather events. Its dependency on natural resources and agriculture makes it particularly susceptible to climate-induced risks such as floods, droughts, and erratic weather patterns, all of which directly impact agricultural output and productivity. These factors threaten not only the sustainability of agricultural practices, but also farmers' financial stability and livelihoods.

Financial institutions, agricultural extension services, and non-government organizations play pivotal roles in developing and implementing financial solutions that can help mitigate these risks. However, the effectiveness of such solutions heavily relies on a deep understanding of the local agricultural landscape, the specific climate risks involved, and the financial needs of the farming communities.

By focusing on profiling farmers to understand their specific vulnerabilities and needs, stakeholders can more effectively tailor financial products and services that encourage the adoption of sustainable practices. Furthermore, designing suitable green financial products is not only a necessity for risk mitigation but also a strategic investment in the region's long-term sustainability and economic health. These products can facilitate transitions to sustainable agricultural methods, such as precision farming, organic farming, and the use of drought-resistant crop varieties, which are vital for the resilience of the agricultural sector.

Moreover, effectively marketing these innovative financial products is crucial to ensuring their adoption at the grassroots level. Advanced marketing strategies will enable officers and officials to communicate the benefits of these products clearly and effectively, ensuring that farmers understand and are willing to embrace these new opportunities.

Equipping key stakeholders, such as bank desk officers, development workers, and government officials, with the necessary skills and knowledge to accurately profile farmers' vulnerabilities and needs, design tailored financial products that address these specifics, and effectively market these solutions will ensure wide adoption and impact. It will foster a collaborative approach to agricultural finance, promoting sustainable practices that are critical for the agricultural sector's resilience against the backdrop of climate uncertainty in the region.

Responding to the need for strategic investment in climate-smart agriculture, Mekong Institute (MI) and the Asia-Pacific Rural and Agricultural Credit Association (APRACA) have initiated a project aimed at enhancing the resilience of the agricultural sector through innovative financial solutions. Through this joint effort, capacity building programs are being held to catalyze a transformative approach to agricultural finance from 2021. This year, the training program will focus on shaping and steering the financial and support services that can empower farmers to adopt more resilient agricultural practices.



Objectives

The three-day training is designed to enhance the capacity of key stakeholders in the agricultural finance sector to tailor financial and support services that will assist farmers in transitioning to more resilient agricultural practices. Specifically, it will:

1. Educate bank desk officers, development workers, and government officials on the latest methodologies for profiling farmers' vulnerabilities and needs in relation to climate change and agricultural sustainability;
2. Develop expertise in designing specialized loan products that incorporate green elements, aimed at promoting sustainable agricultural practices;
3. Provide participants with effective marketing strategies to communicate the benefits of green loan products to the farming community and actors in the commodity value chains; and
4. Foster a collaborative network among financial institutions, non-governmental organizations, and government bodies to support the ongoing development and refinement of agricultural finance products.

Target Participants

- **Bank desk officers** such as agricultural loan officers, relationship managers, credit analysts, branch managers, and sustainability officers.
- **Government officials in agriculture** such as agriculture extensionists, policymakers, and regulators.
- **Program/project officers in NGOs** working in the fields of agriculture, finance, environmental conservation, or rural development

COURSE CONTENTS

Module 1: Understanding Climate Risks and Farmer Profiling

This module serves as the foundation for the training workshop, aiming to equip participants with a deep understanding of the various climate risks that impact agriculture, particularly in the GMS. It also focuses on developing skills for profiling farmers to accurately assess their vulnerabilities, needs, and capacities in the face of these risks. The knowledge gained in this introductory module is critical for designing financial products and support services that are both effective and sustainable. This sets the stage for effectively addressing the challenges that lie ahead in the workshop, ensuring that participants are well-prepared to develop and implement financial solutions that can mitigate the impacts of climate risks on agriculture.



Learning Objectives

By the end of this module, participants will be able to:

1. Understand the climate risks that pose a threat to agriculture in the region; Conduct thorough and informed farmer profiling that incorporates climate risk assessment; and
2. Recognize the importance of incorporating environmental considerations into financial and support services for farmers.

Key Topics

1. Climate Risks Overview
 - a. Introduction to global and regional climate trends
 - b. Detailed discussion on specific climatic threats to agriculture in the GMS
2. Impact of Climate Risks on Agriculture
 - a. Examination of how these risks affect agricultural productivity, crop yields, and the economic stability of farming communities
 - b. Case studies from various parts of the region
3. Farmer Profiling Techniques
 - a. Methods for collecting and analyzing data on farmers' land usage, crop choices, resource access, and financial health
 - b. Psychological profiling to understand farmers' risk tolerance, investment readiness, and openness to adopting new agricultural practices
4. Integration of Climate Risks into Farmer Profiling
 - a. Strategies to include climate risk assessment as a regular part of farmer profiling
 - b. Tools and technologies that can aid in gathering relevant data and making informed decisions

Module 2: Designing Tailored Loan Products

Building on the foundational understanding of climate risks and farmer profiling, Module 2 shifts focus to the practical application of this knowledge in the design of innovative financial products. This module aims to equip participants with the skills necessary to create loan products that are not only financially viable, but also specifically tailored to meet the unique needs and challenges of farmers in the context of climate change.

Learning Objectives

By the end of this module, participants will:

1. Be proficient in the design of agricultural loan products that effectively integrate financial sustainability and climate resilience.
2. Have a thorough understanding of how different loan features can be tailored to meet the specific needs of different types of farmers; and
3. Be aware of the regulatory environment affecting agricultural loans and how to navigate it in product design.



Key Topics

1. Principles of Loan Product Design
 - a. Understanding the key components of agricultural loans
 - b. Evaluating the effectiveness of different loan features such as duration, interest rates, grace periods, and subsidies
2. Integration of Climate Risk Management into Loan Products
 - a. Strategies for incorporating risk mitigation tools and insurance products into loan packages
 - b. Case studies on successful climate-smart loan products from the Asia-Pacific region
3. Tailoring Loans to Farmer Profiles
 - a. Using data from farmer profiling to design loans that address specific needs and capacities
 - b. Techniques for adjusting loan terms based on different types of farming operations and their exposure to climate risks
4. Regulatory and Policy Considerations
 - a. Overview of regulatory frameworks that impact agricultural lending
 - b. Discussion on how policies can support or hinder the development of innovative loan products

Module 3: Developing Financial Products for Financing Commodity Value Chain

Module 3 focuses on the financial aspects of commodity value chain development. It aims to equip participants with the expertise to design financial products that support the entire commodity value chain, from production to marketing. By understanding the nuances of each stage in the chain, participants can create financial solutions that enhance efficiency, profitability, and sustainability.

Learning Objectives

Upon completing this module, participants will:

1. Have a thorough understanding of the financial dynamics and requirements of commodity value chains;
2. Be skilled in designing financial products that are both innovative and practical for enhancing value chain efficiency and sustainability and
3. Be equipped with strategies for managing financial risks associated with commodity value chain development.

Key Topics

1. Understanding Commodity Value Chains
 - a. Overview of key components of commodity value chains in agriculture, including input supply, production, processing, and distribution
 - b. Analysis of the financial and operational challenges at each stage of the value chain
2. Financial Needs Assessment
 - a. Identifying financial gaps that hinder the efficiency and growth of commodity value chains



- b. Techniques for engaging with stakeholders at various stages of the value chain to assess their financial needs
- 3. Designing Value Chain Financial Products
 - a. Principles of creating tailored financial products such as loans, credits, and insurance tailored to specific stages of the value chain
 - b. Innovative financing models, including revolving funds, supply chain financing, and contract farming arrangements

PROVISIONAL AGENDA

| Time | Activity |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| DAY 1 – June 19 | |
| 08:30 AM | Registration |
| 09:00 AM | Opening program |
| 10:15 AM | Break |
| 10:30 AM | Module 1: Understanding Climate Risks and Farmer Profiling <ul style="list-style-type: none"> • Climate Risks Overview • Impact of Climate Risks on Agriculture |
| 12:00 NN | Break |
| 13:30 PM | Module 1: Understanding Climate Risks and Farmer Profiling <ul style="list-style-type: none"> • Farmer Profiling Techniques • Integration of Climate Risks into Farmer Profiling |
| 15:00 PM | Break |
| 15:15 PM | Module 1: Understanding Climate Risks and Farmer Profiling <ul style="list-style-type: none"> • Group Work: Participants collaborate to create profiles for hypothetical farmers based on provided scenarios |
| 16:45 PM | Debriefing |
| 17:00 PM | Preparations |
| 17:30 PM | Welcome dinner |
| 20:00 PM | End of Day 1 |
| DAY 2 – June 20 | |
| 08:30 AM | Recap of Day 1 |
| 08:45 AM | Module 2: Designing Tailored Loan Products <ul style="list-style-type: none"> • Principles of Loan Product Design • Integration of Climate Risk Management into Loan Products |
| 10:15 AM | Break |
| 10:30 AM | Module 2: Designing Tailored Loan Products <ul style="list-style-type: none"> • Tailoring Loans to Farmer Profiles |
| 12:00 NN | Lunch |
| 13:30 PM | Module 2: Designing Tailored Loan Products <ul style="list-style-type: none"> • Interactive Workshop: Participants design their own loan products using templates |
| 15:00 PM | Break |
| 15:15 PM | Module 2: Designing Tailored Loan Products <ul style="list-style-type: none"> • Regulatory and Policy Considerations |
| 16:45 PM | Debriefing |
| 17:00 PM | End of Day 2 |
| DAY 3 – June 21 | |



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| 08:30 AM | Recap of Day 2 |
| 08:45 AM | Module 3: Developing Financial Products for Financing Commodity Value Chain <ul style="list-style-type: none"> Understanding Commodity Value Chains |
| 10:15 AM | Break |
| 10:30 AM | Module 3: Marketing Strategies and Action Plan Development <ul style="list-style-type: none"> Financial Needs Assessment |
| 12:00 NN | Lunch |
| 13:30 PM | Module 3: Marketing Strategies and Action Plan Development <ul style="list-style-type: none"> Designing Value Chain Financial Products |
| 15:00 PM | Break |
| 15:15 PM | Closing program |
| 17:00 PM | End of the training |

Contacts

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