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Building a Climate Finance Roadmap

How-to Guide

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1. Introduction to climate finance roadmaps for agriculture

The document provides guidelines to support USAID Missions to build country-specific climate finance roadmaps to guide efforts to accelerate the flow of finance to climate positive agriculture projects in their countries or regions. Areas covered include:

- Introduction to climate finance roadmaps
- What should be included in a climate finance roadmap
- Proposed process to develop a climate finance roadmap
- Common barriers to climate finance and intervention options
- Key resources

Note: This document is centered around a holistic systems-level approach, and Mission teams are advised to utilize the Climate Projects Guide as a resource for developing more focused and tailored project-level actions and activities.

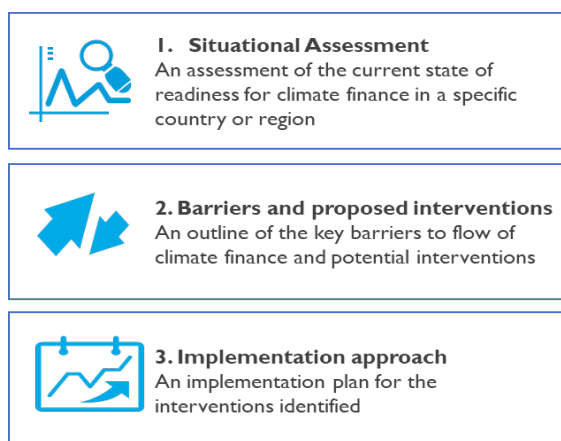
2. What is a roadmap and why do we need it?

A climate finance roadmap serves as a guiding tool for relevant stakeholders, such as USAID Missions, in developing, prioritizing, and implementing interventions aimed at addressing barriers and leveraging opportunities for enhanced climate finance in the agricultural sector of the country.

A roadmap can serve as a tool for USAID Missions to assign climate finance-related duties to relevant stakeholders; identify crucial initiatives; establish projected timelines for implementation; and monitor key performance indicators (KPIs) such as the mobilized climate financing, supported climate-related projects, engaged external stakeholders. The roadmap may undergo periodic review and updating depending on the Mission's needs.

3. What should be included in a climate finance roadmap?

To create an effective climate finance roadmap, it is important to consider three key components:



3.1 Country or regional-level assessment

The country/regional-level climate finance assessment aims to evaluate the state of climate financing within the country or region and establish the level of climate finance traction. This assessment can classify countries across multiple dimensions into two categories: early-stage, with limited traction in climate finance; or advancing, with notable progress in promoting the flow of climate finance.

To achieve this goal, the Mission can plan workshops with program and project leads, as well as other stakeholders in the ecosystem to evaluate a country's progress and preparedness in terms of policy and market conditions that are essential for attracting climate finance. The evaluation will be based on a set of characteristics outlined in the table below, **along with common characteristics for “early-stage” and “advancing” countries.**

Evaluation area	Common characteristics for early-stage countries	Common characteristics for advancing countries
Government stability and creditworthiness	<ul style="list-style-type: none"> Political instability caused by civil or regional conflict or violent extremism Political buy in from the government Limited debt capacity due to low creditworthiness or debt distress 	<ul style="list-style-type: none"> Stable and functioning systems and governments Manageable national debt levels with attractive country-level credit metrics
Scale of climate finance deployed	<ul style="list-style-type: none"> Modest funding received for low emissions and general climate financing for agriculture Little to no revenue received in carbon credit sales Low deployment of green finance instruments such as green bonds, green sukuk,¹ or environmental impact bonds Low level of agriculture lending by local banking sector/ financial institutions 	<ul style="list-style-type: none"> Climate finance flows for agriculture on track toward achieving targeted levels Demonstrated & growing revenue received from use of climate finance instruments, e.g., carbon credits and green bonds Advanced level of agricultural lending by the local financial institutions
Regulatory context	<ul style="list-style-type: none"> Little to no regulations and regulatory frameworks/ infrastructure in place to facilitate carbon credits, green bonds, and other climate finance instruments Little or no regulations supporting implementation of sustainable agricultural practices 	<ul style="list-style-type: none"> Established regulations and regulatory frameworks Ongoing efforts to improve legislation to support the use of climate finance instruments, e.g., carbon credits, green bonds, etc.
Government climate commitment	<ul style="list-style-type: none"> No or weak specialized government agency/unit/authority for mobilizing climate finance and/or achieving NDC targets Weak/under-resourced government and non-government climate finance agencies, units, or authorities No or limited national climate strategy/targets 	<ul style="list-style-type: none"> Specialized and effective government agency, unit, or authority for mobilizing climate finance and/or achieving NDC targets Allocation of sufficient resources and seniority to effective climate finance teams, agencies, units, or authorities Developed national climate or sustainable agriculture policies, regulations, and strategies
Agriculture sector performance	<ul style="list-style-type: none"> Limited climate finance investments in the agricultural sector Low level of adoption of climate smart agricultural techniques, practices, and technology 	<ul style="list-style-type: none"> Climate finance flows toward agriculture on track to meeting targets Increasing or advanced adoption of climate smart agriculture techniques, practices, and technology

Note: Most countries in sub-Saharan Africa (SSA) are situated within a spectrum ranging from early-stage to advancing in terms of climate finance traction. USAID Country Missions should

¹ A sukuk is an Islamic financial certificate, similar to a bond that follows Islamic religious law, i.e., Sharia in which interest-paying bonds are not permissible.

undertake assessments at the national level to understand the baseline context in the countries where they are active.

3.2 Climate finance barriers and potential interventions

Once the Mission has achieved a preliminary understanding of the context of climate finance in the specific country, it is important to understand the barriers constraining the flow of climate finance. Key climate finance barrier categories, sub-barriers, and potential interventions are indicated in the table below.

Barrier category	Sub-barriers	Interventions
<p>Financing barriers - These barriers relate to the limited maturity and depth of local capital and financial markets, which affects the ability of agricultural businesses to access affordable short- and medium-term finance at different stages, including encompassing working capital, and medium-term refinancing).</p>	<ul style="list-style-type: none"> Limited access to early-stage capital Limited access to long-term capital Inadequate development & deployment of climate finance instruments High risk profile for agriculture businesses 	<ul style="list-style-type: none"> Increase access to affordable short- and medium-term finance at different stages of project lifecycles, including early-stage construction finance and working capital Targeted use of grants for first-loss capital, collaboration with financial institutions, technical assistance for carbon markets, development of targeted risk mitigation instruments, etc.
<p>Agriculture business barriers - These are barriers faced by smallholder farmers and agricultural businesses (small- and medium-sized enterprises and large corporations) in accessing climate finance. They include fragmented markets, small ticket sizes, low commercial attractiveness of agriculture businesses, and vulnerability of a business to adverse weather events.</p>	<ul style="list-style-type: none"> Fragmented market and small project size Vulnerability of assets to climate related risks Low commercial attractiveness of low-emissions climate finance and resilience projects Inadequate physical infrastructure 	<ul style="list-style-type: none"> Enhancing the bankability of businesses and involve supporting businesses develop and implement suitable climate-smart agricultural technologies and other solutions Support to aggregate smallholder farmers, development of agriculture insurance products, concessional financing to kick-start climate smart businesses, etc.
<p>Governance barriers - These barriers refer to the existing local regulatory policies and the limitation in regulation or national policies that hinder the scaling of climate finance, particularly for agriculture businesses.</p>	<ul style="list-style-type: none"> Political uncertainty Trans-regional regulatory differences Uncertain or inadequate regulatory frameworks Limited local climate funding vehicles 	<ul style="list-style-type: none"> Address governance barriers by strengthening legal and regulatory frameworks and supporting policy reforms and institutional strengthening to create a suitable enabling environment for agriculture projects Technical assistance to governments to develop relevant climate policy and regulations
<p>Skills and knowledge barriers - These barriers relate to the limited availability of climate information/data to inform market research and project due diligence, alongside limited technical skills required to scale climate</p>	<ul style="list-style-type: none"> Limited climate-related information and data as well as bandwidth required to collect information or build skills and knowledge Inadequate technical skills to scale carbon projects 	<ul style="list-style-type: none"> Focus on addressing and enhancing skills and knowledge required for successful and impactful project implementation and involves improving access to knowledge resources, strengthening technical skills and capacity of Missions/

Barrier category	Sub-barriers	Interventions
finance, particularly in developing innovative financial instruments like carbon credits.	<ul style="list-style-type: none"> <li data-bbox="579 248 938 396">• Inadequate capacity and technical skills to implement climate projects and interventions within agriculture 	governments, and supporting the development of necessary infrastructure/ technologies

3.3 Barrier and intervention prioritization

Considering that Mission staff may not have sufficient resources and capacity to implement all identified interventions, it is important to systematically prioritize barriers and initiatives. This prioritization should focus on the most urgent obstacles to climate finance flows, as well as interventions with the greatest potential to increase climate finance flows to agriculture.

Where it is deemed necessary, the USAID Mission may engage external experts who possess in-depth knowledge and experience in the local country, thereby facilitating multi-stakeholder ownership of interventions and fostering local commitment to said interventions.

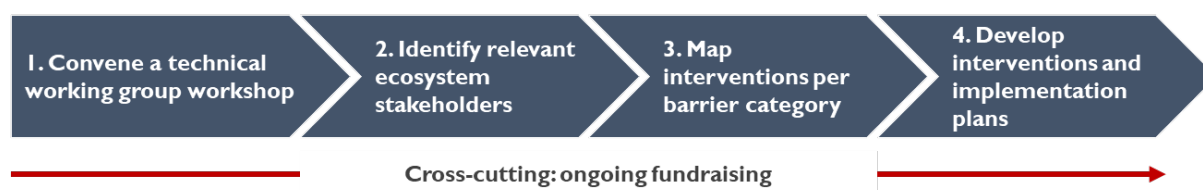
3.4 Implementation plan

To secure the effective execution of the climate finance roadmap, it is important to establish a robust implementation plan and sub-plans that encompass the recommended climate finance interventions. These implementation plans will be tailored to specific interventions, clearly stating the following key aspects:

- **Implementation timelines:** the Mission will develop implementation timelines for key interventions, with milestones for assessing effectiveness, finance mobilization, and reporting at regular intervals.
- **Responsible parties in implementation:** assigning responsibility within the Mission and, if needed, to external stakeholders for key interventions and processes to ensure accountability during implementation.
- **Partnership engagement strategies:** to enable the Mission to streamline and align with the key private sector and public sector partners to engage for the successful implementation of prioritized interventions.
- **Monitoring and evaluation mechanisms:** the development of Monitoring, Evaluation, and Learning (MEL) mechanisms is crucial during mid-term and end-term implementation. MEL templates may be developed within the Mission or leveraged from the USAID Learning Lab.

4. How can a climate finance roadmap be developed?

To develop a climate finance roadmap, a Mission may conduct the following key activities:



4.1 Convene a technical working group

The Mission will need to form a **climate finance technical working group**, which should include staff with experience and expertise in finance mobilization and management and in climate mitigation and adaptation initiatives within sub-Saharan Africa.

Collaboration between the technical working group and the climate change working group of each Mission is encouraged, and the Mission may seek expertise from technical staff in D.C. who can be included in the working groups as needed. USAID Missions may also enlist the support of external consultants with relevant experience and bandwidth in developing climate finance roadmaps for agriculture in their respective countries. Consultants may be sourced and commissioned through public requests for proposal or single sourcing.

The Mission technical working group will organize a planning and alignment workshop with key stakeholders both within and outside the Mission to gain insight into the existing climate finance activities being carried out in the country/region. This workshop will be used to prioritize climate financing barriers and corresponding interventions at the country/regional-level, including setting timelines, responsibility centers, potential stakeholders to engage within the climate financing ecosystem and identification of the most appropriate key performance indicators that can be used

to periodically track and report on the magnitude and impact of climate financing interventions within the country’s agriculture sector.

As part of this step, the Mission will need to determine the roles and responsibilities of the technical working group staff. These roles may include:

- Identification and prioritization of initiatives that can be employed to scale up and efficiently manage climate financing in the country and within the USAID Mission.
- Identification of potential public and private sector stakeholders to engage to scale climate financing within the country.
- Identification and implementation of mechanisms for monitoring and evaluating the impact of climate finance and relevant climate-specific projects and interventions in agriculture.
- Scheduling periodic meetings within the Mission and with private and public sector external stakeholders (e.g., government institutions, financial services providers, technology developers, training institutions, agriculture cooperatives, and production groups) implementing or funding climate specific projects and initiatives in agriculture to share key lessons learned, best practices, action plans, and impact metrics.

Subsequently, the technical working group will identify barriers to climate finance within the four outlined categories and further identify sub-barriers within each of the identified categories. This will enable the identification of interventions aligned with the barrier and sub-barrier categories identified.

4.2 Identify relevant ecosystem stakeholders

The Mission will utilize the roadmap development process to identify key stakeholders in the ecosystem that can be further engaged to scale and unlock climate finance for agriculture.

Ecosystem stakeholder	Potential roles
Public sector	
Government ministries and agencies	<ul style="list-style-type: none"> • Develop and or refine regulations, policies, and frameworks to enhance the enabling environment for climate financing. • Create an enabling environment for the development of robust climate-smart projects within agriculture through the provision of fiscal incentives and or subsidies. • Support provision of technical assistance and extension services to enable adoption of climate-smart agriculture techniques and technologies. • Create avenues for the aggregation of agriculture projects, smallholder farmers, and the effective development of carbon markets within the country.
Bilateral and multilateral development finance institutions	<ul style="list-style-type: none"> • Support the financing of climate-smart agricultural projects and businesses by channeling financing as and where required through grants and other concessional financing or below-market rate credit.
Private sector	
Private sector financiers (e.g., venture capitalists & local financial institutions)	<ul style="list-style-type: none"> • Create linkages between the financiers and agriculture projects, while providing technical assistance and capacity building on both the supply-side and demand-side to enable the creation of long-standing partnerships.
Training institutions	<ul style="list-style-type: none"> • Support technical assistance initiatives provided to financiers, government institutions, agriculture projects, smallholder farmers, and small and medium sized businesses in the agricultural value chain to enable transition to climate-smart agriculture practices and projects.

Ecosystem stakeholder	Potential roles
Technology developers	<ul style="list-style-type: none"> Support the scale of climate-related technologies such as monitoring, reporting, and verification mechanisms to scale carbon projects in the country.
Business development support entities	<ul style="list-style-type: none"> Support the development of climate-smart agribusinesses and project as well as grow their relevant networks.

4.3 Map interventions per barrier category

To enhance Mission tracking of intervention implementation, the technical working group should identify practical timelines for implementing identified interventions against performance indicators and key strategic milestones. Key milestones may include:

- Creating relevant private sector and public sector partnerships
- Securing or accessing funding dedicated to climate-related initiatives in agriculture
- Conceptualizing and implementing of climate-related programs and initiatives
- Integrating climate finance targets and activities into mission strategies

4.4 Develop implementation plans

The Mission will develop implementation plans through the climate finance technical working group, which will be based on the identified, prioritized, and laid out interventions in the climate finance roadmap. The technical working group will examine possibilities for incorporating climate-related interventions into current and forthcoming agricultural programs. This may involve the improvement of ongoing long-term programs by incorporating climate financing and climate-related impact tracking and reporting. It also involves implementing initiatives for technical assistance, capacity building, and enhancement pertaining to climate financing and climate-smart agriculture for program participants such as smallholder farmers, government institutions, and financial services providers (credit and insurance).

The technical working group will develop monitoring, evaluation, and learning (MEL) frameworks and [templates](#) to enable periodic evaluation and consolidation of climate related financing and impact within the agriculture sector. MEL frameworks, where possible, may also be embedded into existing program evaluation mechanisms. These frameworks will be used for internal and external reporting and the development of materials for knowledge exchange, i.e., best practices and learning templates and digital platforms for internal and external information and data sharing.

4.5 Undertake ongoing fundraising efforts

The USAID Mission and relevant stakeholders in the ecosystem should implement mechanisms to support fundraising or seek avenues for further scale-up of climate finance flows to agriculture programs, projects, businesses, and activities within the country. In order to do this, effectively, the Mission may develop a climate-finance specific fundraising strategy that may include mechanisms such as:

- Conducting investor pitches to private and public sector financiers
- Lobbying governments to increase national budget allocations to scale climate initiatives and
- Promoting private sector co-financing of climate-related initiatives and projects

While fundraising may not be considered a primary step in the development of the climate finance roadmap, it is important to highlight that it must occur simultaneously, as the process of capital raising can span several years.

5. Other considerations for developing a climate finance roadmap

When developing country-specific climate finance roadmaps, the USAID Mission climate finance working group should also consider factors of equity and inclusivity through targeted outreach, identify suitable policies, and fostering key partnerships. The Missions may incorporate the

following strategies to ensure equity and inclusivity when developing climate-smart initiatives and programming:

- Targeted outreach, prioritizing efforts that actively engage marginalized groups
- Inclusive partnerships and local community co-creation to ensure initiatives are rooted in local knowledge and address community-specific needs
- Capacity building to enhance woman and youth understanding of climate finance mechanisms and enable increased access to finance
- Policy advocacy to increase the share of financing allocated to women in agriculture
- Enhanced data collection to better understand the needs and vulnerabilities of different stakeholders

To enhance the integration of equity and inclusivity in programming, it will be crucial for Missions and associated stakeholders to adopt established climate finance indicators, including performance metrics that specifically address equity and inclusivity. These metrics may cover various aspects, including the number of women-owned or managed businesses and projects supported for accessing climate financing, the number of employment opportunities created for women and youth through climate projects, and the increase in annual revenue generation capacity for women and youth engaged in climate-smart agriculture activities.

6. Key resources

Key resources for the development of the climate financing roadmap are linked below.

- USAID [Model Scope of Work: Access to Finance](#)
- USAID [Memorandum of Understanding Guidance Document](#)
- Climate Finance Roadmap Template
- USAID [Monitoring and Evaluation Template](#)