Climate Resilience Roadmap

Executive Summary

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EXECUTIVE SUMMARY

We envision a world of resilient smallholder farmers. A world where agricultural enterprises are equipped to build farmer capacity to mitigate, withstand, and ultimately adapt to climate change—and in the process build prosperous and inclusive rural communities.

As the climate crisis intensifies, Root Capital will leverage our unique position as a lender, trainer, and sector leader to build the climate resilience of hundreds of businesses reaching hundreds of thousands of farmers across three continents. Our ambition is to spur the global community to recognize the power of agricultural enterprises to spark and sustain climate action at scale.

Root Capital invests in the growth of agricultural enterprises so they can transform rural communities in the world’s most vulnerable places, no matter what challenges arise—from market volatility to crop disease outbreaks to global pandemic. Over the last twenty years, we have deployed our innovative “credit plus capacity” model to provide $1.5 billion in financing to more than 725 enterprises and tailored capacity building to more than 1,500 enterprises, improving the livelihoods of over 2.3 million farming families (9.6 million individuals) across Africa, Asia, and Latin America.

With right-sized capital, information, and support, agricultural businesses play a critical role in building resilient communities where livelihoods are more secure and opportunity exists for all, regardless of age or gender. Through our unique value proposition—our proximity to rural communities, platform serving hundreds of enterprises annually, breadth of partnerships, and commitment to inclusion for women and young people—Root Capital has permanently changed the landscape of smallholder finance, demonstrating the bankability of agricultural enterprises and showing others opportunity where before they saw only risk.

And yet, our work on behalf of agricultural enterprises and their supplying smallholder farmers is far from over. Intensifying crises, from global pandemic to climate change, endanger enterprise growth, prosperity, and the very lives and livelihoods of farmers and employees in their communities. These crises make plain that resilience—the capacity to mitigate, adapt, “bounce back,” and even “bounce forward” to an improved state in the face of shocks and stresses—is the foundation for lasting and inclusive prosperity in rural communities as they navigate a continuously changing world.
Over the next five years, Root Capital will leverage our unique value proposition to provide hundreds of agricultural enterprises with the information, management skills, and capital they need to build resilience to climate change—their greatest long-term existential challenge. In doing so, we will demonstrate successful approaches for building lasting and inclusive resilience in rural communities around the world.

From farms to boardrooms and beyond, the enormity of the climate crisis too often leads to paralysis rather than urgently needed action. To break this paralysis requires both a clear vision for the future and an ability to act in the present. Root Capital’s Climate Resilience Roadmap provides such a practical guide for Root Capital, the enterprises and farmers we serve, and our peers and partners. We invite you to join us on this journey.

From Climate Crisis to Climate Action for Rural Communities

Of all the crises that impact rural communities, none is as existentially threatening as climate change:

- **Climate change fundamentally endangers rural livelihoods.** Extreme temperatures, erratic rainfall, more frequent and severe droughts, floods, and storms—climate change is making already-difficult agricultural livelihoods untenable. The World Bank predicts that the effects of climate change could push an additional 100 million people in low- and middle-income countries into poverty by 2030, reversing progress toward the Sustainable Development Goals.

- **Those who did the least to cause climate change bear the brunt of its costs.** Many smallholder farmers use planet-friendly, low-carbon practices like agroforestry\(^1\) that store carbon, protect biodiversity, and preserve ecosystems. Yet smallholder farmers are on the frontlines of climate change, among the first to experience negative impacts from shifting climate patterns and extreme weather events.

- **Smallholder farmers can help mitigate climate change, but only if they have the resilience to withstand its effects.** Rural communities are not just the most at risk; they are also critical partners in ecosystem preservation and climate change mitigation. They steward vast expanses of natural lands and resources—including tropical forests, which are among the world’s most important “carbon sinks.”

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\(^1\)Agroforestry is a perennial farming system incorporating trees with other crops. Project Drawdown cites diverse agroforestry farms as an important climate mitigation solution, noting that “an acre of multistarta agroforestry can achieve rates of carbon sequestration comparable to those of afforestation and forest restoration, with the added benefit of producing food.”
Lacking support, and with their livelihoods under threat, hundreds of millions of rural families across the world face a precarious future. Rural communities urgently seek climate action, tailored to their context and aligned with their own aspirations for resilient livelihoods and sustainable prosperity.

How can this urgent need be met, swiftly and cost effectively? Fortunately, an underutilized resource stands poised to enable climate action in rural communities around the world: agricultural enterprises such as farmers’ cooperatives and associations, agro-processors, and aggregators. These businesses provide farmers with access to high-value markets and critical support services, like agronomic training and microcredit. Rooted within local communities, they are attuned to and invested in local needs for the long term. Individually, each farmer-allied business impacts the lives of hundreds, thousands, or even tens of thousands of farmers; collectively, they serve as a distributed platform for grassroots, locally determined, and timely climate action at scale.

Yet this potential remains largely untapped. Agricultural enterprises struggle to access the resources, knowledge, and skills needed to build their own resilience to climate change, let alone catalyze resilience within their communities. Indeed, the global rural agricultural financing gap is estimated to total $170 billion, stymying enterprise growth and weakening farmer livelihoods. Furthermore, of the more than half-a-trillion dollars in global climate finance deployed each year, only three percent goes toward agriculture and forestry; only half that amount (1.6%) targets small-scale farmers and supply chains.

Now, as the climate crisis intensifies, Root Capital will once again fulfill our highest purpose as a “first mover”—this time, not just demonstrating the bankability of agricultural enterprises, but demonstrating successful approaches for building lasting and inclusive resilience in rural communities around the world.

Root Capital’s Climate Resilience Roadmap: 2020-2025

Through this Roadmap, Root Capital will leverage our unique position as lender, trainer, and sector leader to provide enterprises with the information, management skills, and capital needed to build resilience to climate change. Informed by our deep expertise in rural

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2 The United Nations defines climate action as “stepped-up efforts to reduce greenhouse gas emissions and strengthen resilience and adaptive capacity to climate-induced impacts” (United Nations Development Program).

communities, Root Capital has developed a five-part definition to climate resilience—or “climate-READIness”– for enterprises that will inform our steps on the road ahead.

Over the next five years, Root Capital will build the “climate-READIness” of more than 175 enterprises and 500,000 rural families, and catalyze adaptation and replication of our approaches by others. We will also invest in internal climate action by reducing our direct carbon emissions compared to a 2019 baseline over the next five years and offsetting the rest.

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<th>Climate-READIness for Agricultural Enterprises</th>
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<tr>
<td><strong>Risk Awareness</strong></td>
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<tr>
<td>In order to respond to climate change, businesses and farmers first must understand the specific climate risks threatening their livelihoods.</td>
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<td><strong>Expertise in Climate Solutions</strong></td>
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<td>Businesses and farmers need the expertise to identify and prioritize strategies to avoid or adapt to negative climate impacts, while reducing carbon emissions where possible.</td>
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<td><strong>Ability to Reach and Influence Farmers</strong></td>
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<td>To facilitate both climate change mitigation and adaptation for their communities, enterprises must have the resources and infrastructure to deliver climate action solutions to farmers and, more importantly, facilitate farmer uptake of these solutions.</td>
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<td><strong>Data to Inform and Monitor Climate Action</strong></td>
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<td>To be effective, climate action must be data-driven. Enterprises need timely, relevant data on climate risks, adaptation opportunities, and farmer realities to determine their path forward—both now and in the future.</td>
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<td><strong>Investments for Right-Sized Climate Action</strong></td>
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<td>Adaptation will require meaningful investments in farms, enterprises’ facilities, human capital, and more. Operating on razor-thin margins, agricultural enterprises cannot fulfill their potential as platforms for climate action without the necessary capital on terms that match the risks and structure of the necessary investments.</td>
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To achieve our ambitious goals, Root Capital will pursue a Climate Resilience Roadmap spanning four complementary activities, outlined below. Specifically, by 2025, Root Capital seeks to:
Grow our lending to businesses committed to climate action in rural communities.

Root Capital will double our lending to businesses committed to climate action in rural communities. By 2025, we aim to disburse $100+ million annually to at least 125 “climate action leaders” making substantial contributions to climate change mitigation and/or adaptation in their communities, such as promoting natural climate solutions like reforestation or providing farmers with training on adaptation practices. We will achieve our goal both by adding new client businesses to our lending portfolio and by cultivating the capacity of existing clients to engage in climate action. **Funding need: $3.4M**

Cultivate enterprise and farmer capacity to mitigate and adapt to climate change.

Root Capital will expand our climate resilience advisory services across our global operations, scaling to reach at least 125 businesses representing approximately 150,000 farmers. This customized, multi-year service provides enterprises with cutting-edge climate data and insights tailored to their context, and accompanies enterprises as they translate insights into their own operations. Through this service, clients are positioned to deliver more impactful climate action to supplying farmers and their communities—and to survive, thrive, and fulfill their potential not just for a season, but for the long term. **Funding need: $5.8M**

Innovate financial products to unlock enterprise investments in climate action.

Root Capital will blueprint and test blended financial products and mechanisms to provide right-sized, affordable capital for smallholder enterprises to undertake climate action. Root Capital will create opportunities for global climate finance flows to reach rural communities. We will scale up promising financial products within our own portfolio of 200+ borrowers reaching more than 665,000 farmers. **Funding need: $1.7M**

Amplify successful approaches to encourage adaptation and replication by others.

Root Capital will leverage our multi-sector networks and record of high-impact collaboration to share learning and drive greater support and capital for climate action within smallholder farmer communities. To do so, we will pursue a sector-leading monitoring, evaluation, and learning agenda around building resilience for agricultural enterprises, including advancing best practices for measuring climate resilience. **Funding need: $1.3M**
Join Us

At the start of this new decade, the world faces an uncertain future, with daunting challenges around every turn. Those challenges are particularly acute “at the end of the dirt road”: in the rural villages and small towns, the warehouses and farm fields, where 2.5 billion people pursue livelihoods dependent on small-scale farming.

Rural communities and the small agricultural enterprises that anchor their livelihoods seek climate action now. They seek bold partners committed to investing in long-term collaboration and accompaniment as they forge a path forward through challenging terrain.

Through this Roadmap, Root Capital is proud to outline our commitment to be one such partner. Mobilizing two decades of learning, partnership, and trailblazing impact, over the next five years Root Capital will “blueprint” strategies for expanding access to the information, skills, and capital that will enable agricultural enterprises and smallholder farmers to confront climate change.

Accomplishing this Roadmap’s ambitious goals will require fellow travelers. Root Capital seeks to raise $12.2 million from philanthropic partners to fund this Roadmap and realize our climate action agenda. This plan leads us in the same direction, along the same routes, and toward the same goals as a global community of stakeholders committed to urgent climate action—including small agricultural businesses and leading global corporations, farmers and financiers, policymakers and philanthropists. The road ahead may be difficult, but we do not make our way alone. We invite you to join us on this journey.