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Turning climate risk into opportunity: Dr. Godefroy Grosjean and Ena Derenoncourt on Ethiopiaâ??s green finance revolution

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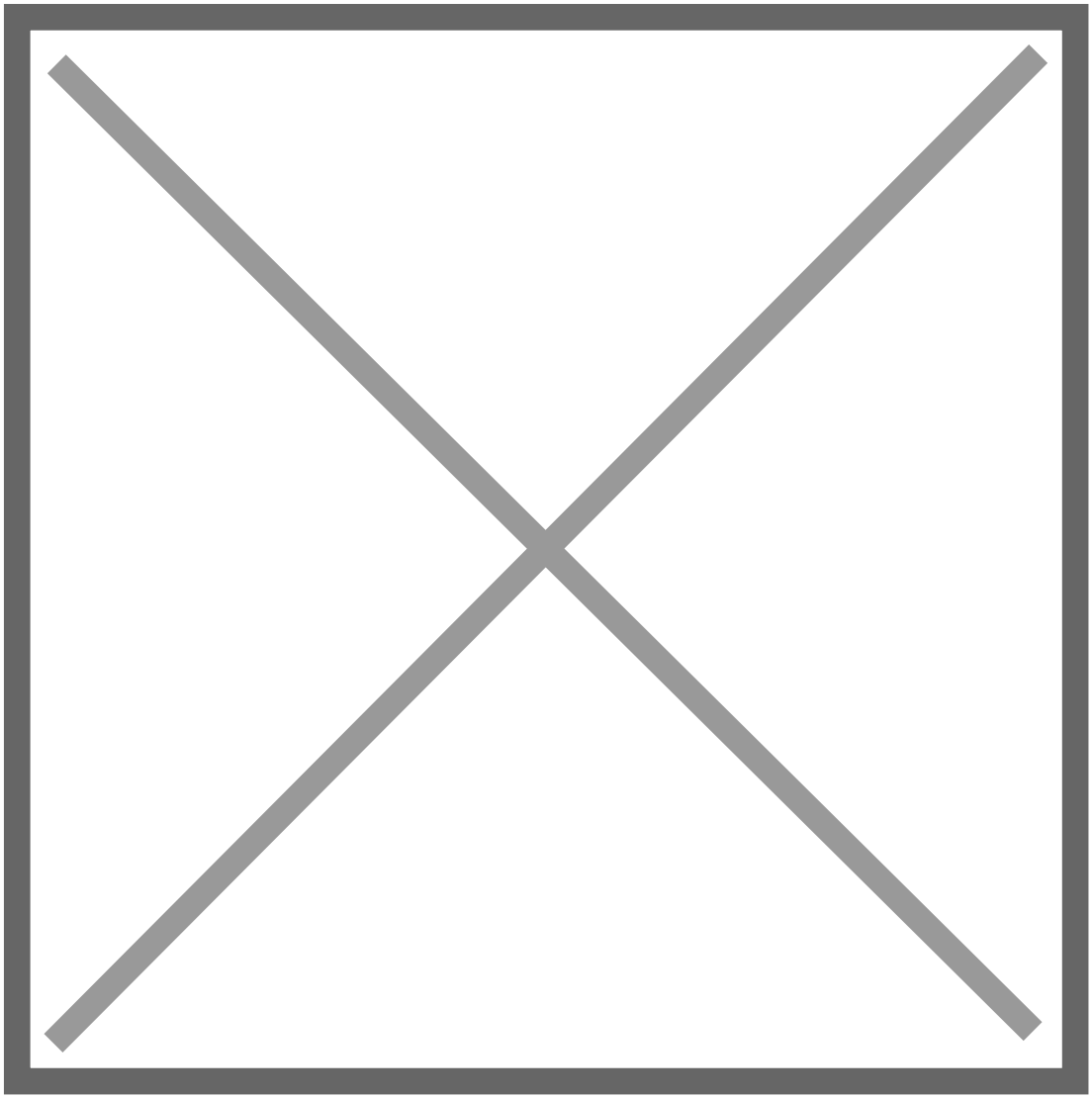
In this exclusive Agrospectrum interview, Dr. Godefroy Grosjean, Co-lead of CGIARâ??s Hub for Sustainable Finance (ImpactSF), and Ena Derenoncourt, Senior Officer at the Alliance of Bioversity International and CIAT and ACT-H Project Lead, share how climate-aligned finance is reshaping Ethiopiaâ??s agricultural landscape. They highlight how the ACT-H initiative, backed by the Gates Foundation, is piloting bundled green loans that combine credit with irrigation, insurance, and training to de-risk horticulture value chains and empower smallholder farmers.

In this exclusiveÂ AgrospectrumÂ interview, Dr. Godefroy Grosjean, Co-lead of CGIARâ??s Hub for Sustainable Finance (ImpactSF), and Ena Derenoncourt,Â Senior Officer at theÂ Alliance of Bioversity International and CIAT and ACT-H Project Lead,Â shareÂ how climate-aligned finance is reshaping Ethiopiaâ??s agricultural landscape.Â TheyÂ highlightÂ Â how theÂ ACT-H initiative, backed by the Gates Foundation,Â isÂ piloting bundled green loans that combine credit with irrigation, insurance, and training to de-risk horticulture value chains and empower smallholder farmers.

Dr. Grosjean and Ena highlight the ImpactSF Analyzer, an AI-enabled tool translating climate data into actionable credit and portfolio metrics for banks, allowing them to move from single-loan transactions to systemic portfolio design. They have discussed the alignment of these efforts with Ethiopiaâ??s ESG regulations, NAFIR 2025â??2030, and ACC models, positioning horticulture as a catalytic entry point for climate-smart investment. Ultimately, they envision a financial ecosystem where capital flows to resilient, inclusive, and nature-positive food systemsâ??turning climate risk into a driver of opportunity.

Section I: Setting the Context â?? Vision and Urgency

Ethiopiaâ??s agriculture is both the backbone of the economy and deeply vulnerable to climate volatility. What motivated CGIARâ??s ImpactSF to engage directly with the countryâ??s financial institutions through ACT-H?



Agriculture is vital to Ethiopiaâ??s economy but highly climate-vulnerable. By embedding science-based KPIs and blended finance tools, ImpactSF helps banks design inclusive, climate-smart loans for small-scale producers and agri-SMEsâ??strengthening resilience and driving systemic change toward inclusive, nature-positive food, land, and water systems.

The Government of Ethiopia has built a strong agricultural extension system, complemented by the Agricultural Transformation Instituteâ??s (ATI) flagship initiativeâ??the Agricultural Commercialization Clusters (ACC). The ACC model organizes priority commodities and value chain actors into clusters, creating a platform for targeted support and systemic change.

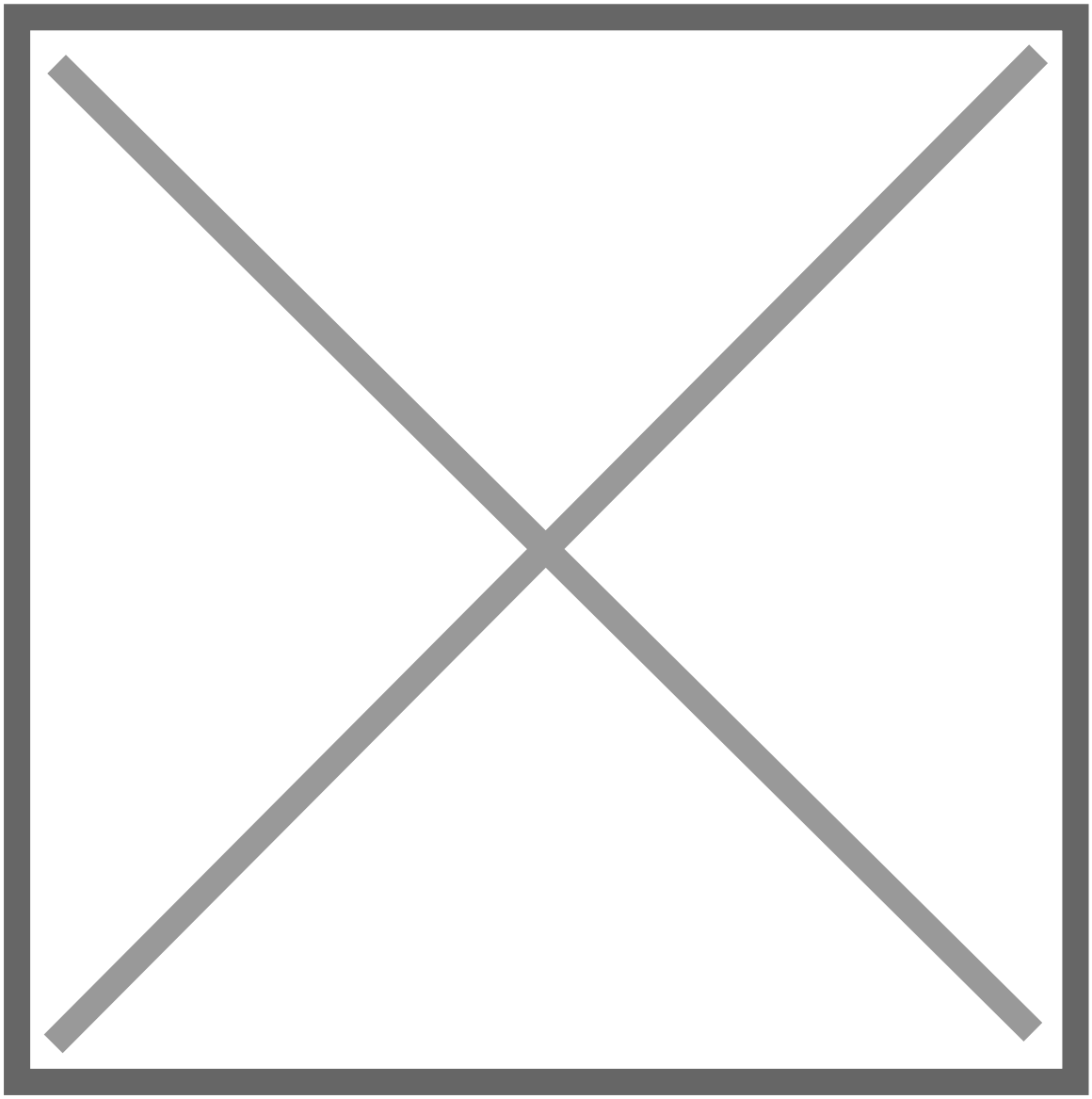
Through the ACT-H initiative, supported by the Gates Foundation and in collaboration with ATI and Precise, ImpactSF is introducing green finance products to scale solar-powered irrigation for horticulture. Financing these crops through climate-

informed financing, de-risking approaches, and market partnerships strengthen farmer resilience and fosters sustainable growth.

In addition, building the capacity of financial institutions to design and deliver climate-linked and gender-sensitive financial products is critical. Tailored solutions ensure that women, youth, and vulnerable households are meaningfully included, reinforcing Ethiopiaâ??s efforts toward inclusive and resilient agricultural transformation.

The ACT-H initiative is framed around climate-smart horticulture. Why horticulture, and why now? What makes it a catalytic entry point for climate-aligned finance in Ethiopia?

Horticulture is high-value, labor-intensive, and central to many farmerâ??s livelihoods. Yet it is highly exposed to drought and rainfall shifts, making deployment of climate finance urgent. The ACT-H initiative focuses on solar-powered irrigation and other climate-smart inputs, equipping farmers while catalyzing broader agri-food transformation.



Horticultureâ??particularly banana and avocado within ACCsâ??offers a catalytic entry point for climate-aligned finance:

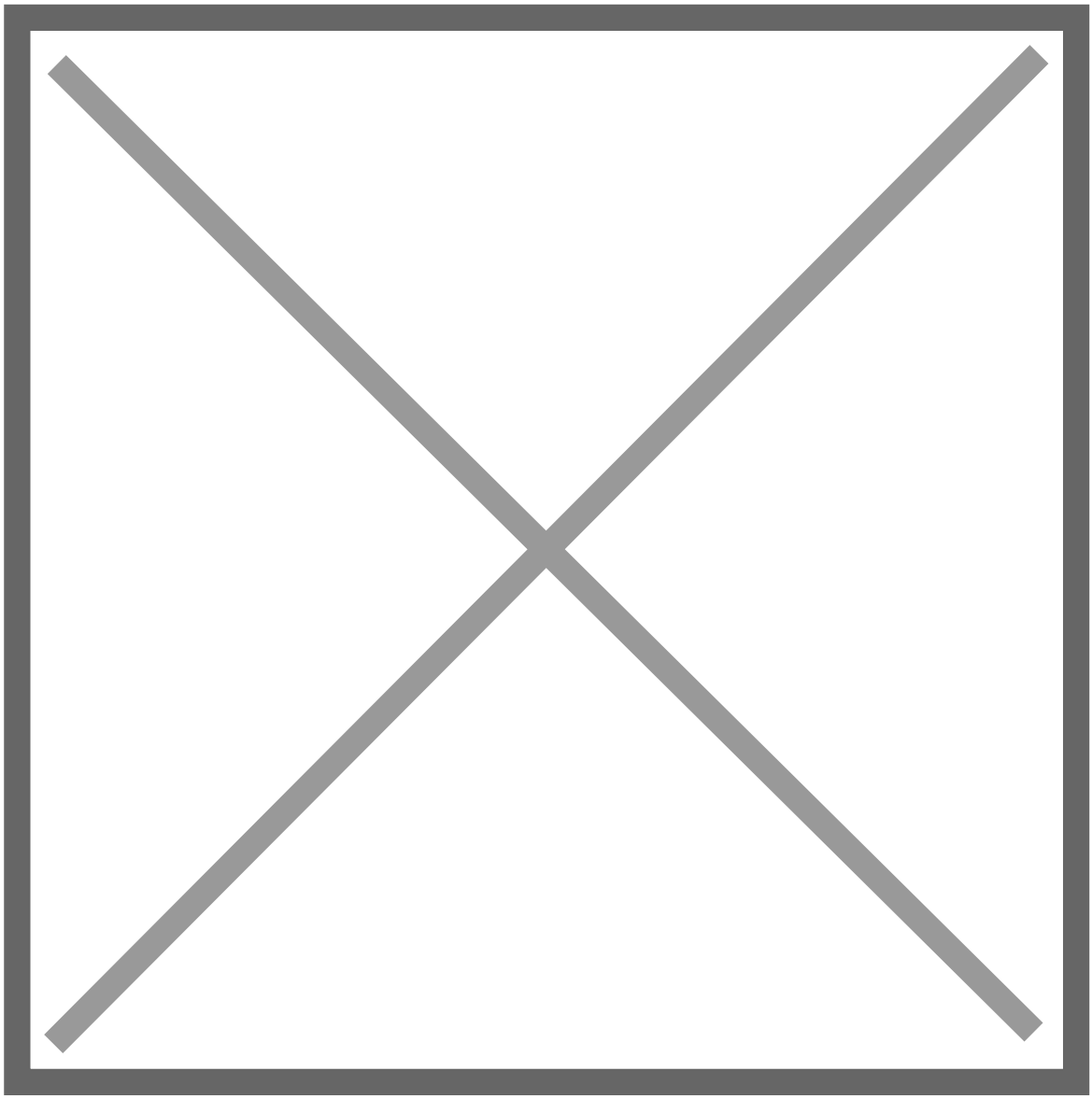
Horticulture offers significant economic and livelihood benefits, contributing to household incomes, nutrition, and exports, with target crops that are bankable and enjoy strong market demand. However, these crops are highly vulnerable to climate shocks, and without appropriate risk instruments, households often face distress sales and defaults. By combining loans with insurance, climate-smart inputs, and digital repayment options, smallholder farmersâ??many of whom are too large for microfinance but perceived as too risky by commercial banksâ??become ideal candidates for innovative climate-aligned

investment. Strategically, this approach aligns with national priorities such as NAFIR 2025â??2030, the National Agricultural Insurance Strategy, and Digital Ethiopia 2025, while Agricultural Commercialization Clusters (ACCs) provide a scalable platform for implementation.

By targeting horticulture now, ACT-H can demonstrate how climate-aligned finance can de-risk agriculture, attract private capital, and deliver measurable adaptation and livelihood outcomesâ??setting the stage for replication across other value chains.

What unique role does CGIARâ??through ImpactSFâ??play in bridging scientific insights with financial decision-making in such high-stakes, low-margin sectors like smallholder farming?

ImpactSF leverages decades of CGIAR science and expertise into practical tools for lenders, with an emphasis on local relevance. Through the AI-informed ImpactSF Analyzer and robust KPI frameworks, we make climate risk visible and financeable. This bridges research with day-to-day lending realities, which is especially important for smallholders and women farmers, who often face significant barriers and challenges to accessing finance. At ImpactSF and within the CGIAR, our work with farmers and farmer organizations gives us key insights into what is needed to create change from the bottom up.



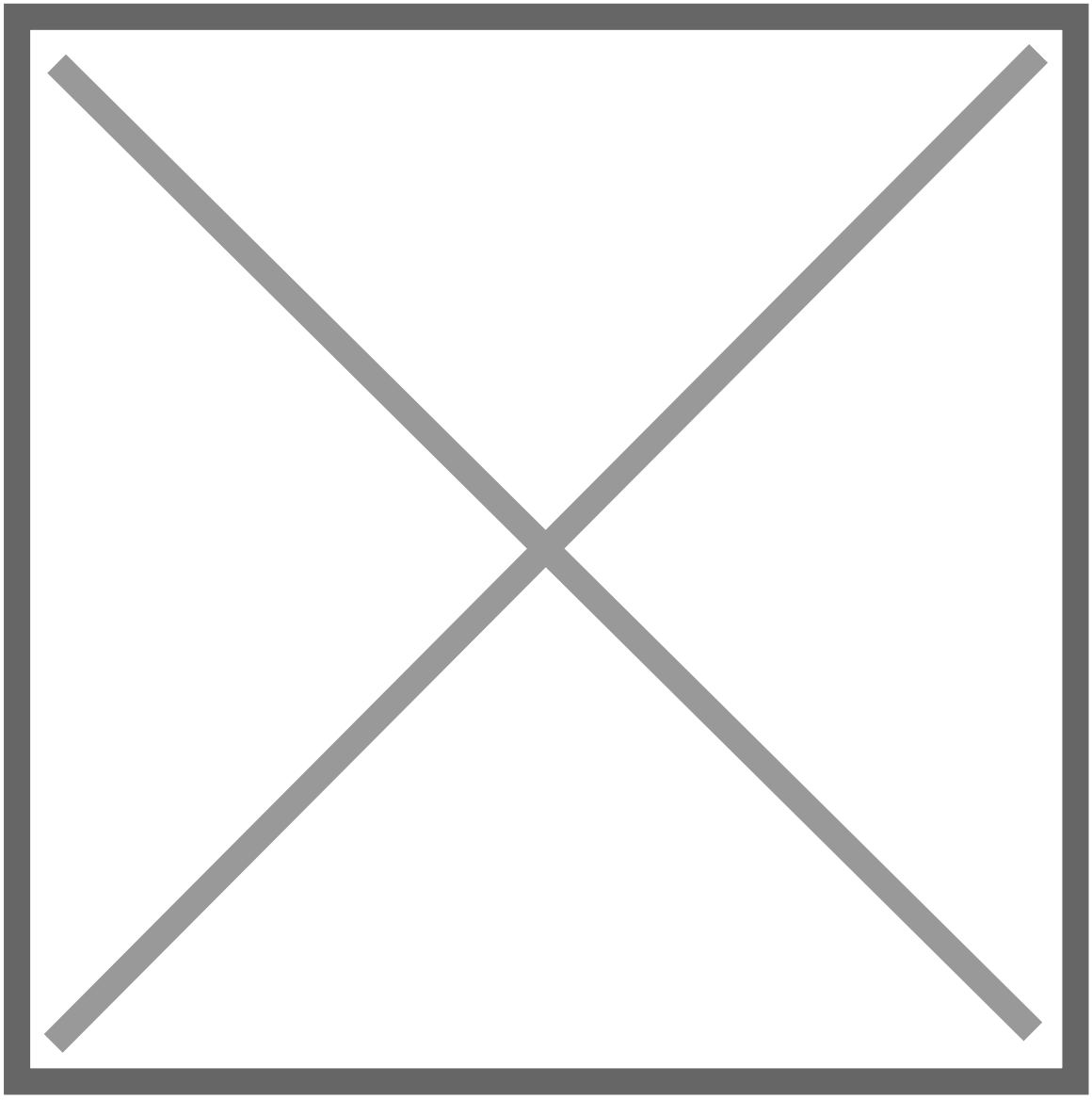
Through this role, ImpactSF ensures that financial products are not only bankable but also aligned with climate adaptation, mitigation, and resilience priorities, while advancing gender equity, youth inclusion, and environmental sustainability. Its ability to translate rigorous scientific evidence into actionable financial structures makes it uniquely positioned to bridge the gap between global climate finance standards (e.g., GCF, IFC, TCFD/IFRS S2) and the practical realities of Ethiopiaâ??s

smallholder systems.

Section II: Climate Risk, Lending Challenges & Opportunity Framing

Many Ethiopian banks reportedly have the liquidity but not the risk frameworks for agriculture. How is the ImpactSF Analyzer helping change that equation?

This is a common challenge, banks across regions have liquidity but lack climate risk frameworks, limiting agri-lending. The ImpactSF Analyzer helps bridge this gap by identifying climate-smart investment opportunities, ensuring funding goes where it is needed. By integratingÂ scientific, financial and climate data, the Analyzer gives banks the confidence to design viable products that align with farmersâ?? realities and climate risk.

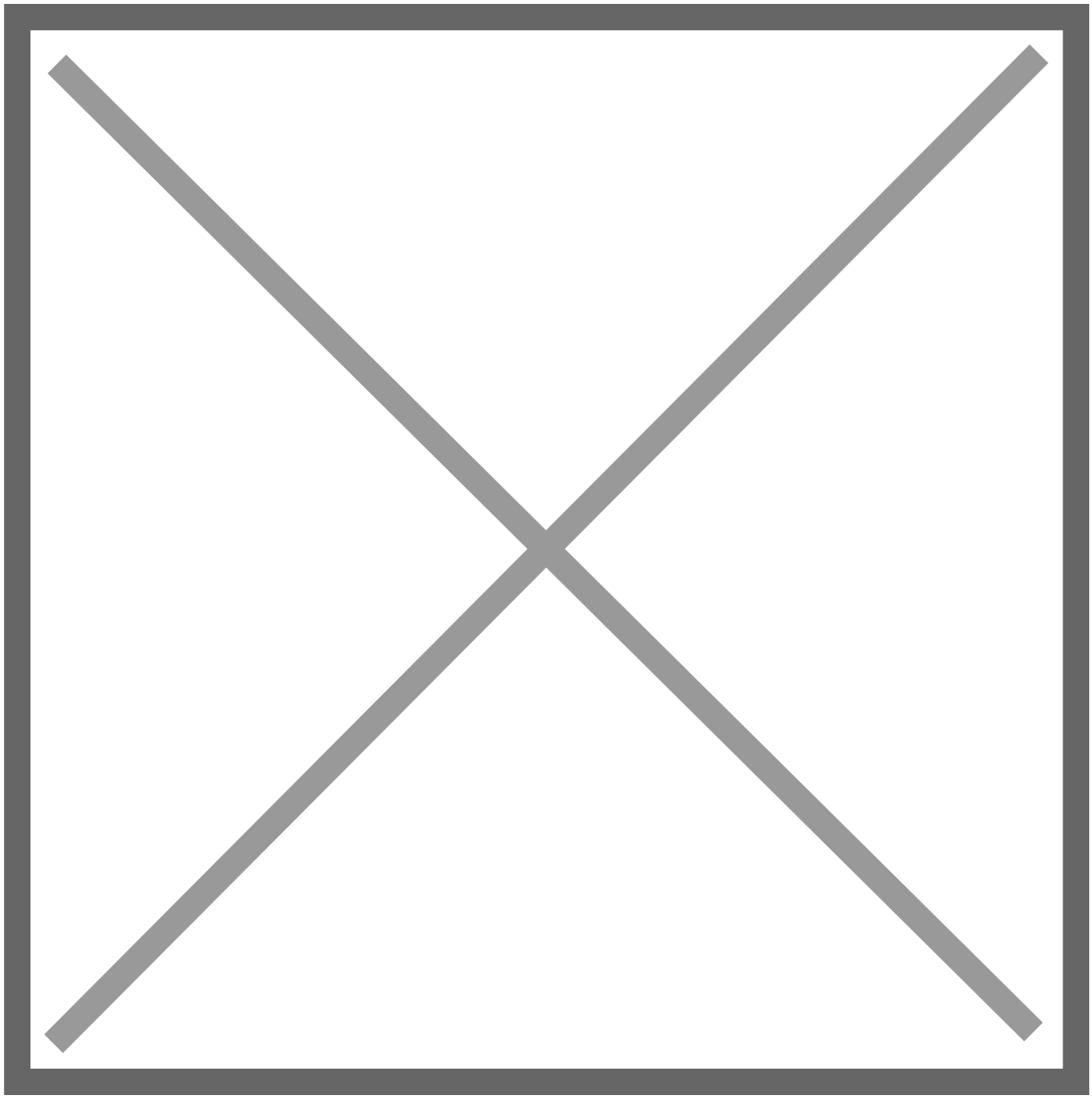


By integrating scientific, financial, and climate data, the ImpactSF Analyzer enables comprehensive climate-smart lending. It supports risk-adjusted product design by aligning loans with seasonal cash flows, climate hazards, and insurance needs. It facilitates capital mobilization by producing risk metrics that attract concessional guarantees or additional liquidity. At the same time, it builds market confidence by tracking loan repayments, insurance uptake, and adoption of climate-smart agriculture practices, making agricultural finance more investable and resilient.

The Analyzer ensures systematic, scalable expansion of climate-smart lending across Ethiopia.

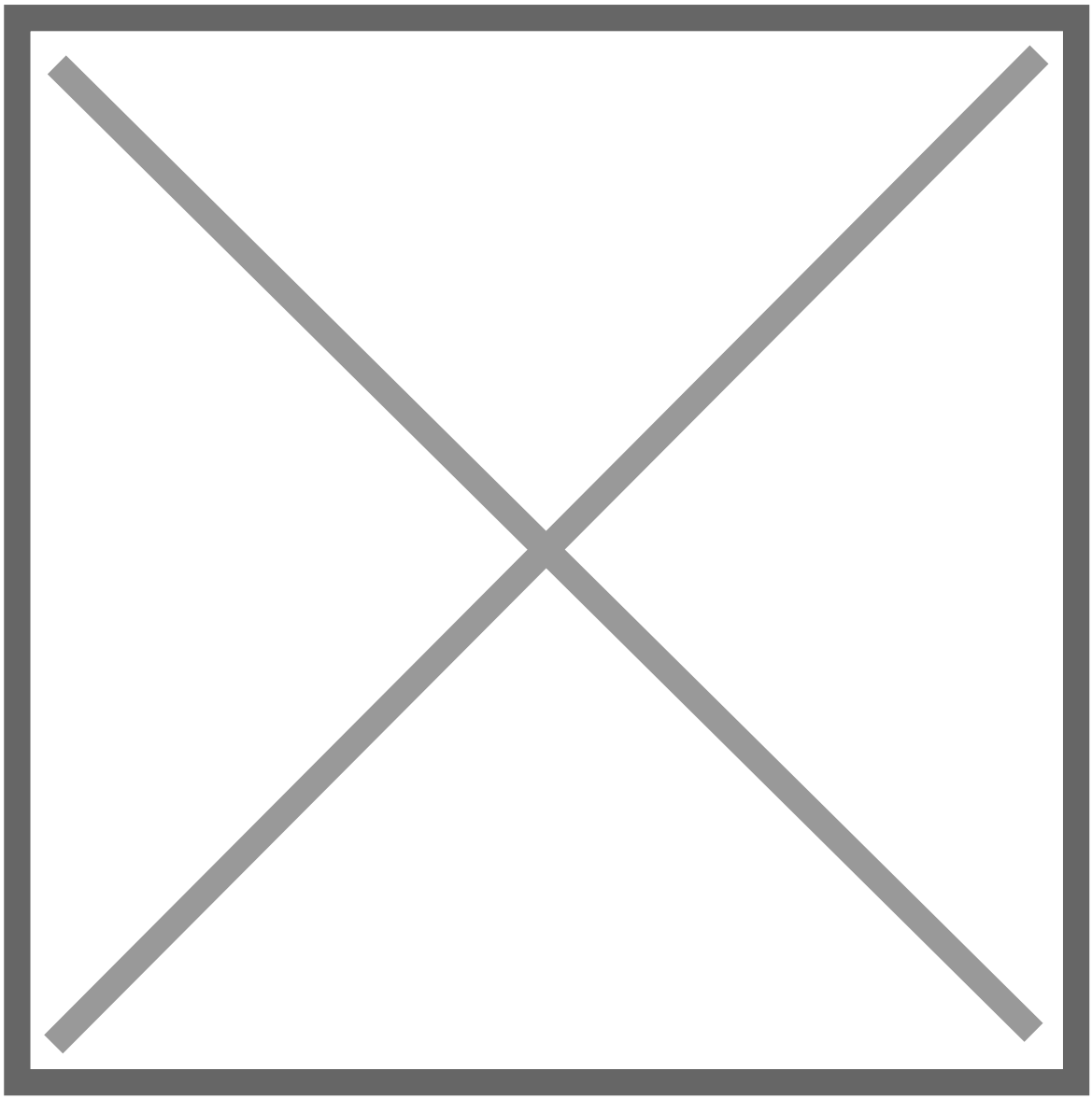
Could you explain how the tool translates climate dataâ??like rainfall variability or drought hazardsâ??into actionable metrics for credit scoring or portfolio design?

The Analyzer takes climate data such as rainfall variability, drought frequency, or heat stress and links it directly to agricultural productivity risk at the crop and location level. Using CGIAR science, AI models and remote sensing, it projects yield impacts over the next 2â??3 seasons, while also factoring in farmersâ?? adaptive capacity (e.g. irrigation, crop diversification).



This produces forward-looking risk scores that can be integrated into credit scoring models or portfolio stress tests. For a lender, this means being able to differentiate between clients exposed to high vs. moderate climate risk, adjust loan conditions accordingly, and support anticipating default probabilities. At the portfolio level, the metrics allow banks to design more resilient sector exposures, set concentration limits, and steer capital toward climate-smart practices.

Section III: Product Innovation, Tools & Bundled Finance



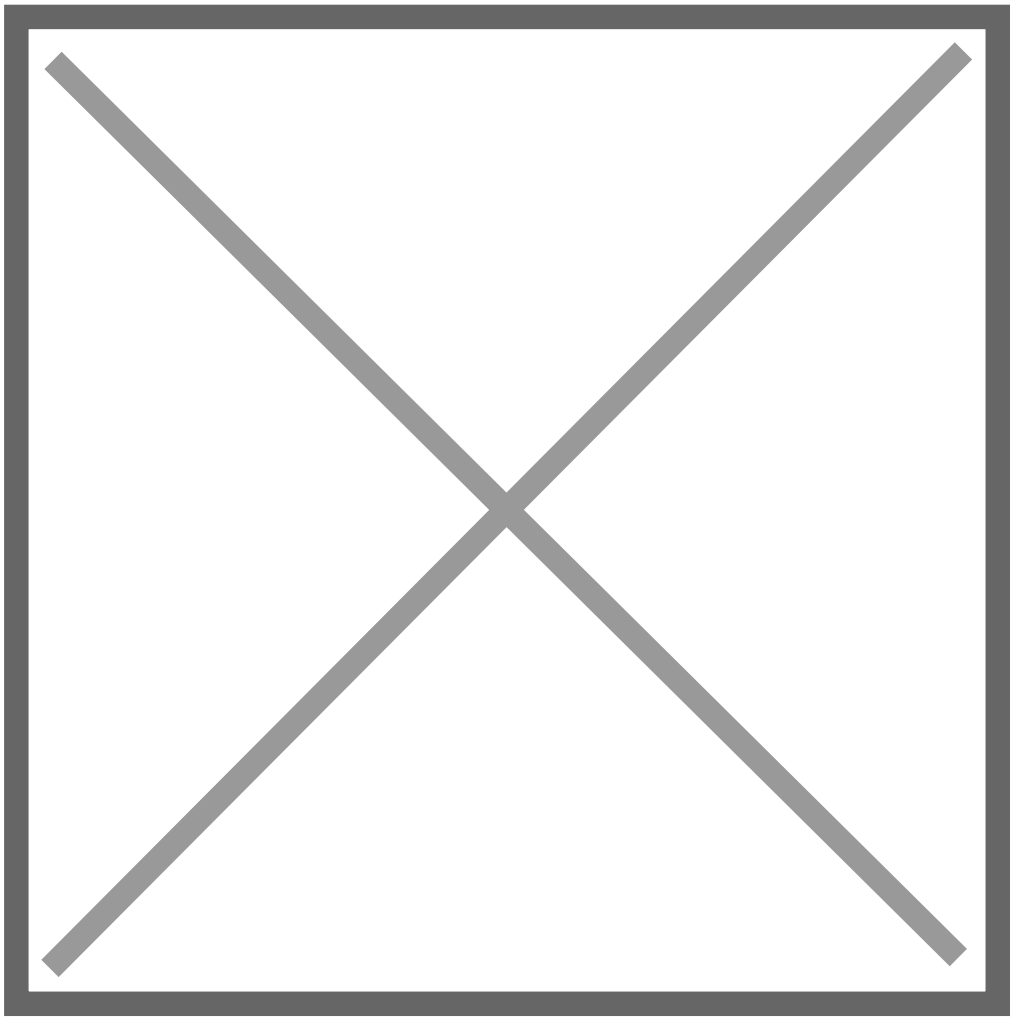
The concept of bundled green financeâ??credit paired with irrigation, insurance, and trainingâ??was a major workshop highlight. What makes this model so promising for both lenders and farmers?

Bundled finance reduces risk for both farmers and lenders. Pairing credit with irrigation, insurance, and training ensures farmers can repay loans while banks protect their portfolios. Itâ??s a win-win model for resilience and growth.

How are tools like the ImpactSF Analyzer enabling Ethiopian banks to go from a single-loan mindset to systems thinkingâ??where value chains, repayment behavior, and environmental triggers are all interconnected?

The Analyzer helps banks see farming systems, not just single loans. It links climate triggers, and value chain dynamics. This shifts lenders toward systemic, climate-smart portfolio design.

Section IV: Systems Change, Policy & Inclusion



Ethiopiaâ??s regulators are rolling out new ESG reporting requirements. How is ImpactSF helping financial institutions align with this regulatory shift while strengthening climate-smart investment pipelines?

The ESG rules present both challenges and opportunities. ImpactSF helps banks comply while building climate-smart pipelines through:

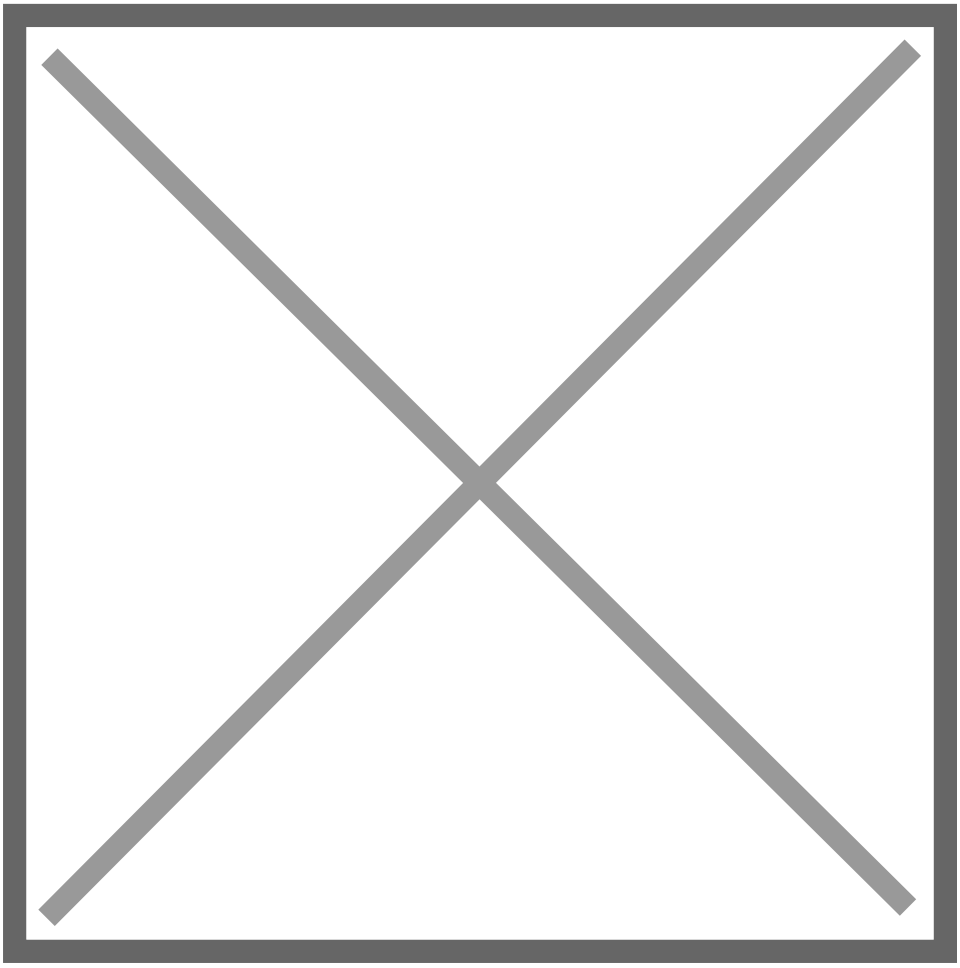
ImpactSF supports financial institutions through a combination of capacity building, tools, and pipeline strengthening. It trains banks, MFIs, and insurers to design green finance products, including bundled credit, insurance, and solar-powered irrigation solutions. The ImpactSF Analyzer provides the data and insights needed to meet new ESG reporting requirements while designing stronger, more credible green finance products. Additionally, by applying a value chain lens, ImpactSF helps target priority sectors such as horticulture and livestock, scaling climate-smart products while ensuring measurable outcomes in gender inclusion, resilience, and productivity.

ImpactSF turns new reporting requirements into an opportunity: building bankable, climate-smart products that attract concessional capital, reduce risk, and deliver real impact for farmers.

Whatâ??s CGIARâ??s broader vision for inclusive agri-finance in Ethiopia? Are you working to influence national policy, support rural banks, or scale models across other value chains?

We work with banks, policymakers, and partners to shape national models. The aim is scalable finance across value chains and regions. This aligns with the CGIARâ??s broader work in the region with the Ministry of Agriculture, National and Regional Agricultural Research Institutes, Ethiopian universities and both international and national development partners. There are the greatest number of CGIAR projects, initiatives, and funding in the East and Southern Africa (ESA) region, so it is a key area of our work.

Section V: Scaling Impact & the Path Forward



Whatâ??s next for ImpactSF and ACT-H in Ethiopia? Are there plans to pilot bundled loan products with partner institutions or integrate Analyzer insights into real-time lending decisions?

Next, Act-H will co-develop bundled green loan products with partner banks and pilot innovative financing solutions in high-priority value chains. Insights from the ImpactSF Analyzer will feed into real-time lending, helping institutions actively manage climate risks. These pilots will lay the foundation for scale.

How will success be measuredâ??by hectares transformed, emissions reduced, capital deployed, or increased farmer incomes? Or is it something more systemic?

Success means systemic change: capital flowing, risks reduced, and farmers empowered. It will be measured in farmer incomes, womenâ??s access to finance, hectares under irrigation, and resilient lending portfolios. Above all, success means driving transformation toward a climate-smart financial ecosystemâ??one that helps turn Ethiopiaâ??s climate challenges into investment opportunities.

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