

FINANCE BRIEFING

SUSTAINABLE FINANCE UPDATES

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FINANCING DEFORESTATION-FREE COFFEE SUPPLY CHAINS

"BREWING SOLUTIONS: FINANCIAL PATHWAYS FOR EUDR-COMPLIANT COFFEE & COLLABORATIVE ACTION"

This briefing aims to demonstrate that finance can serve as a lever—not a barrier—for systemic transformation. Unlocking finance strategically and collaboratively is key to transforming deforestation-free commitments into lasting impacts on the ground.

The urgency of mobilising financing for deforestation-free coffee supply chains cannot be overstated. Between 2001 and 2015, coffee production was associated with the loss of 2.5 million hectares of forest, much of it in biodiversity hotspots ([European Commission Joint Research Centre, 2021](#)). As global coffee production expands, the associated deforestation and land-use change contribute significantly to greenhouse gas emissions, biodiversity loss, and ecosystem degradation, while increasing income instability and market exclusion for smallholder farmers. Addressing these challenges requires innovative and scalable financial solutions that can enhance smallholders' access to sustainable finance, thereby facilitating their transition to, and/or scaling up deforestation-free practices.

This transition and adoption of sustainable agricultural practices align with broader sustainability and climate objectives, particularly Sustainable Development Goal 13 (Climate Action) and Sustainable Development Goal 15 (Life on Land). It also supports compliance with the European Union Deforestation Regulation (EUDR), which imposes stringent due diligence requirements for companies placing forest-risk commodities on the European market.

Moving from high-level commitments to practical, ground-level impact requires financial mechanisms that are not only innovative, but also well-aligned with the realities of coffee value chains. While deforestation-free compliance places new demands on producers, smallholders often face high upfront costs, limited access to credit, and high risk. Financial solutions must be designed to address these barriers.

To enhance the creation of such financial solutions, as a first step, we aim to describe the diverse financial actors involved in this process and how capital tends to move through the system. Equally important is acknowledging the role of policy frameworks such as the EUDR, which create demand for new incentives, shape risk perceptions, and influence investment decisions across the value chain. Public institutions and regulatory bodies, while not always direct financiers, play a critical role in setting the rules of the game and enabling a supportive environment for effective and inclusive finance.

Stakeholder	Main Type of Finance Provided	Examples
Foundation/Philanthropy	Grants, early-stage funding	Moore Foundation, Fundo Vale, Good Energies Foundation
Government Funds	Grants, concessional funding, technical assistance (TA) should be spelled put once	USAID, UK FCDO, BMZ (Germany), Norad (Norway), SECO (Switzerland)
Multilateral Development Bank/Fund	Loans, guarantees, grants	IDB, IFAD, Conservation International (CI)
Development Bank	Concessional loans, blended finance	BNDES (Brazil), KfW (Germany)
Banks	Working capital, trade finance, sustainability-linked loans	Rabobank, Itaú, Banco do Nordeste, BanEcuador
Companies	Equity, loans and sourcing contracts	Cargill, Bunge, Mondelēz
Commercial Investors	Loans and equity (focus on returns)	Private funds, regular investment funds
Social Impact Investor	Loans and equity (patient capital and focus on social impact)	ASN Bank
Impact Asset Manager	Structured blended finance vehicles, impact funds	Bamboo Capital Partners
NGOs	Technical assistance (non-financial), project implementation	Solidaridad, Rainforest Alliance, iCS
SMEs and Cooperatives	Loan recipients, implementers	Various regional coffee cooperatives
Farmers	Final recipients (through cooperatives/SMEs)	Smallholder coffee farmers (≤10 ha)

EXAMPLES OF FINANCIAL MECHANISMS IN ACTION

This section presents three financial mechanisms designed to support the transition to deforestation-free practices, including grants, blended finance and microfinance. The case studies presented here are real-life examples chosen from a comprehensive mapping of financial solutions developed in selected countries: Brazil, Ecuador, Zambia, DRC, Vietnam and Indonesia. The selection criteria included: (1) support for deforestation-free production; (2) relevance to or applicability for smallholders; (3) geographical presence; (4) scalability. To facilitate the visualisation of financial flows, including funding sources, stakeholders involved, and geographic scope (see Figure 1 as a guide on how to read Figures 2-4) the following dedicated flowcharts have been created for each mechanism.

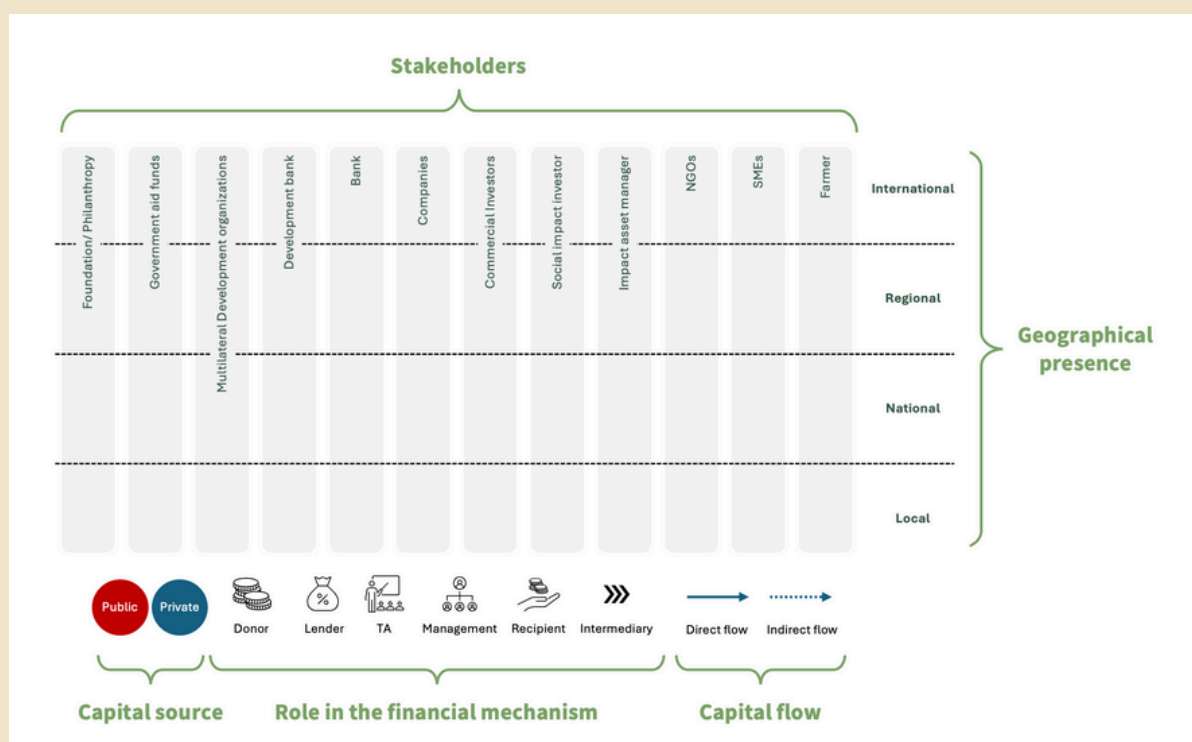
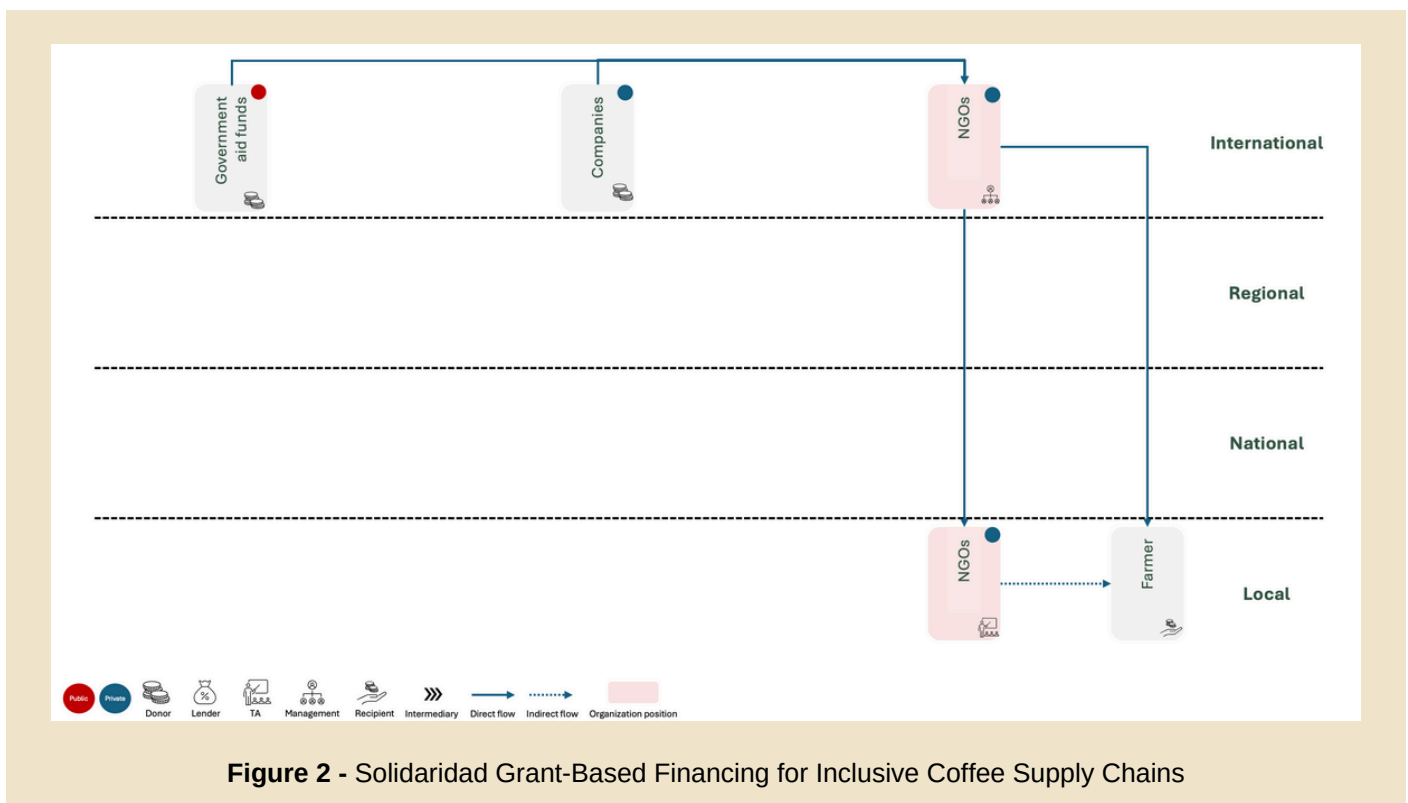


Figure 1. Elements Included in the Financing Flowcharts

SOLIDARIDAD

Category	Details
About	Global civil society organization provides direct support to farmers, miners, and workers through inclusive supply chains and sustainable landscapes programs. Offers financial mechanisms to improve market access and promote climate-smart practices
Region	Africa, Latin America, and Asia
Funding mechanism	Grants
Stakeholders	Solidaridad engages governments, private sector actors, donors (e.g., Dutch Ministry of Foreign Affairs, European Commission), and international NGOs
Eligibility	Smallholder farmers, cooperatives, SMEs, and producer organizations committed to sustainable production, supply chain transparency, and fair labor practices
Funding Focus	Sustainable agriculture, inclusive value chains, landscape restoration, and climate resilience initiatives, often combining technical assistance with blended finance solutions
Gender Equality	It fosters women's participation in supply chains and landscapes programs, promoting gender inclusivity and economic empowerment for female farmers and entrepreneurs



GCF AMAZON BIOECONOMY (IDB)

Category	Details
About	A regional blended finance program promoting bioeconomy-based business models to protect the Amazon rainforest, reduce GHG emissions, enhance forest resilience, and foster sustainable livelihoods through private sector engagement.
Region	Amazon Basin (Bolivia, Brazil, Colombia, Ecuador, Guyana, Peru, Suriname)
Funding mechanism	Blended Finance
Stakeholders	Led by the Inter-American Development Bank (IDB), with financing from the Green Climate Fund (GCF), national governments (Leticia Pact countries), private investors, and specialized advisory institutions.
Eligibility	Bio-businesses, cooperatives, financial institutions, project developers, and SMEs committed to sustainable use of natural resources, biodiversity conservation, and climate resilience within the Amazon region.
Funding Focus	Catalyzing private investments into bio-businesses through blended finance instruments, technical assistance, thematic bonds, and shared-risk models, fostering a climate-resilient, biodiversity-based economy.
Gender Equality	It directly supports gender equity by promoting the participation of women and indigenous communities in sustainable bioeconomy initiatives and tracking their involvement in funded projects.

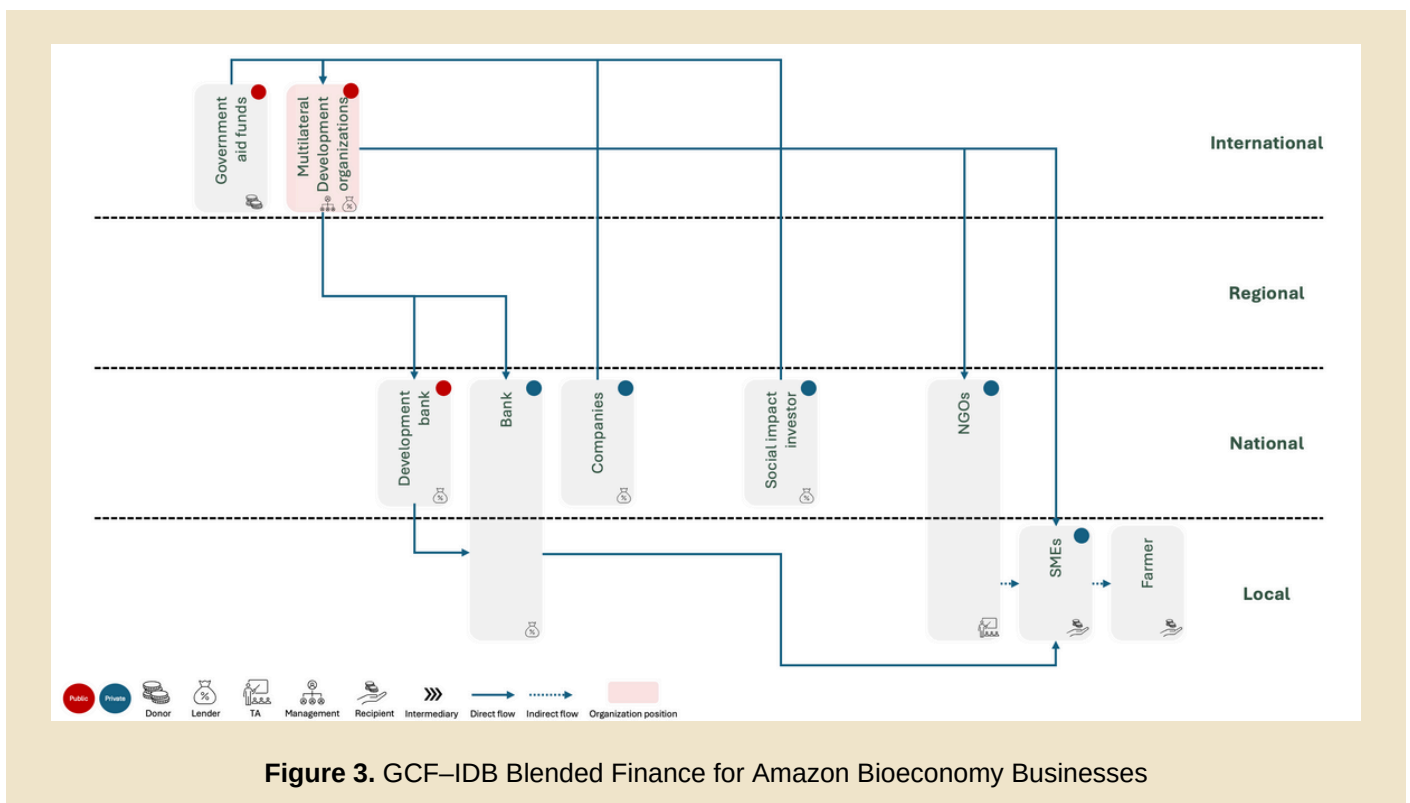
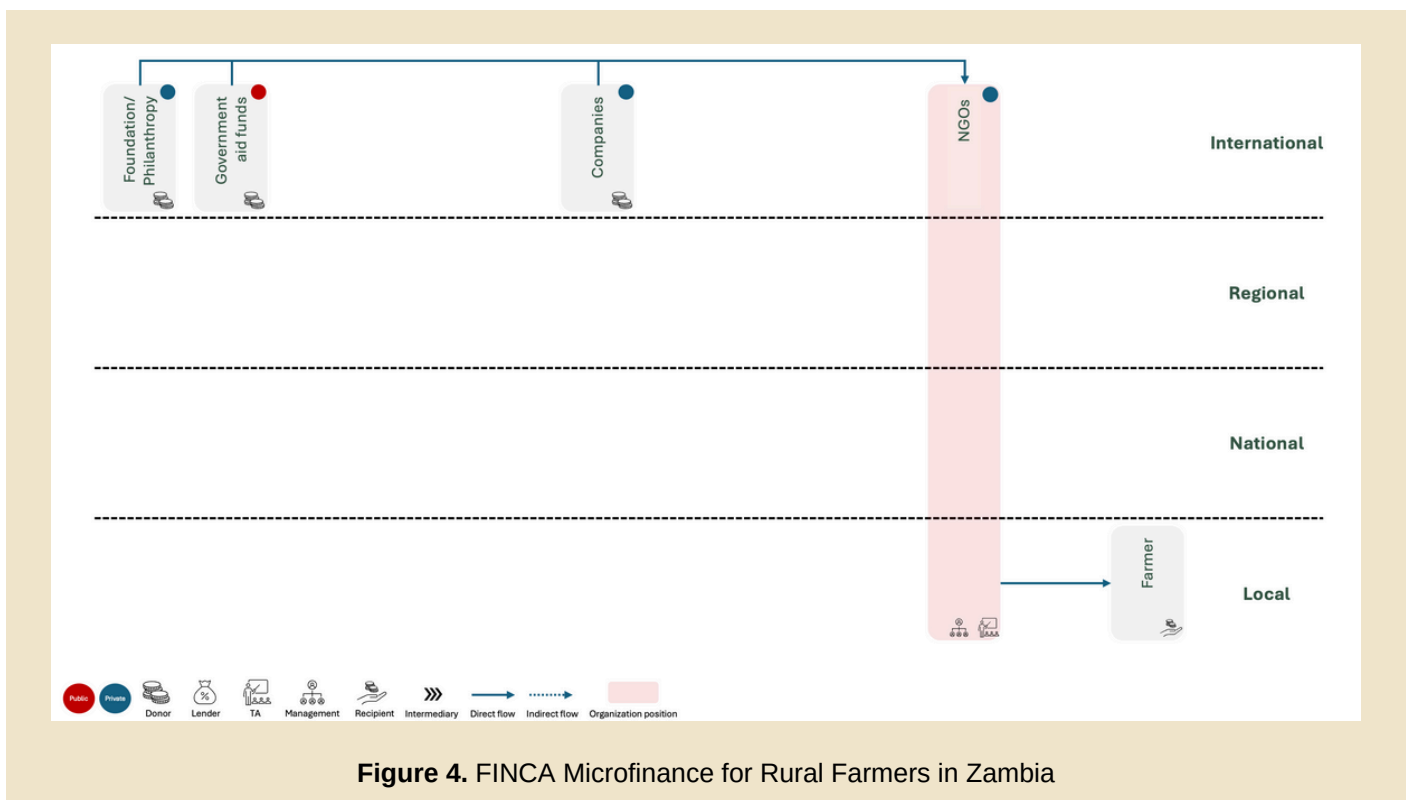


Figure 3. GCF-IDB Blended Finance for Amazon Bioeconomy Businesses

FINCA

Category	Details
About	A microfinance institution providing inclusive financial services tailored for rural farmers and SMEs to improve livelihoods and support agricultural development in Zambia. Focuses on building resilience among underserved populations
Region	Zambia (Southern Africa)
Funding mechanism	Microfinance
Stakeholders	FINCA Zambia operates with the support of FINCA Impact Finance network, investors, local government bodies, and international development agencies
Eligibility	Rural farmers, MSMEs, cooperatives, and individuals meeting the institution's credit assessment and commitment to income-generating agricultural or business activities
Funding Focus	Access to affordable loans for smallholder farmers, micro-enterprises, and agricultural supply chains, promoting rural economic empowerment and food security
Gender Equality	It promotes financial inclusion for women, offering tailored financial products and services to female entrepreneurs and smallholder farmers to bridge the gender gap in rural finance



ANALYSIS AND CONCLUSIONS

The stakeholders and financial flows from the case studies presented above were overlaid (Figure 5, see below) to identify how capital moves through the system and where collaboration is essential. This visual mapping highlights the interconnected roles of funders, cooperatives, NGOs, and farmers, reinforcing that no single actor can drive the transition to deforestation-free coffee supply chains alone.

The grey scale depicted in Figure 5 represents the presence of stakeholders at various geographical levels for the case studies under consideration. Notably, NGOs are present at all levels, with a more prominent role in international and local contexts. Their responsibilities encompass management, technical assistance, and direct collaboration with SMEs and Farmers. Additionally, Companies and Banks play a crucial role in the mechanisms. At the same time, Governmental Funds, Multilateral Development Banks, and Foundations are pivotal in unlocking capital for sustainable agriculture by providing concessional capital for these innovative mechanisms that deliver change for the coffee supply chain. Furthermore, we can notice the presence of both international stakeholders, as significant capital providers and initiators of projects, and local stakeholders, such as NGOs providing specialised technical assistance to SMEs and Farmers, who are beneficiaries of these financial solutions.

The financial mechanisms showcased - ranging from grants to blended finance and microcredit - demonstrate that effective solutions must combine affordability, technical support, and inclusivity. These instruments help de-risk investment, enhance access for smallholders, and support compliance with regulations like the EUDR.

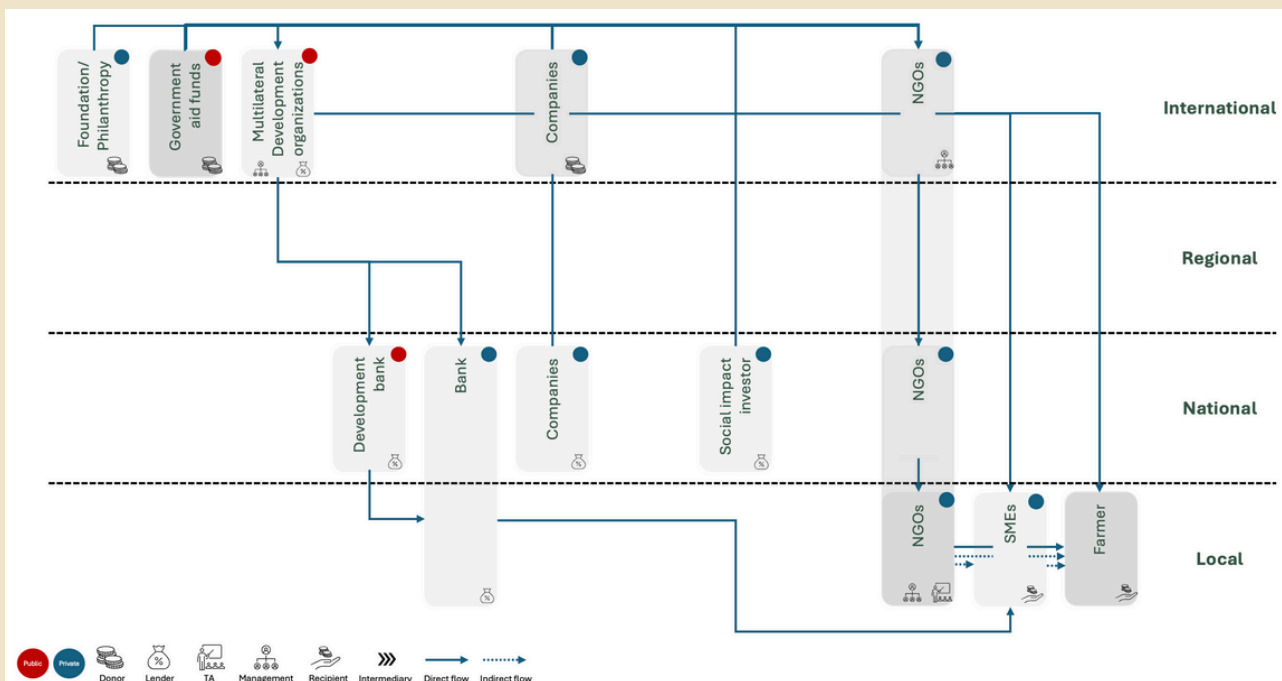


Figure 5. Overlay of Financial Flows and Stakeholders Across Mechanisms

FURTHER READING & TRAINING

>>> READING

- 1st Finance Briefing: [Why Sustainable Finance is Key to Promoting Deforestation-free Supply Chains](#)
- 2nd Finance Briefing: [Sustainable Finance Taxonomies](#)
- 3rd Finance Briefing: [Carbon Crediting Mechanisms, Nature-Based solutions and Smallholders](#)
- 4th Finance Briefing: [Blended finance for smallholder farmers: Enabling sustainable and deforestation-free agricultural practices](#)

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Its contents are the sole responsibility of Climate & Company and do not necessarily reflect the views of the EU, the Federal Ministry for Economic Cooperation and Development (BMZ) and the Dutch Ministry of Foreign Affairs. To learn more visit: [SAFE - Team Europe Initiative on Deforestation-free Value Chains](#) and [Climate and Company's dedicated project page](#).