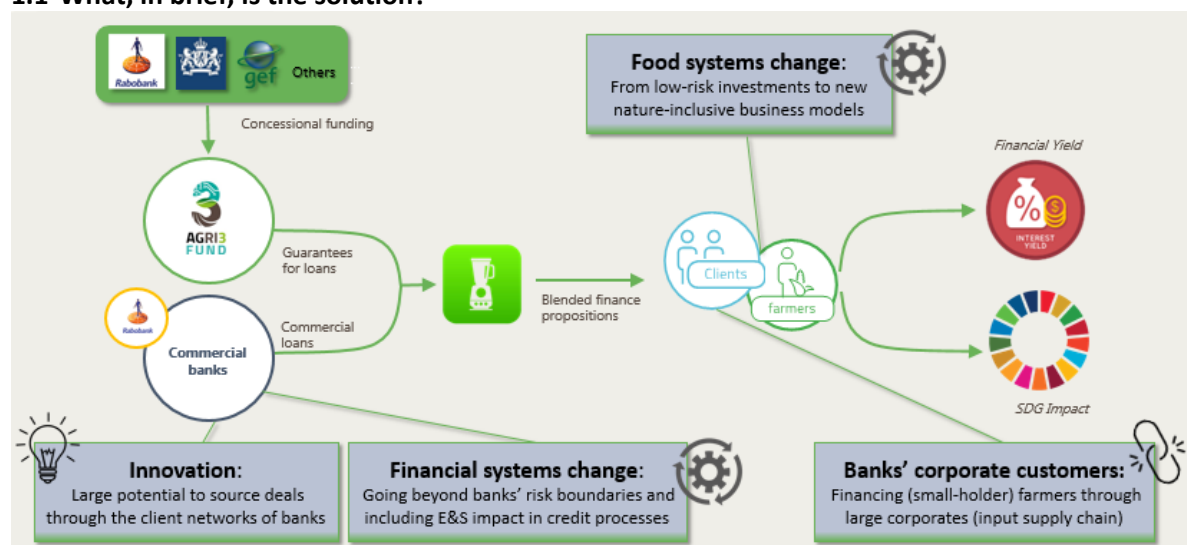


6.3 Fund to offer de-risking arrangements to finance investments in sustainable agriculture Rabobank

1.1 What, in brief, is the solution?



AGRI3 Fund offers de-risking arrangements to commercial banks to finance high-risk investments in Forest Protection, Sustainable Agriculture and Improved Rural Livelihoods by (smallholder) farmers, input providers, traders, processors and other relevant food & agriculture value chain actors.

Impact at scale & “making green mainstream”: Investments can be scaled through the large client networks of the participating commercial- development banks, leveraging their infrastructure, footprint and deal capacity globally, regionally and locally. AGR13 Fund fits well into ongoing strategic bank - client conversations, securing a full and ever growing pipeline of projects.

1.2 What problem is it trying to address within food systems?

Policies and regulations related to banking (e.g. regulatory framework driving the Risk Appetite of banks) significantly limit commercial banks to finance investments in sustainable practices within the agricultural sector. In fact, for commercial banks these investments come with significant hurdles and higher risks, for example because they go hand-in-hand with longer repayment periods. Overcoming these hurdles and incorporating positive impact on land-use in credit processes of banks (system change) are urgently needed for food system transition in context of the Paris agreement goals.

1.3 How can this solution address that problem? The Theory of Change:

Inputs: Guarantees from AGR13 Fund and technical assistance (TA) from the AGR13 TA Facility, with the latter contributing to the ultimate impact (scaling, sharing of solutions and business models, etc).

Outputs: (Blended) Finance by commercial banks to farmers or value chain actors (as a channel to their input suppliers: farmers) in line with the AGR13 E&S Framework.

Outcomes: Investments by farmers in the protection, management or restoration of forests, implementing sustainable agricultural practices, while having a positive effect on rural livelihoods.

Impacts: Conservation, management and restoration of natural capital, climate change mitigation, improved rural livelihoods and increased agricultural production.

1.4 Why does this solution align to the criteria for a ‘game changing solution’ developed by the Summit?

1. Impact potential: Target of unlocking at least USD 1 bn in finance in the first phase of 5 years, while further scaling of the portfolio and its impact beyond those first 5 years. The Fund has an open architecture, meaning that commercial banks worldwide can participate. Scaling blended finance solutions is possible through the large client networks of banks and their kitchen table or board room relationships with these clients.
2. Actionability: AGR13 Fund is incorporated, operational and run by reputable fund managers. Initial funding of USD 80 mn is available, while the number of deals and pipeline are building up.
3. Sustainability: AGR13 Fund has been established for an indefinite period of time. It has been set up as a financially self-sustaining Fund.
4. All AGR13 supported deals sourced by commercial banks will need to have a positive effect on rural livelihoods, next to impact related to forest protection and / or sustainable agriculture.
5. Systems change:
 - a. Food systems change: From investing in low risk projects to increase production – to - investing in new business models to increase production that take into account the restoration and protection of natural ecosystems, enabled by b:
 - b. Financial systems change: From financing based on economics (with a check on negative E&S impacts where required by policy) – to - financing based on economics and positive E&S impacts, enabled by AGR13 risk mitigation.

1.5 What is the existing evidence supporting the argument that this solution will work?

Rabobank is the first partner bank for AGR13 Fund, building up a strong pipeline of potential deals for both farmers and corporate clients in the value chain. Two deals sourced by Rabobank have been closed. These deals were only acceptable to the bank based on the partial risk mitigation provided by AGR13 Fund. While the clearing of forests on farmland is usually the most economically viable way to increase agricultural production, the first AGR13 deal in Brazil has shown that a different business model (protecting the forests, while renovating pastureland) can be financed by a commercial bank.

1.6 What is the current and/or likely political support for this idea?

The AGR13 Fund is the result of a partnership between UN Environment Programme (UNEP), The Dutch Development Bank FMO, IDH: The Sustainable Trade Initiative, and Rabobank Group. The E&S framework has been developed with UNEP and builds on E&S requirements of the founding partners. Support has been obtained from the Dutch government with a revolving grant of USD 35M for AGR13 Fund and a USD 5M grant for the TA Facility, managed by IDH. The Dutch government is a strong ambassador for AGR13 and also aims to create more visibility for AGR13 within Europe (so called “Team Europe Initiatives”) and beyond. The Fund is also honoured with a commitment by the Global Environment Facility (GEF) to provide an additional USD 13M in funding and will fully leverage the political network of UNEP, the founding partner of AGR13.

1.7 Are there certain contexts for which this solution is particularly well suited?

AGR13 Fund is a global fund, with a special focus on emerging markets. The solution provided is well-suited for countries where the expansion of agricultural production is a powerful driver of environmental degradation.

1.8 Who are the key stakeholders in the process of developing and refining the solution idea?

The key stakeholders to be further involved are commercial banks and actors in the agricultural value chain. Together they work on sustainable agriculture solutions, which are embedded in local (economic) ecosystems, and provide lessons learned on what works and what does not. New business

models for farmers and financial products that can be replicated to other clients will be identified and developed. Additionally, both public and private institutions that are willing to invest in food systems transformation are key, as AGR13 Fund is able to provide its de-risking instruments by leveraging funding from these organizations.