

4.4 Food Systems Landscape Finance Innovation Hub

EcoAgriculture

Background information on group and process

EcoAgriculture Partners and partners of the 1000 Landscapes for 1 Billion People, EIT Climate-KIC, Landscape Finance Lab. Other coalition partners will leverage their direct engagement with hundreds of long-term, locally-led landscape¹ partnerships and initiatives.

1.1 What is the solution?

The solution is to develop a global initiative for cross-cutting finance innovation to support food systems transformation across all five components of UNFSS Action. A collaborative virtual Hub will develop, demonstrate, and mainstream innovative approaches, tools, and mechanisms to finance inclusive, multi-asset, integrated place-based investment in the whole food system. The solution has four components: i) development of a food systems finance hub with experts from the financial and insurance sector, across the capital continuum, along with scientific and food system/landscape experts; ii) testing of financial innovations in existing and developing landscape/territorial partnerships and platforms, which include national, sub-national, civic and private sector stakeholders; iii) convening of a community of practice from diverse international, national, and partner financial actors to apply standard protocols to financial innovations to ensure rigorous analysis, as well as to facilitate adoption and dissemination; iv) development of a scaling strategy through networks of partners in the community of practice.

Financial mechanisms will be co-designed, co-implemented, and co-evaluated by financiers and landscape actors to fund investments of the collaborative action plans developed by stakeholders to reflect their transformative landscape vision. The Food Systems Landscape Finance Hub will support systemic analysis to identify main barriers and leverage points of the intended transformation, and support local partnerships in financial assessments and design, integrating the four key elements (value, risk, trust, finance instruments). Financial mechanisms will be structured to realize synergies among different public, private and civic investments; to achieve holistic de-risking; and to capture large flows of finance for disaggregated landscape projects. Co-designed interventions will focus on local as well as national and international financial mechanisms, to ensure inclusion of women and indigenous and other marginalized groups in the landscape. The Hub will build a learning, sensemaking and dissemination layer.

1.2 What was/were the source(s) from which this solution emerged?

The solution emerged from the Landscape Finance Solutions team of the 1000 Landscapes for 1 Billion People initiative (www.landscapes.global). They have been developing action-based research with key actors in the financial system across the capital continuum to understand the obstacles and barriers to investments which support sustainable landscape visions at scale. Six key barriers were identified that this solution seeks to address: i) Inadequate institutions in landscapes to develop a pipeline of investable, landscape-regenerating projects; ii) Most finance institutions lack an integrated food systems landscape orientation; iii) Internal institutional barriers limit scope for integrated investment; iv) government finance policies and strategies do not support landscape investment; v) Instruments for landscape finance and risk management are inadequate vi) large-scale finance can undermine local vision and control.

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

Current financial paradigms are an obstacle to the needs of local communities, human rights and food systems transformation due to the current valuation of risk/return and the lack of financial innovation/engineering design for food systems and landscape finance. In particular, the lack of integrated place-based landscape understanding from the finance system, which is a prerequisite to operationalize scalable, innovative financial mechanisms that can reach the scale needed for systemic transformation.

1.4 Why is addressing that problem important for achieving the goal of your working group?

Without transforming the finance system and current access to capital through a shift in financial/risk valuations for investments in food systems, we will not achieve the scale needed for transformation. To support systems transformation, a broader and more holistic risk-sharing and valuation perspective needs to emerge to enable financing integrated portfolios that can support food systems transformation. This must include a scaling mechanism that enables knowledge sharing, synthesis and dissemination components across global networks to support global scale through a mix of public, private and civic sector support.

1.5 How can this solution address that problem?

Scaling finance flows for sustainable food systems investments across landscapes requires four key elements: (i) creation of economic value, and its equitable capture and distribution; (ii) risk management, through holistic de-risking & risk-sharing for all; (iii) pro-active generation of trust among actors, through the landscape MSP and specific instruments; (iv) design of financial mechanisms targeted to meet the specific needs of the stakeholders involved. The proposed Food Systems Landscape Finance Hub will:

- Develop and implement integrated finance support plans to address critical (systemic) barriers to local partnerships' food system and landscape action plans;
- Design and implement innovative financial mechanisms (including raising, structuring, and deploying capital). Financial mechanisms will be tested and validated in different contexts;
- Knowledge and experience of members of the community of practice will be strengthened.
- Lessons learned will be shared across diverse contexts to ensure that new knowledge, financial blueprints, planning and assessment tools, and models for finance and de-risking.
- Results will demonstrate how integrated food systems investment portfolios can generate more value.

1.6 Why does this solution align to the definition and criteria for a 'game changing solution'?

The solution seeks to test innovations and prove that investment risk can be reduced through coordinated and synergistic investments that support people and nature through food systems. The Hub will support food systems transformation by working on transforming the risk and valuation perspective of the finance systems through a place-based landscape lens. There are already existing initiatives and innovative work occurring across landscapes worldwide. However, the coordination, learnings, analysis and dissemination from across different organizations is missing. The Hub can adapt lessons from the scaling of finance for the renewable energy sector, providing a "one-stop-shop" for testing, understanding, and sharing the innovative combination and deployment of financial and risk tools, mechanisms; including rigorous analysis would be game-changing as it has not been done before for food systems.

Evidence is needed on financial solutions to address issues and assumptions critical for landscape and food systems transformation, including: creating synergies between production and conservation; creating synergies between public and private finance; combining local and international financial flows; transitioning from grants to investments; ensuring holistic de-risking, nurturing justice and inclusion in financial transactions; ensuring that assets in a landscape investment portfolio are synergistic, amplifying value, reducing risks, and aligning well with non-financial interventions (e.g., policy, regulation); linking finance for greenhouse gas emissions reduction/sequestration to livelihood benefits, among others²

1.7 What is the existing evidence supporting the argument that this solution will work, or at least that it will achieve the initial outcomes described above?

The Hub will strive to demonstrate that real-world landscape investment portfolios could become a new asset class to support landscape transformation. It will build on and integrate landscape finance efforts of Coalition partners, e.g., Climate- KIC's Transformation Capital Initiative; EcoAgriculture's work on Integrated Landscape Finance Models and the Landscape Investment Finance Toolkit (LIFT); the Landscape Finance Lab's fund and bond designs; and the 1000 Landscapes Finance design team. The obstacles and recommendations targeted by our solution are also consistent with recent UN Food Systems Dialogues "High Level Dialogue on Finance at CFS 47 - Finance & Investment"³; "Agri-SME finance at the FSS"; "Role of PDBs in financing transition for FS transformation", "Catalyzing finance for women entrepreneurs" and, particularly, "how to enable finance as a game-changing food systems solution" which was co-convened by UNEP, Rabobank, the CGIAR Program on Climate Change, Agriculture and Food Security (CAAFS) and the Min. of Foreign Affairs of the Netherlands on "Risk sharing between governments, financial institutions and companies at the heart of solution". This builds on a growing evidence from: Blended Finance Taskforce⁴, Environmental Defense Fund⁵, the World Bank Group, Clarmondial⁶, CIFOR⁷, The Paulson Institute, Convergence/SAFIN⁸, among many others.

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

There is rapidly growing political support for strengthening place-based partnerships to achieve multiple goals for land and resources and associated economy, with food systems at the center of most in developing economies. Govts of the Netherlands, Germany, UK and USA have been strong supporters. The Global Environment Facility, UNDP, FAO, World Bank have large and growing portfolios of integrated landscape projects, and the Green Climate Fund, IFAD, Global Adaptation Fund and others are incorporating a landscape framework for investing. The UN CBD, UNFCCC, CCD, the Bonn Challenge, and High-Level Political Forum of the SDGs have all formally endorsed landscape and territorial approaches. UN Decade for Ecosystem Restoration has a strong integrated landscape approach. There is a strong need for knowledge and learning synthesis & information sensemaking to support these global initiatives. Likely support from: i) European Commission's published rules for implementing a sustainable finance taxonomy and put the target of 55% reduction by 2030 into law. ii) new NDC target commitments, including US commitments of 50% reduction of emissions by 2030 with a US Climate International Finance Plan iii) TNFD/TCFD/TSVCM iii) Multiple net-zero alliances across the financial sector iv) NGFS reviews of biodiversity and climate risks to financial stability v) launch of the "Agriculture Innovation Mission for Climate" by the .S. and United Arab Emirates, with endorsement from COP 26 and other member countries.

1.9 Are there certain contexts for which this solution is particularly well suited, or, conversely, contexts for which it is not well-suited at all?

Financing for food system transformation is widely needed and adaptable. This solution supports all Action Tracks.

References:

1. We use the term 'landscape' here to refer to inter-connected place and people, at the scale where communities, agricultural production and ecosystems converge. Related terms include territories, jurisdictions, bioregions, watersheds, green growth corridors, and numerous others.
2. IMF Building Back Better: How big are green spending multipliers?:
<https://www.imf.org/en/Publications/WP/Issues/2021/03/19/BuildingBack-Better-How-Big-Are-Green-Spending-Multipliers-50264>
3. Agri-Food Network (IAFN) and the Private Sector Mechanism of the Committee on World Food Security convened: <https://summitdialogues.org/dialogue/2880/official-feedback-2880-en.pdf?t=1613643864>
4. Blended Finance Taskforce: Better Finance, Better Food:
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5. Environmental Defense Fund, Catalytic Capital in Agriculture:
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7. CIFOR Innovative Finance for Sustainable Landscapes:
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8. Convergence/SAFIN: Deploying Blended Finance to Mobilize Investment at Scale in Food and Agriculture:
https://www.convergence.finance/resource/5ecd4fe4-53ca-4b56-a3ca5510e8fb8df5/view?utm_source=LinkedIn&utm_medium=social%20media&utm_campaign=SAFIN-Convergence-2021

