OFFICIAL FEEDBACK FORM

FOOD SYSTEMS SUMMIT 2021 DIALOGUES

DIALOGUE DATE	Monday, 14 June 2021 03:00 GMT -04:00
DIALOGUE TITLE	Better Finance, Better Food: Global Finance Dialogue
CONVENED BY	Dr. Agnes Kalibata, UN Special Envoy for the Food Systems Summit & Juergen Voegele, Vice President for Sustainable Development, The World Bank
DIALOGUE EVENT PAGE	https://summitdialogues.org/dialogue/23166/
DIALOGUE TYPE	Global
GEOGRAPHICAL FOCUS	No borders

The outcomes from a Food Systems Summit Dialogue will be of use in developing the pathway to sustainable food systems within the locality in which they take place. They will be a valuable contribution to the national pathways and also of interest to the different workstreams preparing for the Summit: the Action Tracks, Scientific Groups and Champions as well as for other Dialogues.

1. PARTICIPATION

TOTAL NUMBER OF PARTICIPANTS	326

PARTICIPATION BY AGE RANGE

	0-18		19-30		31-50		51-65		66-80		80+

PARTICIPATION BY GENDER

143	Male	182	Female	1	Prefer not to say or Other

NUMBER OF PARTICIPANTS IN EACH SECTOR

96	Agriculture/crops	13	Education		Health care
3	Fish and aquaculture	10	Communication		Nutrition
4	Livestock	2	Food processing	10	National or local government
	Agro-forestry	1	Food retail, markets	1	Utilities
23	Environment and ecology	6	Food industry		Industrial
3	Trade and commerce	58	Financial Services	95	Other

NUMBER OF PARTICIPANTS FROM EACH STAKEHOLDER GROUP

15	Small/medium enterprise/artisan	1	Workers and trade union
	Large national business		Member of Parliament
19	Multi-national corporation	4	Local authority
9	Small-scale farmer	7	Government and national institution
3	Medium-scale farmer	1	Regional economic community
1	Large-scale farmer	33	United Nations
4	Local Non-Governmental Organization	50	International financial institution
65	International Non-Governmental Organization	36	Private Foundation / Partnership / Alliance
	Indigenous People	1	Consumer group
20	Science and academia	56	Other

2. PRINCIPLES OF ENGAGEMENT

HOW DID YOU ORGANIZE THE DIALOGUE SO THAT THE PRINCIPLES WERE INCORPORATED, REINFORCED AND ENHANCED?

Each of the speakers, panellists and table facilitators was invited to briefing sessions, in which they discussed the principles, objectives and approach of the Dialogues. This proved extremely helpful to ensure that all entered into the Dialogue in the same spirit. The support of 4SD in hosting some of these briefing sessions was highly valuable. In selecting speakers, panellists, facilitators and participants, we were mindful of embracing multi-stakeholder inclusivity, seeking to bring together people from diverse professions and regions. While the event had a strong mix of public and private investors, agri-business and regions, it could have been stronger with greater participation from farmers, producers, indigenous groups and rural communities. The keynote speakers and panellists also helped to reinforce and enhance the Principles of the Dialogues through their open and respectful discussion, and the themes that they set up for the group. David Nabarro also played a key role as curator in clarifying the principles of the event and in creating a sense of trust, inclusivity and openness among the group.

HOW DID YOUR DIALOGUE REFLECT SPECIFIC ASPECTS OF THE PRINCIPLES?

Key aspects of the Principles were highlighted in the keynote speeches and panel discussion in the first half of the Dialogue event. Speakers underlined the need to act with urgency while recognising the complexity of the system, the importance of the opportunity provided by the Summit and the ways in which this can garner greater commitment to action. By bringing together diverse speakers (including multinational agribusiness leader, SME entrepreneur, public and private finance), the keynote speeches and panellists also demonstrated the critical importance of multistakeholder inclusivity. The design of the event was intended to complement the work of others, by bringing together those leading thought pieces and pioneering projects/ solutions and inviting them to frame their discussions around what would be most helpful to improve and advance their work. Finally, in preparing participants for the event, we emphasised the importance of being respectful and building trust among one another.

DO YOU HAVE ADVICE FOR OTHER DIALOGUE CONVENORS ABOUT APPRECIATING THE PRINCIPLES OF ENGAGEMENT?

Securing diverse facilitators and participants can create the conditions for more interesting and informative exchanges. Reaching out to facilitators and participants well in advance of the Dialogue can help to maximise the chances of a diverse group, by giving people sufficient notice and giving the organisers sufficient time to ensure the balance of participants is right.

3. METHOD

The outcomes of a Dialogue are influenced by the method that is used.

DID YOU USE THE SAME METHOD AS RECOMMENDED BY THE CONVENORS REFERENCE MANUAL?

	Yes	✓	No

The method of the Dialogue was broadly in line with that recommended and outlined by the Convenors Reference Manual. David Nabarro acted as the curator of the discussion, playing a key role in ensuring that all voices were heard in the panel discussion and setting the tone for exploratory and inclusive discussion in the Dialogues. Where the event diverted with other Food Systems Dialogues was the variety of topics across the tables: 11 distinct areas were explored across 11 discussion tables. Table facilitators were those working on thought leadership and/ or pioneering solutions relevant to the given theme. This meant that they were able to provide framing points to inform the discussion, as well as curating the questions with us to ensure that these were the most pressing and pertinent. Table discussions are below. Table discussions brought up a range of perspectives, reflecting a variety of perspectives (although this would have benefited from greater involvement of farmers/ producers, indigenous groups and rural communities). There were relatively few points of tension or divergence unearthed, with the groups largely agreeing on the priorities for action. As Sunny Verghese (CEO, Olam; Chair, WBCSD) highlighted, the more unchartered territory is how to translate solutions into action. Table Discussion Themes 1. True Cost of Food. Facilitator: Sheryl Hendricks, University of New Zealand 2. Vision for Change. Facilitator: Berry Marttin, Rabobank (on behalf of Finance Network) 3. New Incentives to support sustainable flows. Facilitator: Eugenio Diaz-Bonilla, IFPRI 4. Sustainable flow of funds: A country perspective, Facilitator: Mohamed Manssouri, FAO 5. Financing the food transition – getting financialisation right. Facilitator: Simon Zadek, Finance 4 Biodiversity 6. Policy Priorities. Facilitator: Helena Wright, FAIRR 7. Accountability & Reporting. Facilitator: Gerbrand Haverkamp, World Benchmarking Alliance 8. Innovation to scale finance for sustainable agriculture. Facilitator: Jennifer Baarn, CoSAI 9. Building inclusive food finance systems. Facilitator: German Velasquez, Green Climate Fund 10. De-risking investment into food and agriculture. Facilitator: Bettina Prato, SAFIN 11. Scaling investment in regenerative business models. Facilitator: Marcio Sztutman, P4F Latin America

4. DIALOGUE FOCUS & OUTCOMES

MAJOR FOCUS

A comprehensive exploration of what is needed to build sustainable food finance systems. Participants considered the range of outcomes associated with each of the five Action Tracks. They discussed how to tackle barriers to investment flowing to sustainable practices that can help to deliver on these outcomes, and not to unsustainable practices and projects. And they explored how to build an ambitious shared vision of a Food Finance Architecture that mobilises largescale capital for more sustainable food systems.

ACTION TRACKS

✓	Action Track 1: Ensure access to safe and nutritious food for all
✓	Action Track 2: Shift to sustainable consumption patterns
✓	Action Track 3: Boost nature-positive production
✓	Action Track 4: Advance equitable livelihoods
✓	Action Track 5: Build resilience to vulnerabilities, shocks and stress

KEYWORDS

✓	Finance	✓	Policy
✓	Innovation	✓	Data & Evidence
✓	Human rights	✓	Governance
✓	Women & Youth Empowerment	✓	Trade-offs
		✓	Environment and Climate

MAIN FINDINGS

Participants entered with a shared recognition that financing a more sustainable food system is critical if we want to curb climate change, protect biodiversity, tackle poverty, create jobs, support covid recovery, ensure food security, build resilience and improve human health. Discussion was rich and varied. But the following points were identified as priorities for action across the dialogues:

(1) The need for an ecosystem & locally-sensitive approach: interventions to transform food systems need to account for the complex nature of international value-chains and financial systems, as well as varied local contexts. Financing challenges vary significantly across countries – including the nature of public subsidies, the formal financial sector's contribution to agricultural GDP and the role and performance of financial institutions. An ecosystem approach can bring together diverse stakeholders, accounts for the complex web of ecosystem risks and is tailored to local contexts.

(2) Account for the true cost of food: many tables discussed the need to internalise both the negative and positive impacts of food systems. Food systems have environmental, social and health impacts that are not factored into market prices, yet the world is paying for these in terms of degenerated environments, high health costs and social inequities (such as unfair wages). Accounting for these costs can help to transition towards more sustainable systems by raising awareness and informing investment and other decisions. Interventions to do so include true cost accounting, carbon prices/ taxes, awareness raising, and the emergence of regenerative business models that create value from sustainable practices. It is critical to ensure that this shift does not disproportionately affect poorer consumers as a result of reduced food affordability. Support mechanisms may be necessary to secure a just and orderly transition, even if ultimately accounting for the true cost of food leads producers to shift to more sustainable products and practices that benefit all.

(3) Risk mitigation: negative externalities of the food system generate significant risk. At the same time, risks associated with the transition from current practices and business models to new ones hold back investment (i.e., uncertainty around technology trajectory, costs, future demand). Opportunities to mitigate these risks and unlock sustainable investment include mandatory risk disclosure, blended finance and other tools to de-risk private investment, and interventions to reduce the burden of risk placed on farmers.

(4) Redirect incentives: there is strong recognition that current incentives do not yield desirable outcomes for the economy, livelihoods, environment or human health. While the capacity to redirect public subsidies is constrained, there are opportunities to rethink the structure of agricultural subsidies and redirect funds, including to R&D. Consumers also need to be considered: directing incentives to encourage the consumption of sustainable, healthy products will have a knock-on effect on what is produced to meet this demand.

(5) Innovation is needed across policy, business models, technology & finance. Priorities include R&D investment & finance for technology and solutions; business models that create value from sustainable practices; financial instruments that help to crowd-in/ mobilise private investment; policy interventions to shift system settings; & empowering farmers & rural communities.

(6) Improve access to information and education: many tables discussed the importance of addressing data gaps, lack of transparency and limited awareness of the impacts of food systems – and the availability of solutions – to facilitate transformation

(7) Implement clear and standardized reporting measures for climate and biodiversity, e.g., development of meaningful biodiversity metrics that are both context specific and scientifically-grounded. While many reporting frameworks have emerged to assist companies with disclosing the relevant sustainability data, the finance system is demanding the harmonization of the sustainability standards and the development of widely recognized definitions. It is also important to ensure that reporting on sustainable food systems encompasses issues across the environmental, social and nutrition sphere.

(8) Scale and roll-out interventions to secure more inclusive food systems. Access to finance remains a major challenge to sustainable agriculture and regenerative businesses, with significant numbers of small farmers, MSMEs, indigenous groups and rural communities unable to access to finance in order to invest in sustainable practices. Smaller firms can fall into a category of the "missing middle" – too big for microfinance yet not eligible for formal credit or loans from domestic banks, impact funds and DFIs. Priorities to build more inclusive food finance systems include social payments/ social assistance subsidies, improved contractual relationships, inclusive blended finance solutions, project-level support to build capacity and incubate regenerative models, digitisation and bolstering the enabling environment for investment

(9) Great collaboration and ambition across public and private actors is needed to deliver this transformation agenda. The Food Systems Summit represents a critical moment to raise ambition, place food system transformation on the top of the political, business, financial, humanitarian and research agenda, and profile, replicate and scale interventions and solutions that work.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 1/10

(1) Vision for Change: there is huge opportunity in transforming food systems: consumer interest is driving global value-chains into the sustainability space and companies increasingly recognise the risk attached to unsustainable practices.

Priorities to transform food systems discussed include:
(1) An ecosystem approach is required for sustainable food finance to work.
- Stakeholders: commercial banks, smallholders, agri-SMEs linking smallholder to market, and investors must be viewed as interconnected actors, with solutions built around this.
- Data: a fragmented data landscape directly impacts smallholder access to finance for working capital, as a lack of data leads commercial banks to view smallholders as a risky loan. Connecting actors through a data ecosystem, accompanied by technical assistance for smallholders, will be an important step to improve finance access.
- Risk: ecosystem risks are not accounted for in the current productivity-oriented, commodity-specific frame, encouraging smallholders to maximize cash crop production to cover costs at the expense of natural systems. An ecosystem frame could strengthen the case for paying for ecosystem services, diversifying incomes, reducing emphasis on maximizing production, and lowering land use intensity.

(2) Equitable distribution of risk through the value chain. To support their deployment of potentially costly nature-positive production techniques, producers need downstream actors like commercial banks to take on risk. This requires a legal enabling environment. A fragmented legal landscape disincentivises commercial banks from engaging in risk-sharing.

(3) Evaluation and reporting on the value of ecosystem services and the cost of nature/ society-based risks. We need to rollout measuring and reporting across the value chain, including food processing (where micronutrients can be lost). A global standard on Measurement, Reporting and Valuation (MRV) for climate, social, nature and food waste risk, supported by a robust legal framework, would help to address expense and complexity of these technical solutions.

(4) Increased ambition from food system actors across the value-chain to reach Paris Climate Agreement while feeding the world, particularly on nature-based risk reporting. Food companies will only undertake reporting if either mandated by policymakers, or strongly encouraged by investors. A clear set of reporting asks and a step-change in courage from food system stakeholders are required in both scenarios. “Ambition and courage are key, but they must be met with clear asks on reporting for value chain actors.” New policies and partnerships are needed, including producer associations and cross-chain collaborations.

(5) Divergence: there was some disagreement on who holds responsibility for measuring nature-based impact. While some participants saw this falling more to those engaged in food production, others saw more value in an end-to-end approach including consumers.

Success stories
• In India, collective farmer organisations are filling input gaps to capture the opportunity in natural (pesticide/ fertiliser-free) farming as a potential business opportunity; starting their own organic ventures, supported by the government
• A project in which the financing bank had a capital stake in produce sold at market, rather than charging interest on smallholder loans. This spread risk and unified incentives into a ‘value chain cooperative’ -style model.

Call to Action: there is a need for an overarching Call to Action on raising the ambition on financing food systems transformation. This call was met with the announcement for a Finance Network for Food Systems, to be launched through the Finance Lever at the Food Systems Summit.

This would take the form of an open letter signed by investment and finance actors, articulating the indispensable role of food in solving the pressing environmental and human problems of our time, including malnutrition, climate change, poverty and nature loss.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 2/10

(2) True cost of food: Food systems have environmental, social and health impacts that are not factored into market prices, yet the world is paying for these in terms of degenerated environments, high health costs and social inequities (such as unfair wages).
• Accounting for the externalities of food systems would help transition towards a healthier, more sustainable and more equitable food system by exposing the value associated with environmental, health and social externalities and enabling producers, consumers, retailers, and policymakers to make more informed decisions to improve human and planetary health.
• Tension: not all stakeholders accept the necessity to internalise costs of the food system. At the CFS discussions in 2021, countries did not concur on the issues of true costing & pricing.
• Mechanisms for true cost accounting: carbon taxes could be used to internalise food system externalities, incentivising stakeholders to adopt human & planetary friendly production methods. This would effectively mainstream the "green premium" that high-end sustainable brands currently have to choose to implement (e.g., Sabrina Mustopo shared that Krakakoa pays contracted cocoa farmers 2-3 times prevailing market price to incentivise sustainable cocoa production).
• Creating a business case for action and creating a value for hidden costs / valuing sustainable practices could make some of these tradable, e.g., soil improvements factored into property values.

Inclusivity is key: true cost accounting could reduce food affordability among poorer consumers and create challenges for farmers who lack the means to transition to sustainable practices. Interventions to ensure a just transition include:
• An inclusive price-based adjustment, beyond imposing third-party abatements or penalties;
• Investment in cleaner production technologies to enable producers to transition
• Redistributive policies to mitigate negative effects, including reconsideration of poverty line
• Repurposing subsidies to cover the costs of the transition, incentivise more sustainable production systems and reduce losses and waste

Priorities for action include:
• Fix financial systems to leverage investments and cultivate regenerative agriculture that ensures nature protection and integrity and makes this a tradable asset
• Develop internationally accepted harmonised true cost accounting (TCA) principles to ensure validity and comparability of results & implementing inclusive price-based adjustment. This requires further development as these are new fields of scientific advancement.
• Educate key stakeholders on the true value of food by integrating TCA into educational systems, front of pack product labelling, and leveraging digital tools (messages, media) to educate the public & shift behaviours collectively in the food industry and individually.
• Conduct national dialogues on food systems to provide information to all stakeholders – including farmers, consumers and retailers – on the importance of sustainable food systems and healthy consumption & the business case for action.
• Create a national policy toolbox to implement short-term true pricing based on impact studies
• Support SMEs and smallholder farmers who want to sell their products at a true price to businesses and consumers
• Governments can increase investment in food systems through infrastructure, technology, human capacity building and R&D

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(3) New Incentives for sustainable flows of funds: how can we ensure that six flows of funds support sustainable food outcomes? (i) consumer expenditures on food, (ii) agrifood business profits and savings, (iii) fiscal measures (public expenditures & taxes), (iv) international public finance (ODA and MDBs), (iv) bank finance, (vi) capital market finance.

International flows & domestic budget decisions require information to inform decision-making, linked to enhanced accessibility of data, monitoring and assessment. FAO has been working to produce greater information as a public good.

Market incentives provided to farmers trickle down into food systems, influencing how they operate. These have helped to make food more affordable but have come at great cost to the environment and health.
• We cannot simply abolish food subsidies: this could have a negative impact on food prices and affordability. Instead need to consider how to change incentive structures more thoughtfully.
• Redirecting funds towards R&D: redirecting just 1% of $700b into R&D (e.g., improved technology for agriculture) could yield a 30% reduction in GHGs while stimulating true productivity growth and improving food affordability.
• This must be coupled with other incentives to support farmer shifts. Farmers require support to adopt new technologies (e.g., training, access to technology/ inputs/ finance). This requires a rethink of structures for agricultural subsidy schemes.
• Geographic & political economy considerations: the $700b is not equally distributed across the world, but instead heavily concentrated in countries, e.g., China, India, EU, USA. We need to consider whether/ how we could redistribute and repurpose incentives, taking into account political economy aspects.

Social assistance subsidies were discussed, combining support to address poverty, enhance productivity and act as custodian of the environment.
• Social payments can deliver improved food system outcomes: the countries that have made greatest progress in reducing hunger have strong social protection systems or have managed to improve these. Transfers are typically small but can have transformational impact if designed properly. Most effective when income protection is used to strengthen production capacity, particularly in very low-income contexts.
• Social payments provide opportunity for risk management. Could we explore ways to tie social funding, cash-based transfers and risks related to the transition to more sustainable forms of production?
• However, social payments will not be sufficient to transform food systems. Other interventions – including redirecting incentives on producer and consumer side – are essential.

Bank finance/ banking system: we need to work with local system actors and design interventions that address underlying needs of financing.
o Develop local financial systems, if possible with sustainable/ SDG lens
o Leverage blended finance to target externalities with public money, while limiting bureaucracy and challenges linked to transaction
o Scale-up digital technology to get financing on the ground: we have seen with social protection cash flows that digital technology is becoming more and more important. WBG projects where countries are setting up their own digital systems, trying to get money on the ground.

We cannot wait for consumer attitudes to shift. Consumers lack awareness of the impact of food systems; limiting their capacity/ incentive to change behaviours. There is a disconnect between consumer professed concern about the environment vs. where they spend their money. This in turn reflects a lack of transparency on food systems; limited use of labelling to convey true cost/ impact of food.
o Need to improve transparency and consumer awareness
o Need to consider incentive structures that drive healthier, more sustainable consumer choices – and therefore production, e.g., taxing unhealthy/ unsustainable foods; subsidising healthier food

Considerations
• Partnerships across donors to go beyond public sector measures
• Regulation for companies & capital markets – including international - for food safety & climate/ nature

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(4) Sustainable Flows of Funds: A Country Perspective. The country level is critical in thinking about financing for food systems because that is where policy and public and private investment decisions are made. In most countries, there is a huge financing gap, especially among the smaller and informal food system actors. This includes demand for all types of financing.

Challenges
- Financing challenges vary across countries, incl. (i) the formal financial sector's contribution to agricultural GDP and (ii) the role and performance of financial institutions (public and private banks, MFIs, etc)
- Lack of information/ visibility of farmer productivity and credit worthiness makes it difficult for bankers to assess risk
- Country capacity: Stakeholders need to help enhance potential clients' capacities.
- Fragmentation & informal actors: small informal producers (smallholders & SMEs) produce most of the food in many regions (esp Africa) & are difficult to reach via formal channels. In Africa &South Asia, many small, informal financiers add to fragmentation. In Africa, there are also many informal savings groups.
- Missing middle: smaller firms are too big for microfinance, yet are not eligible for formal credit or loans from domestic banks, impact funds and DFIs because they cannot meet the financial reporting, audit, and collateral requirements.

Opportunities for action
- Shift value-chain finance to serve multiple financing needs of smallholders (as consumers and producers), e.g., by involving financial institutions within tripartite arrangements
- Financial education is needed, e.g., tools for financial management for farmers
- Female financial inclusion is key – i.e., via social and economic platforms. Usually, women have lower literacy rates and access to smartphones in low-income countries.
- Digitisation can enhance access to finance across the value-chain. Applications include:
o Enabling informal actors to build financial histories & access finance from formal sources
o Risk management, including monitoring finance
o Data generation & credit worthiness assessments, e.g., enrolling smallholders and SMEs onto digital platforms to collect data and information
o Tracking multiple income sources: helping banks to track farmer incomes across different crops/ seasons
o Fintech (largely youth-driven) also creates employment opportunities to develop technology, onboard and train farmers.

Priorities & recommendations
• Develop an integrated framework to provide finance where it is need most and place financing food systems on the top of the political agenda, with priority in budget allocation by governments (especially Ministries of Finance). This would avoid having a plethora of vertical funds; reduce the risk of mushrooming single-issue products at the cost of frameworks/ coordination mechanisms.
• Use public resources to leverage private investments. At the country level, scarce public resources need to be used strategically to mobilize more and better private investments. Finance also flows through self-financing among smallholders and SMEs; this needs to be enhanced and leveraged.
• Diversity of Instruments. We need to think about how the existing diverse instruments work together and conceptualize tools to mitigate risk. We need instruments that blend grants with private finance but also with knowledge and TA that are the first points of de-risking investment.
• Put in place a non-discriminating policy environment to allow different actors to function. Currently, larger players might have disproportionate advantages.
• Introduce policies to help aggregate demand, esp. in agribusiness sector to leverage finance
• Target incentives better
• Use intermediaries innovatively to facilitate finance / innovative intermediation.
• Increase flexibility of public lending. Setting aside financing for cross-cutting activities could enhance the impact of direct financing.
• Help reduce delivery costs. The high cost of delivery is an unavoidable factor, e.g., better mechanisms to target funding to demand. Using existing partners can reduce costs.
• Provide financing for digital solutions
• Boost & share knowledge

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(5) Aligning agricultural finance with the Paris Climate Agreement for public & private capital

Barriers to sustainable food systems
• Significant financing gap / access challenges for smallholder farmers: not registered as businesses, challenging for investors to invest in cooperatives or associations, development finance is too bureaucratic, not served by local governments or companies, small team sizes and limited capacity.
• Current prices do not internalise the impacts of food systems: not just carbon, but also nature. Challenge to account for the true cost of food while managing prics and feeding people.

Priorities
• Boost accountability and transparency: needed by investors (to assess companies), by industry/ voters from governments (on regulation for orderly transition); by citizens and consumers to understand health and environmental impacts, and how food environments are shaped by private actors. Transparency should extend to corporate political expenditure and lobbying actions of trade associations.
o Technology can enhance transparency, e.g., supply-chain monitoring
• Improve access to information to make clear the risks of current system, including risk of stranded assets.
• Enhance in-house expertise and understanding of climate, biodiversity, social and health issues, with greater integration into main investment teams
• Implement strong policy & regulation: “If regulation is not strong enough, information alone won’t get you there”.
• Provide clarity on likelihood and timing of regulation and policy to provide signals and enable companies/ investors to prepare: “Investors act on what they think will happen in the future.”
• Ensure correct framing, consensus building and further research are key to identify and flesh out needed transition pathways & build shared vision and understanding. Also critical in terms of technical options, e.g., greater clarity required on where subsidies are going.
• Tailor interventions to local contexts: heterogeneity across country contexts (i.e., enabling environments)

Priority levers
Incentives and risk mitigation
• Repurposing subsidies & fiscal policy measures to eliminate perverse incentives and negative environmental/ social impacts, while enabling market to adjust with repricing. Shift from harmful inputs (e.g., chemical fertilisers) towards fruit & vegetables/ sustainable R&D. Create conditions for nutritious and sustainable products to become cheaper
• Carbon pricing (& the risk of future carbon pricing) and other methods to value true value of food/ internalise externalities will shift investors. Agriculture needs to be included in scope.
• Mandatory climate disclosure (and nature/ biodiversity) from companies is key for investors & financial markets to mainstream recognition & integration of risks, ensure transparency and provide comparable data on company transformation.
• Enhance enforcement capacity
Regulation and standards
• Clear and standardized reporting measures for climate and biodiversity, e.g., development of meaningful biodiversity metrics that are both context specific and scientifically-grounded
• Regulation enforcing meaningful accountability and extended responsibility beyond immediate operations (c.f., extended producer responsibility in plastics)
• Standards and initiatives to stop investment in greatest harms, e.g., EU taxonomy
• Investigation and evidence to further expose supply-chain issues
Boosting investment and access to finance
• Government R&D investment, e.g., in blockchain, GPS/ GIS for traceability
• Financial policies that support financial solutions, including new forms of blended finance that cater to not-for-profits, non-incorporated companies, smallholders, cooperatives etc; exploring new ways to finance hybrid models for food; microfinance and cooperative finance.
• Standard setting for investment products
Shift narrative
• Regulate advertising & explore options to shift consumer views/ behaviour: can public budgets be used for advertising healthy foods?
• Move away from “commodity” language towards COP26 and beyond: numerous indigenous groups

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(6) Accountability & Reporting

Enhancing company disclosure and reporting has been recognized as an important factor to mobilize finance for a food system transformation. Investors and other stakeholders can use company disclosure to:
• Better understand sustainability issues throughout the whole food value chain and hold companies accountable.
• Shed light on companies' best practices and sustainability initiatives across industries and geographies.

Progress to-date: the finance system is still grappling with formulating expectations for food companies.
• While many reporting frameworks have emerged to assist companies with disclosing the relevant sustainability data, the finance system is demanding the harmonization of the sustainability standards and the development of widely recognized definitions.
• In response IFRS, SEC and the European Commission have started the development of mandatory disclosure frameworks.

Challenges
• Question whether these frameworks adequately capture the sustainability issue at play in the food system. Reporting on sustainable food systems encompasses issues across the environmental, social and nutrition sphere.
• Current frameworks are well-articulated with respect to issues like climate and human rights but less so on issues like health and nutrition – a very material issue for food & agri business
• A lot of the hidden costs are associated with the availability and affordability of healthy foods, but financial institutions are struggling to identify the right data points to properly engage with the companies in which they invest.

Opportunities for action
• Health insurance companies are potentially best positioned to play a front role in driving company disclosure on health and nutrition by food and agricultural companies: their asset investment arms invest in food and agricultural companies while the insurance arm will have an interest in healthy and nutritious foods being widely available to the people whose health they insure.

(7) Scaling investment in regenerative business models

Context
• Complexity: it is hard to put all the pieces together with so many practices and stakeholders while thinking about monetizing the opportunities
• Farmers face barriers to access finance & transition: the many local issues they deal with, such as expensive access to credit, dealing with many intermediaries, reporting to different partners (traders, government), anticipating climate shifts, etc.
• Access to long term finance is expensive for Brazilian farmers when competing with other farmers elsewhere that have access to cheaper finance

Priorities for action
A. Patient capital
• Grant funding: Designing a market-based grant funding structure requires specialized expertise, patience, timing and stakeholder management.
• Financial sustainability: Most projects do not consider generating revenues to jump into the next step and ignore the interplay between natural and capital assets.

B. Farmers at the center
• Scale up science-based design to ensure financing has the impact expected
• Design interventions with farmers in mind

C. Policy alignment
• Policy alignment: we cannot move to scale without the right policies in place talking to each other (financial incentives, climate change, environment, and biodiversity policies)
• Use guarantees as a form of safety nets to smooth farmers transitions. If they start losing their land while transitioning, most of them will not be able to continue.
• Shift blended finance design to enable access for smaller businesses: currently, regenerative business ticket size is too small to justify the cost of the reporting mechanism. Only large organizations can leverage these instruments.

ACTION TRACKS

	Action Track 1: Ensure access to safe and nutritious food for all
	Action Track 2: Shift to sustainable consumption patterns
✓	Action Track 3: Boost nature-positive production
	Action Track 4: Advance equitable livelihoods
	Action Track 5: Build resilience to vulnerabilities, shocks and stress

KEYWORDS

✓	Finance	✓	Policy
✓	Innovation	✓	Data & Evidence
	Human rights		Governance
	Women & Youth Empowerment		Trade-offs
		✓	Environment and Climate

(8) Innovation to scale finance for sustainable agriculture

Context:
• Innovation is under-funded: the current level of investment in the food system is staggering ($700B of public sector funding for farmers, $2T of private investment in the food system and $87T, or 12-15% of global GDP, spent by consumers in the food system). By contrast, the current level of investment in innovation to support sustainable agriculture intensification (a critical tool for future food systems), of only about $50-70B annually is far from sufficient and is not explicitly targeting environmental and social requirements of future food systems. This affects the ability to transform the global food system into one that is equitable, inclusive and part of the solution for the climate.
• Innovation takes many forms. It is not just about science and technology embedded within the value chain. Innovation needs to be in policy, financial instruments, institutions etc. And it needs to be inclusive of value chain actors and those in the enabling environment.
• Sustainable innovation: we need to consider the nature of innovation. Economic benefits will drive farmer adoption, but innovation needs to also address environmental & social requirements of future food systems.

It is critical that we innovative to scale finance for sustainable agriculture, but finance alone is not enough. Scaling finance needs to be part of a diverse public and private effort. To ensure the success of innovation as we scale finance for sustainable agriculture, we must:
• Empower farmers, linking them to markets and building capacity through the value chain, including within the finance enabling environment (incl. banks & other investors)
• Educate key actors, such as banks and investors, on opportunities in agriculture and innovative solutions to facilitate access to finance.
• Provide capacity building as finance is scaled for the end user (e.g. smallholder farmer), other actors in the financial instrument delivery & those benefiting from the scaled financing.
• Recognize that innovation comes in many forms both within the value chain and as enablers of the value chain. Scaling finance needs to support various forms of innovation at all stages.

Priorities for financing
• Bring the ecosystem together (public, private, philanthropic) to de-risk investment
• Ensure financing instruments enable and de-risk access to new markets (e.g., carbon markets) for farmers & other members of the value chain to.
• Ensure new & emerging instruments (e.g., blended finance) are accessible to smallholder farmers and are part of a holistic financial package, including credit & risk mgmt. options.
• Bundle various options of financial instruments and empower actors to choose the right instrument.
• Scale finance through existing hard and soft infrastructure linked to previous public, private and philanthropic investment to ensure impact through trusted channels of engagement.
• Go beyond just financing: ensure link to markets, policy setting, nutrition outcomes for sustainable business outcomes

Success stories
• Eggs to school children in Rwanda vertically integrated into school feeding programs, geographically (e.g. investment corridors) focused to bring in diverse value chain with similar financial and market access issues, and a link to basic services (education and health) through the integration of agriculture improvements.
• Farmers benefiting from agriculture improvements supported by religious-based charities

ACTION TRACKS

✓	Action Track 1: Ensure access to safe and nutritious food for all
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KEYWORDS

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	Women & Youth Empowerment		Trade-offs
		✓	Environment and Climate

(9) Scaling Finance for Food – Building Inclusive Food Finance Systems

Access to finance remains a major challenge to sustainable agriculture and regenerative businesses.

Barriers preventing access to finance for sustainable practices include:
• Agricultural subsidies do not incentivise sustainable practices. In addition, ineffective and ad hoc public policy can 'crowd out' private investment.
• Market signals from developed countries (e.g., Europe, USA) are absent in developing countries, making it difficult to understand demand for sustainable agriculture and regenerative businesses.
• Dispersed agricultural value chain & weak relationships between value-chain actors limits opportunities for an aggregated value chain approach to encourage sustainable business.
• Barriers for SMEs, smallholder farmers & farming communities
o Lack of access to credit: without a credit history, many subsistence farmers have limited access to finance, even when available. Low and unpredictable harvests limit the ability of farmers to secure a stable income, further limiting access to credit.
o Informal land titles do not allow farmers to obtain credit & contributes to poverty
o Lack of collateral and/ or means to take on high interest rates
o Global markets are hard to penetrate for MSMEs, particularly from developing economies.
o Private companies lack support from government, financiers and others to tackle immense challenges in establishing and running business in sustainable agriculture.
o Lack of proposal-writing skills & experience to access developmental & blended finance
o Key finance solutions – including blended finance – are often inaccessible for MSMEs. Mismatch between ticket size risks & transaction costs financiers willing to take and size of investment projects are seeking/ hurdle rates the project developers can consider.

Opportunities for action
Enabling environment interventions
• Implement policies & regulatory measures to support MSMEs in sustainable agriculture
• Encourage the use of digital technologies to improve yields and collect data – in some cases using this to establish credit score (e.g., agri-tech, precision agriculture, AI, fin-tech)
• Recognise land tenure and land rights to increase the availability of crop-based financing
• Raise awareness of emerging regenerative business models & value-chains, e.g., seaweed

Supply-chain interventions
• Improve contractual relationships between value-chain actors. Efforts can be made to offer non-financial benefits e.g., training, knowledge sharing & engaging farming communities.
• Improve access to data on what loans are performing vs. not performing to guide small investors & create opportunities to replicate & scale success stories.
• Provide project-level support to rebuild the farming system: regenerative agriculture needs & methods are site and project specific; approaches & mechanisms must be tailored
• Shift approach to monitoring, evaluation and learning to account for the real impact of projects on-the-ground rather than simply the number of beneficiaries & financial flows

Financial instruments
• Design accessible blended finance mechanisms that are accessible for MSMEs
• Scale insurance facilities help mitigate risk for farming communities, e.g., weather impacts
• Scale use of community managed microfinance institutions to unlock financial bottlenecks
• Enhance availability, design and promotion of non-banking financial instruments to improve access to finance for MSMEs, often less regulated, more nimble, typically digital

Success stories
• SLOW Forest Coffee, Laos: agroforestry project integrating agriculture & fintech

ACTION TRACKS

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KEYWORDS

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OUTCOMES FOR EACH DISCUSSION TOPIC - 9/10

(10) De-risking investment into food and agriculture

What types of investment risks need most urgent attention to catalyze transformative finance in the sector, and why?
• Main risks centre on the kind of investments required to transition from current practices & business models to new ones, i.e., transitional investments & business model innovation (from production to retail etc.)
o Business model transition risk largely centres on technology – including companies and projects working in the technology space (e.g. agtechs) but also companies and projects developing or scaling new business models around the use of sustainable and inclusive technologies.
o Transitional investments: critical to address risks resulting from fact that market demand (or indeed, proper markets) around post-transition products and services are not quite there in most contexts. Food system investors are not sure of future demand / whether policy mandates or incentives designed to be phased out after market demand kicks-in will be stable/ long enough to make journey worthwhile.
• For investors operating outside food systems, transition-related risks and more established risks associated with the sector closely intersect. E.g., agronomic risks or risks related to high costs of monitoring the different components of fragmented portfolios are present both with BAU investments and with transitional investments, but the latter bring about additional challenges related to uncertainty about MRV for green investments on a small/decentralized scale (e.g. small-scale agriculture).

What is the actual and potential impact of blended structures in addressing these risks, what are their limits, and what is holding them back from reaching scale?
• Blended finance can be effective in de-risking specific investments or demonstrating possibilities. But to have systemic impact and/or impact at scale it needs to be positioned into a broader toolbox and accompanied by clear strategies for market development.
• Analysis of the reasons why scale is not reached (incl. SAFIN/Convergence) was validated by the observations made the group.

Other key models or tools to facilitate stakeholder alignment to de-risk a diverse flow of private capital towards food system transformation
• Adress risk and the economics of transitional investments and innovative business models at the same time. E.g., via approaches that address both the economic incentives for the transition and risk at the same time, looking at this from the perspective of both value chain actors (and investors within food systems) and external investors and financial institutions.
• Develop & implement measures to accelerate the development of markets around post-transition models, including:
o Developing the institutional underpinnings of carbon markets (for sequestration and reduced emissions)
o Mainstreaming the integration/ layering of different revenue streams around individual investments and/or around individual value chain actors (e.g. farmers deriving revenues both from products and from carbon sequestration)
o Leveraging the role of policy and public finance to “reward good food” (e.g. through public “quality seals’ for sustainably produced food, etc.).
• Launch partnership and actor-alignment models that make transparent and actionable both the investment opportunities and the risks and costs holding back finance (or allowing finance to align to BAU). This may include existing models like the WB-supported “innovation hubs”, landscape financing approaches, investor platforms (e.g. TLFF), etc. Advantages of these models include: convening finance and food system actors (and others); identifying clear opportunities around “change” & targeted financial and de-risking solutions; creating spaces to address governance issues (esp. intersection of social and environmental impact), which often require intense engagement to support and enrich inclusive local governance mechanisms.

ACTION TRACKS

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KEYWORDS

✓	Finance	✓	Policy
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	Human rights		Governance
	Women & Youth Empowerment		Trade-offs
		✓	Environment and Climate

OUTCOMES FOR EACH DISCUSSION TOPIC - 10/10

ACTION TRACKS

- Action Track 1: Ensure access to safe and nutritious food for all
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- Action Track 4: Advance equitable livelihoods
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KEYWORDS

Finance	Policy
Innovation	Data & Evidence
Human rights	Governance
Women & Youth Empowerment	Trade-offs
	Environment and Climate

AREAS OF DIVERGENCE

There were limited areas of divergence across the tables. In one case, there was some disagreement on who holds responsibility for measuring nature-based impact. While some participants saw this falling more to those engaged in food production, others saw more value in an end-to-end approach including consumers.

Elsewhere, divergence emerged around how to implement solutions and priorities upon which the groups aligned.

ACTION TRACKS

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KEYWORDS

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CORRECTIONS, ADJUSTMENTS, OR CHANGES

Title	5. Financing the Food Transition: Getting Financialization Right
Date	28/06/2021

Context: • Today's global food system is unsustainable environmentally, socioeconomically and in terms of human health. • Finance shapes food systems, influencing production methods and creating positive impacts – by increasing capital investment and other required financing, and negative impacts – by increasing externalisation of negative costs and reinforcing market concentration. • The key challenge is how to attract private finance under the right conditions (i.e., internalising negative externalities, climate nature and poor health; reducing the absolute cost of affordable nutrition; and ensuring adequate, aligned financial flows for investment and consumption • Shaping positive financialisation – framing points: financialisation reflects "the increasing importance of financial markets, financial motives, financial institutions and financial elites in the operation of the economy and its governing institutions". Financialisation is crowding in private capital needed for the transition; it needs to be shaped to mitigate negative and amplify positive features. This requires a shift to financial systems that are: o Efficient: internalise costs through financial market efficiency o Empowered: citizen action in shaping financialisation o Directed: enhancement of financialisation's innovation power o Innovative: policy to shape financial market logic • This would help to deliver the food system we want: o Soil-based agriculture shifts from capital intensity to labour, local knowledge, healthy foods and affordability o No-kill protein localises and diversifies production, shortens supply-chains, lowers costs, increases nutrition and increases resilience o Healthcare providers, e-commerce and insurers shift to incentive-based models of promoting healthy foods (e.g., behaviour calibrated health insurance) Opportunity areas • No-kill proteins is potentially one of the biggest disruptors: participants discussed that lab-based meats are not restricted to rich countries; highly processed foods are found in "poor" countries as well. Finance will play a huge role in shaping whether emerging disruptions in the food sector deliver positive or negative outcomes – including role of nudges. • Food systems summit represents an opportunity to look at financial issues from system perspective & explore whether/ how financialisation can be shaped: we have begun to look at broader systemic issues around climate over the past six years; we can begin to do this for finance. We should seek to push this agenda gradually in the lead-up to the Summit and beyond. • The financial sector can speed-up & scale-up finance to more sustainable forms of agriculture through balance sheet financing and greater risk disclosure and stress testing – including climate and nature risks. o Question of how to get capital to disruptive companies more quickly, given banks do not play in the VC space: how to capitalise these companies more quickly/ engage a broader section of the investor community? o Key to tackle the issue of acquisition & transaction costs: transaction costs are higher for agri-food than energy, in part due to the ticket sizes being smaller. Need to find the right incentive to tackle this issue, e.g., smart subsidies to cover the costs (c.f., Singapore) o Need to address the issue that the way agriculture is subsidised from national governments/ regional agencies currently prevents innovation