OFFICIAL FEEDBACK FORM

FOOD SYSTEMS SUMMIT 2021 DIALOGUES

DIALOGUE DATE	Thursday, 22 April 2021 13:00 GMT +02:00
DIALOGUE TITLE	#RestoreOurEarth: How to enable finance in game-changing food systems solutions
CONVENED BY	Dhanush Dinesh, Head of Partnerships and Outreach (CCAFS), Alberto Millan, Global Lead Sustainable Finance (CIAT), Hans Loth, Global Head UN Environment Partnership (Rabobank)
DIALOGUE EVENT PAGE	https://summitdialogues.org/dialogue/7051/
DIALOGUE TYPE	Independent
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	123

PARTICIPATION BY AGE RANGE

0	0-18	19	19-30	67	31-50	33	51-65	2	66-80	2	80+

PARTICIPATION BY GENDER

062	Male	60	Female	1	Prefer not to say or Other

NUMBER OF PARTICIPANTS IN EACH SECTOR

18	Agriculture/crops	5	Education	0	Health care
0	Fish and aquaculture	1	Communication	0	Nutrition
2	Livestock	5	Food processing	9	National or local government
7	Agro-forestry	0	Food retail, markets	0	Utilities
25	Environment and ecology	0	Food industry	1	Industrial
5	Trade and commerce	45	Financial Services		Other

NUMBER OF PARTICIPANTS FROM EACH STAKEHOLDER GROUP

4	Small/medium enterprise/artisan	0	Workers and trade union
3	Large national business	0	Member of Parliament
14	Multi-national corporation	0	Local authority
4	Small-scale farmer	14	Government and national institution
1	Medium-scale farmer	4	Regional economic community
2	Large-scale farmer	4	United Nations
2	Local Non-Governmental Organization	23	International financial institution
20	International Non-Governmental Organization	11	Private Foundation / Partnership / Alliance
0	Indigenous People	0	Consumer group
17	Science and academia	0	Other

2. PRINCIPLES OF ENGAGEMENT

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

From the get-go, this dialogue was not solely convened, but embraced multi-stakeholder inclusivity at its core by co-convening the dialogue by a private sector, public sector, academic and multilateral organisation. From this foundation, we aimed to contribute to a complementary discussion, involving stakeholders with diverse backgrounds from all over the world that could share their knowledge, work and visions for a joint and sustainable future. There were concrete examples shared to the audience from all kind of backgrounds, to make sure the participants were well equipped to build on the available expertise and experience of the expert (and non-expert) attendants. The dialogue was held within a safe, Chattam House rule environment, so that participants were free to share and discuss, but most of all dream off and plan for a sustainable food system transition.

HOW DID YOUR DIALOGUE REFLECT SPECIFIC ASPECTS OF THE PRINCIPLES?

The dialogue was committed to multi-stakeholder inclusivity, as showed by the co-convening group of organizations and wide diversity of participants. By creating a safe environment, building trust, experts shared their work and knowledge on which further thinking could be built. We acted with urgency, asking participants what they dreamed of and what they (and their organizations) could do to get there over the coming years. Recognizing complexity, we found excellent moderators that were well equipped to allow a voice to all that were attending and wanted to share, in a respectful and constructive fashion.

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

Always try to aim for a diverse line-up in speakers and moderators, as this will also reflect in the participants that will come to discuss your important work. Embracing this diversity allows for a rich discussion that would otherwise not be as likely. Coming 'out of the silos' is both an advice as a lesson, as even within organizations we sometimes do not listen enough or work with other perspectives. Use this dialogue to your advantage and think different!

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

4. DIALOGUE FOCUS & OUTCOMES

MAJOR FOCUS

LEVER OF CHANGE “Finance” and its links with ACTION TRACKS #1, 3, and 4: the focus of the Dialogue was on ways to scale-up blended finance (i.e. combining development finance and philanthropic funds with private sector capital) as an enabler for transitional investments needed to produce food more efficiently and sustainably to (1) feed an increasing population with changing diets, (2) achieve the Sustainable Development Goals (‘SDGs’) and (3) meet the 1.5°C ambition of the Paris Agreement.
Investment opportunities in sustainable food systems are limited by three key market failures (lock ins) including (1) the lack of a deep pipeline of bankable projects; (2) high (perceived) investment risk, and lack of primary data/information asymmetries; (3) lack of efficient connection between investment needs of farmers and producing companies and different pools of capital (e.g. DFI’s, banks, pension funds, insurance capital). These market failures are exacerbated by a severe funding gap and a strict regulatory framework. One of the solutions to these failures is blended finance, which on the one hand enables governments to use limited public money to crowd in a much larger scale of private finance, and on the other hand allows corporates and financiers to have some costs and risks partly covered by public finance, boosting their investment appetite in sustainable food production solutions.

This dialogue aimed to integrate the viewpoints of different types of stakeholders around blended finance mechanisms. The role that blended finance can have in the food system transformation was analysed and new ways of collaboration were discussed to truly accelerate tangible action towards the UN FSS in New York in September and beyond.

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

1. Main limiting factors
(a) lack of incentives for the private sector to invest in sustainable food production (b) lack of knowledge/common understanding of innovative blended finance mechanisms by all actors involved, including which type of solution works best in specific situations, how the risk sharing works and what is the return on investment; (c) difficulty in building an investment pipeline, especially when this entails reaching out to the smallholder farmers (d) investment risks are perceived higher than for BAU (e) lack of data, metrics and standardization (e.g. for measuring impacts) limit transparency on the environmental and social impact of blended finance instruments, product structuring and bankability (f) disconnection between actors within the production supply chain, between production and financial actors, between different pools of capital, and between different donors
2. Ways to address these limiting factors
CREATING INCENTIVES: (1) Work towards a price of food that reflects the true social and environmental costs of production (2) Transition to a more encompassing definition of "economic return" in business cases to consider the long-term and the internalization of hidden costs to natural capital (3) Stakeholders and investors to increase pressure on food corporates reduce risks related to unsustainable production and create incentives for farmers (4) Investors to reward corporate investing in capacity building and technical assistance of farmers (5) Reduce investment barriers/incentivize farmers, e.g. by lowering certification costs for smallholders, approving longer-term loans linked to sustainability targets, lowering interest rates (6) Financial institutions to have top management-endorsed sustainability objectives and to create incentives for staff to get this type of deals off the ground (7) Governments to work across ministries to reach common goals in different sectors, to create an enabling environment for investments, and to redirect public finance support towards food systems that add instead of subtracting value through hidden costs
ADDRESSING LACK OF KNOWLEDGE: (1) Incubate business models and scale-up successful experiences through technical assistance, with emphasis on the youth and on innovation, and with a geographical focus (2) Technical assistance to farmers (e.g. to analyze markets for sustainable produce, to adopt agricultural innovation and adapt it to local circumstances, to prepare a business plan to access finance, to optimize returns over 5-7 years instead of short term) (3) Technical assistance to investment officers
BUILDING AN INVESTMENT PIPELINE: (1) Create more investment funds with a transformative potential (2) Develop small-size ticket financing solutions for smaller farmers, distinguish between blended finance for the farmers and for off-takers (3) Build relationships between farmers and local financial actors (4) Simplify structures and process of blended finance instruments to attract more investment opportunities/standardize contracts (5) Increase MDBs support when projects are not bankable (6) Advance innovation on institutional aspects for participatory planning of investments that can then be financed through blended solutions (7) Include investors in the blended finance mechanism's board room, to assure that projects in the pipeline are attractive to them
ADDRESSING INVESTMENT RISKS: (1) Allow farmer cooperatives/communities to receive financing to lower risks and costs (2) Direct more public and private funding towards science-based innovation to de-risk investments (3) Step-up innovation around risk mitigation & sharing solutions (e.g. climate finance lab, blended finance pilots) (4) Develop tools for climate and biodiversity risk assessment tailored to investment officers of local / regional banks
MEASURING IMPACT, TRANSPARENCY, AND TRACEABILITY: (1) Low-cost digitization solutions to allow data gathering and increase transparency (2) Address the digital divide, by supporting farmers to access and use digital solutions (3) Work towards standardization of impact measurement, building on KPIs being developed by the research and innovation ecosystem, e.g. avoided emissions, water productivity, etc., but considering that measuring impact can be very costly as it may require specialized people (4) Aim for a standard impact matrix that is science-based and can be certified (5) Rely on local organizations to measure baselines and impact (after providing technical assistance)
CONNECTING ACTORS: (1) Work towards a shared ambition level to push sustainable food systems to the top of the agenda (2) Build partnerships to build trust and guarantee the availability of operating loans (3) Address the fragmentation of the value chain, by mapping and addressing all actors in the value chain and make sure that all these economic agents, can reap the benefits of their investments in sustainable food production (4) Develop common narratives for all stakeholders to bridge expectations, institutional cultures and mindsets (5) Improve successful matching between investors and producers, by mapping the different sources of finance around food (6) Connect donors to work on common requirements for concessional capital in the food sector to maximize the catalytic role of concessional capital and development impacts (7) Connect farmers with tech partners to scale up agritech adoption, with aggregators encouraging farmers to adopt technology (8) Intracompany and intercompany collaboration to make the use of blended finance mainstream among corporates.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 1/6

1. Building blended finance at scale; how can we step up public - private financial commitments to unleash more capital?
A. The discussion focused a lot around the topic of incentives.
- Incentives within commercial and development Banks: it can be a challenge to convince people in a bank to take on and see through the blended finance from beginning to end because it's usually outside the business-as-usual type of transactions and it requires more time and more effort. And so, this effort has to be worth it. There's a couple of ways how incentives can help motivate staff to take those deals on. One is integrating KPIs that can make it worthwhile for the staff, from a personal perspective, for example to be promoted. But it can also be super helpful to witness another colleague successfully closing a deal and being rewarded and recognized for it within the bank. And so, one success story can lead to another, as peers are motivated to do similar things to also get the same recognition.
- Incentives for corporates: it would be ideal if the shareholders would also evaluate the corporates according to criteria that are more aligned with sustainability. So, currently a lot of the ways how corporates are being evaluated centers around how much of their volume of Source Products is third-party, verified or certified. But that does not always include all things that this corporate is doing. For example, if it's providing technical assistance to the investors and trying to improve practices of farming for example, this would simply be missed in this type of evaluation and so trying to work on the ESG evaluation criteria of corporates would also provide better incentives to work towards Blended Finance to scale up sustainable food and agriculture
- Incentives for the farmers. If there's no client demand from the corporate side or from the farm side, even if we can get commitments and more blended finance, it simply won't work. So, the farmer and the corporate would need to see how a better food system can also benefit them.
B. We also discussed the importance of de-risking mechanisms such as portfolio guarantees and (long-term) off-take agreements. The off-take agreements are particularly relevant if you want to secure cash flows, which for smallholder farmers is a very important aspect.
C. Then, we focused on addressing systemic barriers. The problem is that we're not paying the true price of food. So, neither the water cost or the carbon cost or the deforestation that we cause when we go to the supermarket. If we paid the true cost of food, that would unlock and direct public and private finance towards sustainable production at much larger scale. So, this is a thing for governments to regulate. In that sense, the EU taxonomy can be helpful, as well as new climate laws.
D. Another important solution is an open letter from both public and private finance stakeholders in the lead-up to the food system Summit to basically unite behind an ambitious vision and commitment.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 2/6

2. What do value chain actors (farmers, processors, traders, off-takers) need to create sufficient investable opportunities?
A. We discussed the importance of a whole chain approach that is pointed at access to markets. If you achieve access to markets, then access to finance will probably follow as they are deeply interrelated. As the sector is too differentiated, we should not hope to achieve access to finance for individuals. A way to make value chains more efficient is to cut out actors and identify champions of the value chain by private sector and financial institutions. We need to gather attention around business and investment opportunities, showcase these and access to finance will improve along the rest of the value chain.
B. There still however remains the need to de-risk, which is urgently experience by all players. As agriculture investment is typically long-term and there is a gap in yields and the sustainable transition, farmers should be support by adjusting finance services and solutions to smaller farmers and SMEs so that they can invest in the translation as economic actors. In this respect, there is a lack of finance from (local) banks to finance agriculture as the required long-term investments are currently not possible for financial institutions. De-risking can increase bankable projects together with innovative financial solutions that make transactions possible. Finance should be seen as part of the solution and not of the problem, and should be at the forefront of dialogues. In addition, we must provide better risk profiling metrics, which are specific on the one hand and general (global level) on other hand.
C. An issue we discussed is inequality resulting from the digital divide. Technology is very important for value chain traceability and transparency, thus influencing investment decisions along the chain. These technology solutions are in place, a lot of good examples we heard in our group about technology driving, better investment also for smallholder farmers, but there is still an issue of digital divide. In order to reduce inequality, we need to support smallholder farmers with the digital for financial markets, which can improve investment.
- Another message to reduce inequality is blended multi stakeholder partnerships, not only blended finance. Acknowledging all players as partners, from farmers to consumers, including the midstream players, and blending them is absolutely crucial for alignment around ambitious sustainability goals. This brings us to another challenge, the huge lack of knowledge about the value chain functions, which entails knowledge on who the actors really are, understanding the role of farmers as economic actors at whatever scale they are operating and making sure that they can get a fair value for their work.
D. We discussed that the food system Summit is an important starting point to understand the true nature of the challenge and agree on what it is to do no harm with investment. Clarifying, what is the stick and what is the carrot? This question is necessary to make sure that we repurpose agricultural subsidies and connect the stick and carrot approach. An example provided by this group is to incentivize blended finance for sustainable and deforestation free agriculture by governments. Hereby, off-takers and large corporates have a crucial role to send a demand signal for sustainable and deforestation free commodities. Moving forward, the Summit is just the beginning and after which we need to listen to the finance lever and work together to combine stick and carrot.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 3/6

3. How can the so-called innovation ecosystems (e.g. NGO's, UN agencies, social enterprises, international financial institutions, research organizations) efforts to scale?

A. To overcome the lack of bankable projects, we discussed that science and innovation can be used for de-risking blended finance structures and delivering efficient, effective and transformative technical assistance at a pre-investment stage. This is needed to prioritize deal flow to help investors understand the risks and implement those strategies needed in terms of adaptation. To ensure impact at scale, specialized people need support and work closely with the local ecosystem to create trust and get them to take the last mile, such as financial intermediaries, regional and local banks. Those are the ones supporting small-scale farmers and have trust within. This requires simplified tools to measure and assist on local scale. What is measured gets done; for which ways to measure natural capital and ecosystem benefits must be standardized to overcome the challenge of true pricing and reaching scale. We need to find simple measures for the different facets that are very context specific to examine the kinds of impacts achieved and measurements that have been adopted.
B. In order to address the lack of evidence on the environmental and social impact of different blended instruments, different actors, such as the CGIAR Commission, should leverage evidence of the impact of different investment models on sustainable agricultural intensification. Research by SAFIN/Convergence should call to action to donors to focus more resources around four types of blended models that are designed to combine scale of financial mobilization and scale of development impact. Agreement among donors to streamline requirements for concessional capital to be used in blended structures in the sector and/or to use concessional capital more catalytically (more early stage, more high-risk tolerant uses). Financial institutions must structure properly from the very beginning on to avoid wrong incentives.
C. There is a need to demystify markets of financial product offerings and bring more transparency to navigate the cluster offerings in the blended finance market. This can be achieved by blending actors in the innovation ecosystem by not only formal partnership arrangements in the set-up of blended structures but also, and most important, narratives and other tools to bridge expectations, languages, understandings and ways of working. Alignment between actors is crucial in overcoming the lack of shared understanding about the main financial gaps and the lack of consensus around the best fit between type of blended solution and specific uses or market situations. In order to be able to optimize the use of finance, it is essential we fix markets and the unstructured, fragmented value chains. The structures and products are too complex for investment opportunities and require process simplification and mainstreaming the sharing of information.
D. Between a variety of stakeholders, there is a sheer magnitude of capacity gaps, both financial and non-financial. It is essential to build up capacity at the institutional level to ensure investment possibilities and opportunities are identified and lead to the kind of transformative impact that is needed. Institutional innovation, particularly around inclusive governance of blended finance transactions, needs to focus not only on the "hard" side of science but also on social and governance issues.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 4/6

4. How do we ensure that investable opportunities provide a sufficient business case?
A. The Earth should no longer be ignored as a stakeholder within decision making and include the benefits of an investment to the planet as a return. Valuation of ecosystem services provided by the Earth can enable us to put the Earth as a stakeholder on the negotiating table. Factoring in climate risk within business operations can help create the business case for climate action. From a bank's perspective, commitment from the top level is needed to implement such a strategy and to integrate blended finance, where governments also play an important role. We have to realize that there is a strong economic drive, especially in poor regions, to damage the nature because out of lack of finance, lack of resources and knowledge. Providing finance to those rural areas would help, together with technical assistance.
B. We need blended finance to transition to a better reality and create a food system that produces sufficient and healthy foods. Firstly, the incentives for farmers need to be upped and re-aligned. For this, banks need to take into account that different types of farmers have different interests. Lowering interest rates is not the only way, especially where interest rates are already low. Banks and investors should focus their energy on terms and conditions, including the length of the tenor, to truly appeal to farmer needs, and correlate these loans with targets on sustainability. Without a business case, there is no viable sustainability in there.
- Secondly, the package of solutions to farmers may be too difficult to adopt. Solutions do not come as silver bullets, but as a package. There is a need to assess if these solutions are not too difficult for the famer to adapt to local environments, by using applied research and testing together with agricultural innovation and putting knowledge in hands of farmers.
- Thirdly, in order to get these solutions to scale, we have to tailor blueprints which might require more work. Ideally, we would want blueprints at scale, noting that there are local realities for implementation. Sufficient investments needed in the 5 key drivers of change, like the Sustainable Rice Platform, noting local differences, to stimulate uptake and scale. Aggregators should take up the role to enable farmers to really uptake technology within the supply chain.
C. Blended finance is an instrument, a means to an end, which should become more mainstream. However, there is also a big role to play for unblended finance which needs to be repurposed and refocused. Supply chain players need to interact differently with (new) players in their value chain by getting out of silos, even within organizations by including finance teams and getting conversation within mainstream. It is essential to have intercompany as well as intracompany collaboration. Moreover, a market-based approach is needed, working with existing lenders to make more efficient use of subsidies. Smaller deals, reduce approach and long-term capital is key. In the group there was willingness to work collaboratively, especially working to bring together different pools of capital with different objectives (social, environmental, economic) for greater impact.
D. Right now, sufficient business case is limited by a focus on economic growth only, e.g. focus on non-eco friendly transactions as opposed to eco-friendly transactions, as well as the absence of sufficient demand for sustainable products and services. Financial institutions should have clear objectives to advance sustainability in addition to profitability, which can help efforts at the regional/national level to shift business models to more sustainable pathways. The private sector should also have a well-defined purpose for the public benefit in their goal.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 5/6

5. How do we ensure that investable opportunities provide ambitious SDG impact?
A. One of the challenges to which the participants referred the most was about science based and certificated metrics. Currently, it is very difficult to use common metrics to measure progress and some contributions of individual projects to common goals, which makes not possible their use at a high level. The ideal state that was mentioned included climate adaptation/resilience risk analysis into ESG approaches and financial risk approaches. One of the examples to reach this ideal state was the KPI directory for the sustainable land-use finance done by UNEP, this to exemplify how indicators can be harmonized and how to start using some metrics that could be applied to investment. Another intervention was about the importance of creating an interdisciplinary cross-cutting multi ministry approach, in order to get better metrics (what is wanted to be achieved), but also a better joint work between ministries from different countries, since currently, their work is quite fragmented.
B. Also, a need for simplification to finance in the agricultural sector was one challenge that participants mentioned: many organizations do not want to invest in the sector as it is not only complicated and fragmented but also has many risks. I.e. less legal costs, standard GHG's, biodiversity matrixes, etc. Also, make a split between blended finance and off-takers blended finance., working towards blended finance 2.0, whilst also addressing securitsation. Also, it was mentioned that sharing portfolio performance data across financial, social and environmental outcomes in emerging markets, can provide a benchmark for investors on real investment opportunities and risks. Some climate policy initiatives were also mentioned, as well as the global innovation Lab for climate finance, which seeks to develop blended finance for mitigation and adaptation. This example was highlighted as an effective way to know what type of work could be better. In this case, for example, some models have been shown as useful to bring some capital market players into investment in agriculture. The ideal state would be to coordinate with industry/national advisory boards to develop and adopt generally-accepted climate/natural capital accounting and valuation methodologies; climate-related financial risk disclosures.
C. Furthermore, regarding implementation and real impact on the ground, the importance of mobilizing different stakeholders according to the sectors (including governments, financial institutions and investors) and value chains was expressed, so that, common goals can be achieved through joint work. Technical assistance needs to be done local and on the ground, in cooperation with local financial institutions. This comes close to the importance of political coherence to which several referred. Through this, it will be possible not only to reach farmers with solutions that adapt to their needs but also to be able to project positive impacts on communities in a more concrete way.
D. Tapping into communities, participants talked about the importance of considering the needs of the communities with which the work is done. For example, in Africa, one of the participants stated that there is still no success story that can be replicated, and yet there are still many barriers to project implementation such as lack of technical knowledge from farmers. For this reason, it was suggested to develop joint efforts to create a success story in Africa that becomes a role model and continues to advance and scale regional and globally.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 6/6

A. The big issue with Blended Finance is that the large asset owners are not fully involved and do not have their investment policy in place to invest in such BF schemes. Agri - Food BF scheme requires long term illiquid investments which are not aligned with their liquidity ratio. We do need to involve institutional investors at the creation of the BF structure to integrate their constraints are still missing the large financial asset owners… with new regulations, banks will have more difficulties to finance long tenor projects, especially with a high transition costs. Blended finance is merely a transitional “product”; it needs to exit as an asset that can be traded between asset owners. Some companies are developing 'fund-of-fund' structures as well as 'liquidity guarantees' to crowd in institutional investor capital. Perhaps these can be among a suite of solutions that taps into sources that remain as of yet difficult to reach
B. We do need to create platform for Blended structures, not only finance, where we can mutualize costs, data, technical assistance, promoting alternative models than the existing supply chains. This can include sharing TA around metrics.
C. Replicating deals proves to be complicated. At farm level: we are working towards standardized loan products for our rural clients, that facilitate the transformation of their production method, while using risk sharing with AGRi3 as impact investor.
D. As Loan products need to be tailor made to gather for smallholder farmers, market, credit access are key. As such, maybe technology will definitely help to reduce (monitoring, execution) costs (geo data, etc). Technology will also be a key driver for sustainable efficient food production. Connecting final consumer to farmer using tech could double the profit of farmer.

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AREAS OF DIVERGENCE

No areas of divergence.

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