

# Transforming Food Systems Under a Changing Climate

## Financing the transformation of food systems under a changing climate: key messages

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NOVEMBER 2019

### The imperative for action to build low-carbon and resilient global food systems

The global food system will need to produce food more efficiently and sustainably to achieve the Sustainable Development Goals (SDGs) and meet the 2°C climate commitments of the Paris Agreement. As climate change affects food systems, governments, food and agriculture companies, and public and private investors need to better identify and address the numerous climate-related risks they face. This can also be an inflection point to take advantage of new investment opportunities that the transformation to low-carbon and resilient food systems presents. Climate-smart investments to transform food systems, however, are not yet at scale. This will require addressing core market failures to unlocking private sector financing from food and agriculture companies, domestic and international financial institutions, and specialized investors. Whilst this paper highlights the clear need and

role for the former, it explores in greater depth innovative strategies to address the core market failures of the latter: **1) lack of deep pipeline of bankable projects, today; 2) high investment risk and lack of primary data/information asymmetries; and 3) lack of intermediation to efficiently connect different pools of capital to investment.**

Against this backdrop, CCAFS and its partners highlight a diverse set of policy options, innovative financial solutions, and strategies for how government, food and agriculture companies, public and private donors and investors can support the transformation to low-carbon and resilient food systems.

### Robust policy options, innovative financial solutions, and strategies to transform food systems under a changing climate

Below we outline market failures, overall solutions, and recommended strategies to address each. More detail is available in the full report, available at: [bit.ly/TFSI\\_Finance](https://bit.ly/TFSI_Finance).

#### ROBUST POLICY OPTIONS, INNOVATIVE FINANCIAL SOLUTIONS, AND STRATEGIES TO TRANSFORM FOOD SYSTEMS UNDER A CHANGING CLIMATE

##### Market Failure

Lack of deep pipeline of bankable projects, today



##### Solution

Create investment opportunities that are attractive to public and private investors

##### Recommended strategies

- Integrating sustainability and mainstreaming environmental, social and governance standards in investment decision processes
- Scaling up green financing linked to climate outcomes
- Government support to embed the external costs of unsustainable food systems in business-as-usual decision-making, to create market incentives for new sustainable opportunities and support market building interventions
- Blended finance to develop a deeper pipeline of bankable projects and catalyze private investments in new markets and business models
- Developing digital solutions to support pipeline development, and new standalone investment opportunities

## Market Failure

High investment risk, and lack of primary data/information asymmetries



## Solution

Build capacity to accurately assess risk and deploy appropriate risk-mitigating mechanisms

## Recommended strategies

- Equipping investors with the data and risk tools needed for better risk assessment
- Utilizing mechanisms such as blended finance to de-risk and catalyze private capital

## Market Failure

Lack of intermediation to efficiently connect different pools of capital to investments



## Solution

Improve intermediation to match the risk-return profiles to different sources of private capital

## Recommended strategies

- Developing market-accepted climate valuation methodologies, and simpler and standardized products
- Promoting aggregation and securitization to convert investment products into marketable securities to a wider pool of investors with different risk-return appetites
- Fostering deal matchmaking platforms to facilitate transactions between a pipeline of investable projects and pools of investment capital
- Shifting the investor mentality to take advantage of the growing momentum in blended finance to participate in less traditional asset classes and markets

## Strategic roadmap for the way forward

We provide short (1-3 years), medium (3-10 years) and long-term strategies (10+ years) for:

- Governments
- Public and philanthropic donors (w/o financial return)
- Public and philanthropic investors (w/ financial return)
- Corporate actors
- Private financial investors

For the specific recommendations of the roadmap, please see the full report.

Read the full report: [http://bit.ly/TFSI\\_Finance](http://bit.ly/TFSI_Finance)

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## About the Transforming Food Systems Under a Changing Climate Initiative

This briefing is part of Transforming Food Systems Under a Changing Climate, an initiative led by the CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS) that aims to realize a transformation in food systems by mobilizing knowledge and catalyzing action. The initiative brings together leaders in science, business, farming, policy and grassroots organizations to identify pathways for transformation. To find additional publications in this series and for more information, please visit: <http://bit.ly/TransformingFood>.

## About the CGIAR Research Program on Climate Change, Agriculture and Food Security (CCAFS)

CCAFS brings together some of the world's best researchers in agricultural science, development research, climate science and Earth system science, to identify and address the most important interactions, synergies and tradeoffs between climate change, agriculture and food security. CCAFS is led by the International Center for Tropical Agriculture (CIAT) and is carried out with support from the CGIAR Trust Fund and through bilateral funding agreements. For details please visit <http://ccaafs.cgiar.org/donors>.



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