The ClimateShot for impact investors

The ClimateShot campaign encourages innovation in financing to support the scaling of private sector-led solutions for people, nature and climate.

It is supported by the campaign’s allies, many of who are leaders in development finance and impact investment, each bringing unique perspectives.

ClimateShot aims to crowd in more investors behind this action agenda, with more Development Finance Institutes (DFIs), impact fund managers, funders of social enterprises, philanthropies, institutional investors along with international, regional and local banks and investors backing the campaign’s ambitions.

ClimateShot builds on the experience of these organisations and their funds, advancing action around common priorities in mobilising finance, such as approaches to measure risks, identify opportunities, and embedding the impact of investment on people, nature and climate into investment return expectations.

ClimateShot has three action areas where impact investors can make a difference:

- **Mobilising financing** to scale the solutions that work
- **Working together** to unlock opportunities to enhance impact
- **Understanding and accounting for our impact** on people, nature and the climate

**Action 1: Mobilise finance to scale agricultural technologies and business models, using innovative approaches that reduce cost and risk**

- Innovate in how we mobilise finance, including through blended finance structures, outcome-based financing, to support business models that can overcome high costs and reduce risks.\(^1\) This includes using platforms and risk mitigation instruments such as credit

guarantees, risk hedges and insurance, fintech and credit scoring tools, and blended structures that ultimately enable institutional investors to participate. It also includes exploring novel approaches to price externalities and generate revenues such as outcome-based financing (e.g. carbon credits, or payments for eco-system services such as soil quality improvements).

- **Invest in strengthening innovation ecosystems that enable private sector solutions to scale.** This includes taking a system-wide view of risks and costs, and recognising the roles of policy makers, infrastructure and industry standards. It requires using Technical Assistance strategically to build viable business models, in partnership with entrepreneurs, to de-risk markets, and to help businesses access follow-on financing.

- **Reduce risks and costs by harnessing digital solutions and data for finance and decision making.** This includes harnessing digital technologies to help with (i) obtaining more granular farmer-level views of impact and risks, and (ii) addressing the cost barriers that need to be overcome to reach underserved communities. It also includes supporting initiatives that benchmark enterprise performance to facilitate investment decisions.

**Action 2: Work in partnership to unlock opportunities to enhance impact and reach**

- **Listen to communities and end-users, and bring local knowledge into project design and risk assessments.** This is done by collecting data on the needs and aspirations of farmers, promoting user-centred design, and supporting social enterprises.

- **Collaborate across the sector, to reduce information asymmetries, shift risk perceptions, and support with pipeline development.** This includes supporting sector convenings, sharing market information, collaborating on sector benchmarking initiatives and sector convenings, and building pipelines for follow-on finance.

- **Leverage the financial sector to build inclusive and diverse agricultural value chains.** This includes working with the banking sector to scale financial solutions and unlock investment, by harnessing their large existing client base, capital base and infrastructure that lends and services agricultural actors.
- **Partner with the unusual suspects.** This will harness the combined knowledge, capabilities and financial resources of the financial sector, public sector, international research organisations, civil society and farmer groups.

Action 3: Understand and account for our impacts across people, nature and climate

- **Innovate in impact measurement and verification, to develop new ways and cost-effective solutions to understand our true impact.** This involves collecting data on multiple impacts beyond those covered by traditional ESG metrics, including on adaptation and natural landscapes, and working with existing initiatives, to contribute towards global best practice on impact measurement and priority impact metrics.

- **Champion transparency and accountability in impact reporting.** This includes accounting for our impacts in ways that resonate with key stakeholders including farmers and consumers, and supporting initiatives to improve accountability for impact.

- **Support harmonisation of impact standards to simplify and increase effectiveness of reporting, to attract additional impact-first and institutional financing.** Aligning with the work of the International Sustainability Standards Board (within the IFRS governance structure),\(^2\) as recommended through the G7 and G20 communiques from Finance Ministers and Central Bank Governors in 2021. This includes supporting the recommendations of the global industry-led Impact Investment Taskforce, e.g. by contributing to the development of a global baseline of standards (building on the existing standards ecosystem) for sustainability-related disclosures relating to impacts on farmers and farming landscapes.

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Why ally with ClimateShot

Convene solutions

Agriculture and food production contributes over a quarter of Greenhouse Gas Emissions (GHGs), is the main driver of deforestation and biodiversity loss, and accounts for 70% of freshwater use. But it is also the main economic activity in rural areas and by far the largest employer in most Low-to-Middle-Income Countries (LMICs).

By working together to reduce costs and risks – harnessing our combined financial, data and knowledge of the local context – we can transform agriculture and food systems from part of the problem, to part of the solutions that deliver for people, nature and climate.

Exchange evidence and knowledge

We are planning a mixture of dedicated mechanisms and existing coalitions and communities of practice to convene allies who support the ClimateShot for impact investors. This will maintain momentum post-COP26, to share funding opportunities and exchange lessons (e.g. around pipeline development, climate and nature risk assessments and impact measurement).

Share stories

The launch of the ClimateShot Global Action Agenda for Innovation in Agriculture at COP26 is a chance to shine a spotlight on signature initiatives of allies who lead the way in mobilising financing that delivers impact for people, nature and the climate.

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The case for a climate shot for impact investors?

The ClimateShot Global Action Agenda for Innovation in Agriculture will be launched on COP26 ‘Nature Day’ - Saturday 6 November. It scales up and re-orient investment to support agricultural research and innovation to deliver on our ambitions in transforming agriculture and food systems for a climate-smart future.

**We must urgently accelerate investment in innovation**

Current rates of investments into agricultural innovation can—at best—deliver around 40% of the climate change mitigation needed to keep the rise in global average temperatures below 2 °C above pre-industrial levels — let alone the 1.5 °C ambition set by the Paris Climate Agreement.4

Of the estimated US$60 billion per year spent on agricultural innovation in LMICs, only 7-8% of the total is focussed on climate and protecting or restoring nature.5

The farmers at the centre of our food systems are highly vulnerable to climate change, and play a vital role in food security, yet only 1.7% of climate finance go to solutions for smallholder farmers.6

**Private sector solutions can play a key role in addressing the challenges faced by farmers, but taking these to scale requires capital and technical support**

From renewable energy solutions for irrigation, cooling and mechanisation, to drought-resilient crops and alternative proteins—that can be bundled with insurance or other financial services—there are old and new technologies that are proven to work, under the right circumstances.

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4 Wollenberg et al. (2016) present non-CO2 agricultural emissions reductions estimations for 2030, assuming agricultural development pathways which implement improved technologies with nearly universal adoption globally.


6 Climate Policy Initiative and IFAD (2020), Examining the Climate Finance Gap for Small-Scale Agriculture.
But levels of financing remain low,\(^7\) reflecting high cost and risk (perceived or real) in financing farmers and their service providers.\(^8\) Taking the solutions that work to scale will require significant investment, and smarter and more innovative use of private and scarce public sector finance.

**Become a ClimateShot ally today:** Explore climateshot.earth for more information, and share your innovation story with #ClimateShot.

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\(^7\) Less than 10% of all impact capital in Africa goes to the agriculture sector. See Tam, V. and C. Mitchell (2020), How Farmer-Allied Intermediaries Can Transform Africa’s Food Systems. Bain & Co.

\(^8\) Due to production risks linked to natural hazards, farmers’ inability to provide collateral, risk modelling that fails to account for hyper-local contexts of farmers, volatile prices and – with regard to staples – low-value transactions relative to other sectors.