Joint submission of views on the sub-themes for the 2025 Forum of the Standing Committee on Finance on accelerating climate action and resilience through financing sustainable food systems and agriculture

Introduction

The **Food & Climate Action Group** is a coalition of 25+ international NGOs advocating primarily for food systems transformation within the United Nations Framework Convention on Climate Change (UNFCCC). The Action Group's mission is to promote and support long-term and systemic change in food consumption and production at global and national levels in order to reduce our reliance on animal-centric food systems as a pathway to stay within the Paris Agreement targets. There needs to be a shift towards more plant-rich, healthy, and affordable diets and sustainable, resilient and inclusive agricultural practices that also support small-scale farmers/food producers and local communities. Financing mechanisms and instruments play a critical role in unlocking the benefits of sustainable food systems to mitigate and adapt to global warming so that no one is left behind. We therefore warmly welcome this opportunity to provide perspectives and recommendations to the Standing Committee on Finance. For any follow-up information, queries or requests for support, please contact the Action Group co-chairs: Stephanie Maw, stephanie.maw@proveg.org and Stephanie Cabovianco, s.cabovianco@gmail.com. Further details about the Action Group's mission and past submissions, policy briefings and statements relating to our UNFCCC advocacy work can be found here: https://www.foodandclimateaction.org/. In a COP29 letter, the Food & Climate AG urged world leaders at future climate conferences to commit to 'just transition away from meat and dairy overconsumption' similar to how they agreed to 'transitioning away from fossil fuels' (UN agreement at COP28 Conference).

Meat and dairy accounts for 14.5% to 19.6% of global greenhouse gas emissions. Overconsumption is especially high in OECD countries and China, far exceeding Dietary Guidelines and Planetary Boundaries, as well as the Planetary Health Diet.

The **YOUNGO Food and Agriculture and the Finance & Markets Working Groups** are part of the Official Children and Youth Constituency of the UNFCCC. We believe that climate finance in food systems should be holistic and channelled to achieve multidimensional positive outcomes beyond agricultural yield, including achieving intergenerational justice with the inclusion of children- and youth-responsive approaches and socioecological resilience. We advocate for scaling up climate finance for agroecology and small-scale producers, both of which receive little finance today.[1][2] The topic of climate finance should also be considered in all aspects of food systems: food production, processing, consumption, distribution, and

[1] https://futureoffood.org/wp-content/uploads/2024/11/ga_climatefinancereport_2024.pdf
[2]https://www.climatepolicyinitiative.org/publication/the-climate-finance-gap-for-small-scale-agrifood-systems/

waste. Efforts should be made towards creating an enabling environment that supports vulnerable groups, especially women and smallholder farmers.

We hope the SCF Forum 2025 and its outputs can be translated into different UN languages whenever possible to improve its language accessibility.

Responding to the scope of submission:

Evidence and information relevant to the possible sub-themes identified by the co-facilitators to further explore and develop the programme of the Forum. Examples and case studies related to financing sustainable food systems and agriculture are mentioned in each sub-theme.

- **Sub-theme 1: Opportunities for financing agriculture and food systems to be positive drivers of climate action and strengthened climate resilience in a manner which mutually supports sustainable development.**

We suggest the sub-theme focus on estimating and assessing how climate finance in food systems can simultaneously benefit biodiversity, water, human and animal health and welfare, showing how tools, such as true cost accounting, can holistically support such assessments.

To integrate climate considerations into existing financial flows in agri-food systems, it is important to take a "nexus financing" approach as mentioned by the latest IPBES Nexus Assessment Report.[3] Nexus financing can reflect the positive impacts of finance on nexus elements (i.e. biodiversity, water, food, health, and climate change) and their interlinkages and synergies. True cost accounting is a capital-based assessment of the impacts of food systems. It can integrate the benefits of these nexus elements into financial decision-making to support sustainable agricultural practices and food value chains. Relevant to climate change mitigation, the externalized cost of deforestation and land-use change can be estimated in monetary terms.[4] **For example,** India has used true cost accounting to evaluate different agricultural practices in a more holistic manner.[5] Supported by tools, such as true pricing or true cost accounting, reforming and repurposing agriculture subsidies away from industrial animal agriculture to support low-carbon fruits and vegetables production, especially in high-income populations and countries with intensive livestock systems, can support climate change mitigation, reduce diet-related mortality (and associated public health costs) and improve animal welfare.[6]

True Pricing is closely linked to True Cost Accounting. Here, external environmental and social costs are monetized too and included in food prices. This can be done at different levels: 1) country level (e.g. environmental or health motivated taxation, public procurement including true price criteria) and it can be done at 2) level of food companies, retail companies (increasing food prices to include all external costs and using the additional revenue to pay farmers to reduce emissions or pay a living wage). The FAO reports State of

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[3] https://www.ipbes.net/nexus/media-release

[4] https://e4s.center/wp-content/uploads/2023/02/EN_SNEMF_WhitePaper_TCAF.pdf

[5] https://futureoffood.org/insights/true-cost-accounting-of-community-managed-natural-farming-in-andhra-pradesh-india

[6] Springmann, M., & Freund, F. (2022). Options for reforming agricultural subsidies from health, climate, and economic perspectives. *Nature communications*, *13*(1), 82. https://doi.org/10.1038/s41467-021-27645-2

Agriculture and Food (SOFA) 2023 and 2024[7] were fully dedicated to the true pricing of food and reducing external environmental and health costs. In the SOFA 2024 report, FAO recommends taxes on meat and dairy in high-income countries to reduce external health costs and environmental costs, while at the same time reducing taxes on healthy food like vegetables and fruit.[8]

We also suggest this sub-theme includes a focus on examples of pipeline attracting investment towards supporting agroecological practices and examples of applying relevant finance assessment tools to evaluate the potential of these projects.
Agroecology is highlighted by the IPBES Transformative Change Report[9], IFAD Climate Action Report 2024[10], and Global Alliance For The Future Of Food's Public Climate Finance for Food Systems Transformation report[11] as a promising approach to enhance both climate resilience and biodiversity. For example, the SCF Forum can showcase country-level examples of applying the Agroecology Finance Assessment Tool by the Agroecology Coalition.[12]

Agricultural cooperatives play a pivotal role in enhancing climate resilience among smallholder farmers by enabling members to collectively adopt agroecological agricultural practices, access necessary resources, and implement effective adaptation strategies. This collaborative approach not only mitigates the adverse impacts of climate change but also promotes the rights and autonomy of small-scale producers, sustainable agricultural productivity and economic stability.[13] **For example**, the Oromia Coffee Farmers Cooperative Union in Ethiopia has implemented initiatives to combat climate volatility. By promoting sustainable farming practices and investing in carbon-neutral coffee production, the cooperative enhances the resilience of its members to climate-induced challenges. [14]

Cooperatives can facilitate access to climate finance and support services, enabling smallholder farmers to invest in resilient agricultural practices. Cooperatives strengthen smallholder farmers' adaptive capacity by securing better terms for climate-related funding and promoting collective bargaining power.[15]

- **Sub-theme 7: Fiscal instruments, incentives and regulation and multisectoral policy coherence and coordination as means to support, incentivize and enhance sustainable agricultural production.**

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[7] https://www.fao.org/publications/home/fao-flagship-publications/the-state-of-food-and-agriculture/en
[8]https://tappcoalition.eu/nieuws/22883/un-report-fao--true-costs-of-food--advocates-meat-taxes-and-subsidies-for-vegetables
[9] https://ipbes.canto.de/b/Q816G
[10] https://www.ifad.org/en/w/publications/climate-action-report-2024
[11] https://futureoffood.org/insights/public-climate-finance-for-food-systems-transformation/
[12] https://agroecology-coalition.org/agroecology-finance-assessment-tool/
[13]https://agroecologyfund.org/how-to-finance-an-agroecology-transition-innovations-in-accessible-and-affordable-credit-systems-for-grassroots-led-enterprises/

[14] Reference: Oromia Coffee Farmers Cooperative Union. (n.d.). Oromia Coffee Farmers Cooperative Union. Retrieved from https://en.wikipedia.org/wiki/Oromia_Coffee_Farmers_Cooperative_Union
[15] https://alliancebioversityciat.org/stories/cooperatives-agriculture-have-solutions-climate-change

We suggest this sub-theme focus on policy designs for reforming harmful agricultural subsidies and introducing meat taxes that target excessive consumption of animal-based products, especially in Global North countries and high-income population, that are harming people and the planet while supporting food sovereignty and access to healthy food for all. Reforming subsidies that distort markets, introducing taxes on unsustainable practices, and providing incentives for climate-resilient agricultural technologies are highlighted in the report to redirect financial flows.[16]

According to the IPCC Sixth Assessment WG3 Report,[17] demand-side mitigation measures have the potential to reduce emissions by tackling overconsumption and shifting away from meat-intensive diets. As a demand-side fiscal instrument, taxation can reduce the overconsumption of animal protein and dairy products, especially in high-income countries, to enable emission reductions and healthy dietary patterns. To avoid meat taxation overburdening low-income groups, careful policy design and framing are essential to increase public support.[18] For example, revenue recycling mechanisms can be implemented to reduce the distributional effects of meat taxation.[19]

The total global herd size in "farmed animal" units is projected to rise by 37 to 46 per cent between 2012 and 2050, which does not align with the Paris Agreement goal of net-zero emissions by 2050. The last IPCC report recognized these issues and proposed GHG-emission taxes on meat and dairy in high-income countries. A COP28 FAO roadmap report proposed similar taxes, just like the FAO SOFA 2024 report and the World Bank report 'Recipe for a Liveable Planet' (May 2024).[20] They also recommended reducing taxes on vegetables and fruits. By focusing on pricing and taxation policies, targeted at meat and dairy processors, governments can incentivize a shift toward plant-based products and reduce farmed animals-related emissions. Revenues for GHG emission taxes in rich countries can be used partly for climate finance to compensate low-income countries, as requested in a COP29 Declaration signed by 27 countries in Africa and the Pacific Islands.[21]

Such tax reforms in OECD countries and China are essential not only for mitigating climate change but also for ensuring that the most affected populations receive compensation for their losses and access to sustainable food systems. The Climate Action Network (CAN International), the largest global climate NGO, urged leaders on 8th October to tax polluting sectors and use tax revenues for climate finance of the Loss & Damage Fund.

On the supply-side measures, reforming agricultural subsidies is a key fiscal instrument to support sustainable agricultural production. For example, T20 recommends G20 financial ministers to *a) phase out support to agricultural activities and production practices that have*

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[16] Financing for Food Security and Nutrition in Latin America and the Caribbean.
[17] https://www.ipcc.ch/report/ar6/wg3/chapter/chapter-5/
[18] https://www.research-collection.ethz.ch/bitstream/handle/20.500.11850/648847/Fesenfeld_Research_Note_2024.pdf?sequence=2&isAllowed=y
[19] Chen, J., Sun, D., Zhong, F., Ren, Y., & Li, L. (2024). Can we design food taxes to reduce agricultural greenhouse gas emissions in China? A perspective from animal protein intake of low-income populations. *China Agricultural Economic Review*. https://doi.org/10.1108/CAER-05-2023-0130
[20] https://www.worldbank.org/en/topic/agriculture/publication/recipe-for-livable-planet
[21] https://www.tappcoalition.eu/nieuws/22945/27-countries-sign-a-cop29-declaration-on-ghg-emission-pricing-of-food

a proven detrimental impact on our climate and environment or human health and b) establish funds or other mechanisms, such as multi-stakeholder dialogues, to support farmers and other stakeholders who are negatively impacted through the reform of domestic support and incentives in the agriculture sector.[22]

- **Sub-theme 9: Innovative financial instruments, particularly those which are tailored to smallholder farmers and other small and medium-sized enterprises, including green bonds, agroecology-based and nature-positive agricultural loans, insurance schemes and digital financial platforms.**

We suggest this sub-theme focus on co-designing innovative financial instruments that enable more equitable access to finance. In 2019/20, less than 1% of global climate finance was directed toward small-scale agri-food solutions.[23] The small-scale agri-food systems are composed of a complex ecosystem of stakeholders including small-scale producers (typically managing less than 2 ha) and other value chain players (such as cooperatives, agri-micro, small- and medium-scale enterprises, and farmer associations). Despite forming as much as 27% of the global workforce (873 million), smallholder farmers receive only a fraction of the global climate finance allocated under the small-scale agri-food systems.[24]

To support sustainable farming practices, climate finance programmes need to carefully consider their equity implications. Positive incentives for climate-friendly practices do not always reach those most in need but rather favour the more well-off actors. In the case of commodity-driven deforestation, Payment for Ecosystem Services (PES) has been a main tool to reduce deforestation caused by agriculture. However, wealthier farmers and those with already productive assets are more likely to access PES.[25] In this case, PES can have low additionality[26] and marginalize Indigenous communities and small landholders. PES in **Brazil's Cerrado is an example**. [27] Redistributing benefits of the programme or giving differentiated payments to vulnerable communities can ensure they play a role in

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[22] T20 Publication: Public Support to Agriculture Needs to Be Better Aligned with Climate and Biodiversity Goals and the G20 Needs to Spearhead Global Reform Efforts. https://www.t20brasil.org/media/documentos/arquivos/TF02_ST_02_Repurposing_Public66cce47e799f8.pdf

[23] CPI - Daniela Chiriac, Harsha Vishnumolakala, Paul Rosane (2023). The Climate Finance Gap for Small-Scale Agrifood systems: A growing challenge. Climate Policy Initiative.

[24] Climate Change Champions UNFCCC (2023). What Is Regenerative Agriculture and How Can It Help Us Get to Net-Zero Food Systems? https://climatechampions.unfccc.int/what-is-regenerative-agriculture-and-how-can-it-help-us-get-to-net-zero-food-systems-3-industry-leaders-explain/.

[25] Naime, J., Angelsen, A., Molina-Garzón, A., Carrilho, C. D., Selviana, V., Demarchi, G., ... & Martius, C. (2022). Enforcement and inequality in collective PES to reduce tropical deforestation: Effectiveness, efficiency and equity implications. *Global Environmental Change*, *74*, 102520. https://doi.org/10.1016/j.worlddev.2022.105814

[26] Additionality means that without financial compensation from PES there would be no actions towards the provision of ecosystem services

[27] Lopes, G. R., Lima, M. G. B., & Dos Reis, T. N. (2021). Maldevelopment revisited: Inclusiveness and social impacts of soy expansion over Brazil's Cerrado in Matopiba. *World Development*, *139*, 105316. https://doi.org/10.1016/j.worlddev.2020.105316

sustainable agricultural production.[28] The **example** from Chiapas, Mexico, shows how including women and youth in the design of PES increased access to a PES programme.[29]

Case Study: Payment for Environmental Services (Costa Rica)
Recovered from the 2023 Regional Conference of Youth (Latin American and Caribbean): Regional Youth Statement.

SOURCES
https://www.fonafifo.go.cr/es/servicios/pago-de-servicios-ambientales/##pilares
https://www.undp.org/es/costa-rica/projects/costa-rica-redd-pagos-basados-en-resultados

COUNTRY: Costa Rica

INVOLVED ACTORS
Ministry of Environment and Energy (MINAE), National System of Conservation Areas (SINAC), National Forestry Financing Fund (FONAFIFO), National Forestry Office (ONF), Forestry Experts, College of Agronomy Engineers (CIA), cooperatives, local agricultural centers, environmental non-governmental organizations, and their beneficiaries.

DESCRIPTION
The program is established as "a financial recognition by the State, through FONAFIFO, to forest and plantation owners for the environmental services they provide, which directly contribute to the protection and improvement of the environment." (National Forestry Financing Fund (FONAFIFO), 2023)

Within the framework of the Payment for Environmental Services (PES) program, four key areas are defined for analysis: institutional framework, legal framework, financing, and monitoring and evaluation.

In terms of institutional organization, the program relies on support from various initiatives, companies, and associations to ensure sustainability. Key stakeholders include the National System of Conservation Areas (SINAC), FONAFIFO, National Forestry Office (ONF), Forestry Experts, the College of Agronomy Engineers (CIA), cooperatives, local agricultural centers, environmental NGOs, and beneficiaries. (FONAFIFO, 2023)

Costa Rica's PES program offers various activities and sub-activities to access resources provided by FONAFIFO, including forest protection, water resource protection, reforestation, reforestation with endangered species, natural regeneration, agroforestry systems, agroforestry systems in coffee plantations, agroforestry systems with endangered native species, mixed systems, and forest management. (FONAFIFO, 2023)

SUCCESS CASE
Due to the program's success, the National Forestry Financing Fund (FONAFIFO) and the National System of Conservation Areas (SINAC) received $24 million in non-reimbursable funds from the Green Climate Fund (GCF) on January 28, 2020, as part of a total allocation of $54.1 million. In November 2020, Costa Rica became the first Central American country to obtain such funds, recognizing its successful reduction of greenhouse

[28] How can economic incentives designed for environmental conservation support a transition to sustainable and equitable agriculture

[29] Izquierdo-Tort, S., Corbera, E., Cruz, A. B., Naime, J., Vázquez-Cisneros, P. A., Lillo, J. C., ... & Dupras, J. (2021). Local responses to design changes in payments for ecosystem services in Chiapas, Mexico. *Ecosystem Services*, *50*, 101305. https://doi.org/10.1016/j.ecoser.2021.101305

gas emissions, efforts to recover forested areas, and mitigation of local deforestation. (MINAE, 2021)

In 2021, an evaluation of the PES program revealed that 239,190 hectares of forest were protected, and approximately 545,000 trees were planted under the Agroforestry Systems (SAF) modality. These results exceeded the project's original targets of 200,000 hectares and 150,000 trees, respectively. (FONAFIFO, 2023)

Possible additional sub-themes for the co-facilitators to consider in the programme

1) **Additional sub-theme: Intergenerational, children, youth, gender and Indigenous responsive approaches to financing food system transformations that accelerate climate action and resilience.**

We suggest expanding the scope of the discussion to intergenerational approaches to financing food systems to address socioeconomic conditions as an overall barrier to accessing finance. From the FAO Report "*The Unjust Climate*" - Direct and indirect impacts of climate stresses are mediated through socioeconomic conditions (i.e. gender leading to differential adaptive capacity due to lack of information and money), thus focus on these socio-economic conditions (gender and age) is important for reducing impacts of climate change.[30] Women and youth are already key practitioners of climate-friendly agriculture but face barriers including limited access to services and finance. Women, girls and youth in general additionally face inequities in societies, disproportionately bearing the burden of the impacts of climate change. We suggest sharing examples of tailored social protection programs to improve women's and youth's access to resources, children responsiveness, adaptive capacity, and participation in decision-making.

2) **Additional sub-theme: Leveraging climate finance for agricultural soil restoration and resilience to ensure food security, climate change mitigation and adaptation**

Healthy soil is crucial for climate resilience, food security, and economic growth. Agricultural soil can play a significant role in our efforts to adapt to and mitigate the impact of climate change. If more sustainable agroecological practices are adopted across the globe, a staggering 27% of the carbon sequestration needed to keep global temperatures below a 2◦C rise beyond pre-industrial levels could be realized.[31] However, financial incentives are critical for farmers to transition away from agricultural methods that are harmful to soil health, which have become conventional and resulted in significant greenhouse gas emissions. Redirecting specific financial flows towards developing healthy living soils through regenerative agroecological practices is imperative to realizing their carbon sink potential, strengthening food security, and providing other ecosystem benefits. Across the globe, many

[30] https://www.fao.org/socioeconomic-research-analysis/resources/unjust-climate/the-unjust-climate/en

[31] Sridhar, P. (2023). Quantitative Assessment of Soil's Potential to Sequester Carbon to Mitigate Climate Change. Conscious Planet. Retrieved from https://consciousplanet.org/en/save-soil/blog/quantitative-assessment-of-soil-s-potential-to-sequester-carbon-to-mitigate-clima

initiatives support farmers to realize the benefits of adopting such practices. These efforts have been fueled by individual small grants and crowdfunding from citizens and institutions. To scale up such interventions and make them available to all farmers worldwide, we will need to make these climate finance mechanisms more accessible.

Recommendations for content of discussion:

- **Increase climate finance allocation to support farmers' shift to sustainable agriculture.** Prioritize grants, subsidies, and low-interest loans that enable them to adopt sustainable land management practices.
- **Supportive policies and infrastructure for the transition to regenerative agroecological practices.** This could include providing technical training, market access, and incentives for adopting regenerative practices that sequester carbon.
- **Make climate finance accessible to farmers through process-level monitoring rather than outcome-based monitoring.** Since carbon sequestration in living agricultural soils happens at a prolonged rate, farmers should be incentivised to continuously manage their land sustainably.
- **Mobilize private investment into nature-positive agriculture.** Prioritize impact funds (designed to pass on a percentage of profits for large-scale adoption of regenerative practices), and debt instruments that recognise the outcomes (i.e. trees on land) as assets, comparable to a home that can be mortgaged.
- **Integrate soil restoration and other Nature-Based Solutions (NbS) into climate finance strategies, recognising their potential to sequester carbon and support ecosystem services.**

3) **Additional sub-theme: Finance for health services, post-disaster recovery and psychological impact of climate change on farmers, with a focus on their mental health and psychosocial wellbeing**

It is undeniable that risks and uncertainties of climate change impacts affect the psychological well-being of farmers. Climate resilience includes one's capacity to anticipate, prepare for and respond to extreme climate events, which can induce loss and damage.[32, 33] It would be interesting to look for the best examples of finance for integrating psychological support services into farmer extension services and climate adaptation planning broadly to improve farmers' adaptive capacity.[34]

4) **Additional sub-theme: Animal health and welfare** are integral pillars of sustainable food systems, and these aspects must be carefully considered in financing decisions. We propose that this is integrated into the SCF 2025 Forum. We view the treatment of animals as a crucial component of food systems transformation, one that is often overlooked in current discussions. Industrial farming practices, particularly those associated with large-scale intensive livestock

[32] Addressing the Impact of Climate Change on Women Farmers' Health in South Asia

[33] Talukder, B., van Loon, G. W., Hipel, K. W., Chiotha, S., & Orbinski, J. (2021). Health impacts of climate change on smallholder farmers. *One Health*, *13*, 100258.https://doi.org/10.1016/j.onehlt.2021.100258

[34] Abunyewah, M., Erdiaw-Kwasie, M. O., Acheampong, A. O., Arhin, P., Okyere, S. A., Zanders, K., ... & Lassa, J. (2023). Understanding climate change adaptation in Ghana: The role of climate change anxiety, experience, and knowledge. *Environmental Science & Policy*, *150*, 103594.

operations, are fundamentally incompatible with the principles of animal welfare. These practices often lead to the exploitation and suffering of animals, posing significant ethical, health, and environmental challenges. It is essential that financial support for food systems aligns with animal welfare standards, ensuring that investments do not reinforce harmful practices.

We strongly discourage investments in so-called "false solutions" that are frequently proposed as part of food systems transformation efforts. These include:

1. Sustainable intensification: This approach seeks to maintain or increase food production while limiting emissions and avoiding further land conversion. While it may seem beneficial in theory, this approach does not address the root causes of environmental degradation or the systemic issues of industrial agriculture, such as biodiversity loss and soil depletion. Instead, it risks reinforcing unsustainable practices, especially in intensive animal farming, which continues to undermine long-term climate goals. Sustainable intensification can exacerbate inequalities and lock farmers into high-input systems. These practices fail to reduce emissions from the agricultural sector and do not provide a sufficient foundation for achieving the global climate targets set out in the Paris Agreement. More transformative changes, such as agroecology and dietary shifts within planetary and social boundaries, are necessary for long-term sustainability.
2. Species shift: This strategy focuses on shifting consumer diets to meats from animals associated with lower GHG emissions. While it may reduce emissions from certain animal products, it does not fundamentally challenge the environmental and ethical concerns of industrial animal agriculture and fails to address the broader need for a more sustainable, plant-rich food system. Monogastrics may have higher feed efficiency, but their production is heavily dependent on crops like soy and corn, driving deforestation and soil depletion.

This submission is endorsed by:

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