

EMEA ONLINE SIDE EVENTS

Agroforestry: exploring diverse financing schemes for sustainable land use

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Co-organised by the Euro-Mediterranean Economists Association, Union for the Mediterranean (UfM) and Sustainable Transformative Alliance (STA)



EMEA at COP29 | **Financing Agroforestry: Exploring Diverse Financing Schemes for Sustainable Land Use**

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Logos: EMEA, STA, REFOREST, UfM

BACKGROUND

Agroforestry, the practice of integrating trees and shrubs into agricultural landscapes, offers significant environmental, economic, and social benefits. It enhances biodiversity, improves soil health, increases crop resilience, sequesters carbon, and provides sustainable livelihoods for farmers. Despite these benefits, the adoption of agroforestry systems has been hindered by limited access to financing tailored to its unique characteristics and long-term nature. The discussion is expected to highlight agroforestry's potential to drive environmental restoration and economic resilience while acknowledging the financial challenges tied to its long-term and dual-output nature. Participants are expected to emphasize the need for innovative financing models that align with agroforestry's extended timelines and sustainability objectives.



Public financing mechanisms, including government subsidies, grants, and policy incentives, are likely to be presented as crucial for supporting agroforestry at its early stages. Complementing these efforts, private-sector tools such as green bonds, carbon credits, and equity investments are expected to be proposed as essential drivers for scaling operations and attracting large-scale capital. The role of blended finance and impact investing will be explored, focusing on how these approaches can combine public and private capital to reduce investment risks while fostering sustainability-driven returns. The financing gap faced by smallholder farmers is anticipated to be a central theme, with proposed solutions including microfinancing, farmer cooperatives, and community-based credit schemes aimed at improving access to funding.

Participants are expected to feature innovative financial instruments tailored to agroforestry's specific needs. Mechanisms such as Payment for Ecosystem Services (PES), carbon credit financing, agroforestry-specific insurance products, and sustainability-linked loans will likely be highlighted as practical tools for rewarding environmental stewardship and linking financial terms to sustainability milestones. The session is taught to assess both challenges and emerging opportunities for scaling agroforestry financing. While long-term investment requirements, regulatory complexities, and limited alignment with sustainability frameworks are expected to be discussed as key barriers, advances in monitoring technologies, expanding carbon markets, and evolving policy landscapes will likely be recognized as promising developments that could unlock agroforestry's full potential.



SUMMARY OF THE DISCUSSION



Opening Remarks by Moderator, Yeganeh Forouheshfar

Yeganeh framed agroforestry as a pivotal solution for achieving green transitions aligned with the broader objectives of COP29, labelled the “Finance COP.” She highlighted the urgency of mobilizing \$1.3 trillion annually for climate action and stressed the need for innovative financing to unlock agroforestry’s potential. The session was connected to the Sustainable Transformative Alliance (STA) initiative, launched at COP27, aimed at promoting regenerative practices that restore ecosystems while ensuring financial viability for practitioners.

Presentation by Tiago Zibecchi

Tiago underscored agroforestry’s environmental and socioeconomic benefits, including carbon sequestration, biodiversity enhancement, and diversified farmer incomes. He identified six key adoption barriers: high-risk perception, knowledge gaps, limited market access, high entry costs, costly monitoring, and disconnected policies. To address these, he proposed a hybrid carbon farming scheme comprising ex-ante payments, action-based incentives for ecosystem services, and continuous advisory support, emphasizing the role of blended finance and de-risking tools like insurance funds.



Presentation by Martin Lukac

Martin highlighted agroforestry's role in combating climate change and restoring degraded soils but acknowledged the challenges of transitioning from monoculture farming. He presented a three-phase agroforestry adoption model, emphasizing the critical middle phase where farmers face costs without immediate returns. He called for targeted financial support during this stage to bridge income gaps and encourage long-term investment.

Presentation by Hafsa Elbekri

Hafsa Elbekri stressed the need to align agricultural financing with sustainability goals, particularly in the Global South. She criticized current misallocated public agricultural support and called for clearer financing standards. Highlighting Africa's agricultural challenges, she urged greater investments in technology, infrastructure, and research, alongside expanded access to development finance institutions and better data collection systems.

Presentation by Marek Chalupnik

Marek Chalupnik addressed agroforestry's financing difficulties due to its uneven cash flow, requiring substantial upfront investment with delayed revenue. He emphasized that carbon markets alone cannot close the financing gap, especially for small-scale projects. His solution involved combining revenue streams from subsidies, nature-based investments, and corporate partnerships while reducing risk through off-take agreements and packaged agroforestry investment propositions.

Presentation by Gerry Lawson

Gerry Lawson examined European policies supporting agroforestry through the Common Agricultural Policy (CAP), pointing out challenges in defining agroforestry and measuring its environmental benefits. He noted that current policy frameworks often fail due to unclear definitions, complex regulations, and inconsistent implementation. He advocated for standardized agroforestry mapping, better financial incentives, and integration of agroforestry into carbon farming frameworks linked to CAP payments.

Presentation by Andrea Casadesús

Andrea Casadesús highlighted agroforestry's role in enhancing climate resilience and food sovereignty within Mediterranean countries through the PRIMA-funded Transition Project. She pointed out challenges such as limited advisory services and cultural resistance to change. Her proposed solutions included fostering cross-regional collaboration, promoting microfinancing and cooperatives, and establishing harmonized carbon certification standards that recognize agroforestry's wider environmental contributions.



Presentation by Enrique Doblas

Enrique Doblas emphasized the ecological value of agroforestry for biodiversity preservation and ecosystem services. He highlighted how different tree species provide varying environmental benefits, urging the development of local Payment for Ecosystem Services (PES) models. These models would enable long-term financial support through ecosystem service payments for carbon, water conservation, and biodiversity protection, ensuring broader agroforestry adoption.

Session of Q&A

During the Q&A session, the panelists shared their expectations for COP29, focusing on the need for more support and recognition of agroforestry and nature-based solutions. Marek emphasized the importance of treating agroforestry as a distinct solution, highlighting its role in land sharing and its potential to address climate challenges. Gerry underscored the necessity of integrating agricultural and forestry carbon accounting under Article 6, while Hafsa recommended harmonizing standards regionally and sharing best practices at the multilateral level, drawing on the G20 as a platform for setting global guidelines. Enrique agreed on the importance of nature-based solutions, advocating for investments in local solutions that have proven effective. Andrea stressed the need for aligned policies across regions to integrate agroforestry into climate action, with an emphasis on regional knowledge exchange and flexible financing. Tiago concluded by discussing the potential for de-risking agroforestry investments through mechanisms like insurance, guaranteed funds, and blended finance, while also addressing the disparities between the Global North and South. The session ended with optimism for COP29 to support better financing for agroforestry and nature-based solutions.

