



# Financing the Transition to Sustainable Agriculture: The Case for Improved Coordination and Alignment

## Summary

The transition to sustainable agriculture is increasingly supported by a wide range of public and private actors using instruments such as payments for environmental outcomes, preferential loans, risk-sharing mechanisms, and blended finance. While this reflects growing engagement, financing efforts remain fragmented, which limits their effectiveness, accessibility for farmers, and ability to deliver environmental outcomes at scale. Uncoordinated approaches can result in misaligned objectives and risks related to double counting and non-additionality. International experience shows that better coordination of (public and private) finance for sustainable agriculture can significantly improve outcomes. This paper explores existing strategies that promote alignment between actors and financing instruments - such as combining complementary financing instruments to holistically address farmers' transition barriers; pooling of funds from different sources to offer sufficient transition incentives; landscape-level funding and farm participation; stacking or bundling of ecosystem services; and catalysing commercial capital through blended finance. These approaches are implemented through different institutional set-ups, typically involving multi-actor partnerships or intermediary organizations. However, they remain constrained by weak integration with public support schemes, legal and governance challenges, and limited provision of upfront capital and transition insurance. Widespread harmonisation of monitoring, reporting, and verification standards, and the strategic use of catalytic co-funding could facilitate increased coordination. Addressing these challenges is essential to scale up coherent and impactful financing for sustainable agriculture in the EU.

## Introduction: A fragmented financing landscape

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The transition to sustainable agriculture needs support from all those engaged in the sector. Encouragingly, the range of actors from the food value chain and the finance sector involved in Europe is growing. It includes agribusinesses, financial institutions, institutional and impact investors, insurance providers, landowners, and technology intermediaries, engaging to varying degrees.

These actors are using a range of different approaches, alongside conventional public financing, to provide farmers with financial incentives, upfront capital, technical assistance, risk-reducing mechanisms, and other forms of support – although the scale is limited. In a 2025 IEEP publication, we identified the different types of private financing instruments used and categorized them as (1) Payments for environmental outcomes, (2) Debt-based finance, (3) Transition-risk sharing instruments, and (4) Blended finance approaches ([Wedl & Kam, 2025](#)).

While the involvement of many actors and the existence of various financing solutions is per se good news, **the current fragmentation of the financing landscape** – i.e., the fact that efforts to support the transition to sustainable agriculture are being split across multiple uncoordinated actors and incoherent initiatives – **poses significant challenges** ([Deloitte et al, 2025](#); [Wedl & Kam, 2025](#)), in particular:

- **Conflicting or one-sided objectives regarding outcomes:** The underlying motivation to support the transition strongly varies across actor groups. Many agribusinesses and retailers, for instance, are primarily driven by corporate climate commitments and by the economic necessity to ensure the resilience of their supply chains – but might, for example, be less interested in biodiversity outcomes. Impact investors and philanthropic capital providers seek impactful opportunities aligned with their respective mission – which differs depending on the organization. Consequently, the farming practices and objectives supported by these different actors do not necessarily support all actions that are needed to achieve the environmental objectives on a landscape or societal level. At the same time, there is a wide range of diverse, and partly contradictory technical information about practices and results to be expected. Consequently, the farming practices and objectives that are financially supported by these different actors are not necessarily sufficient to achieve all environmental objectives on a landscape or societal level.
- **Limited accessibility for farmers:** There is generally limited availability of finance options, and access to them differs among different groups of farmers and different regions in the EU, as many of the private financing schemes that are driven by food corporates are only available to their respective suppliers. The currently low level of transparency about available private financing instruments can pose an additional barrier for farmers to seek them out. In fact, the Sustainable Markets Initiative (SMI) Agribusiness Hub, which focuses on increasing adoption of regenerative agriculture practices, has identified in its research that both financial risk and “a fragmented support system” are key barriers to farmer adoption ([AgFunderNews, 2025](#)). Finally, widespread farm indebtedness means that support

involving a significant debt element may have limited appeal on many farmers unwilling to take on more debt.

- **High administrative burden for farmers when ‘stacking’ financing instruments:** When schemes are run in silos, farmers are required to combine different, complementary instruments themselves if they want to address different transition barriers (e.g., they both need upfront capital for new equipment and want to reduce their income risk during the transition period). This implies high transaction costs for farmers, both during the process of securing finance as well as afterwards, when they need to comply with multiple different requirements for monitoring, reporting, and verifying outcomes.
- **Potential additionality issues:** Current low levels of transparency and coordination between different transition financing organizations can put projects that are financed through carbon offset credits, in particular, at risk of lacking additionality, i.e., the emissions reduction or carbon removal would have occurred without the offset project, and the buyer cannot claim a net reduction in emissions. Similarly, there is a risk of double funding from public and private sources tied to the same emissions-reducing activity. In fact, the concern alone about running the risk of non-additionality or double funding can limit the provision of finance and/or uptake by farmers.
- **Inability of individual farms to tackle crucial larger-scale ecosystem and water management issues:** Some environmental issues – in particular, many landscape-scale biodiversity and water issues – cannot be tackled by individual farms separately but require a more holistic approach at the landscape level. On the international level, flagship initiatives like the multi-stakeholder action on regenerative agriculture at landscape level ‘Action Agenda on Regenerative Landscapes’ - launched at COP28 – emphasize the need to bring together farmers, agribusinesses, financiers, and non-state actors to boost efforts to transition large agricultural landscapes to regenerative practices ([WBCSD, 2025](#)). And at the EU level, achieving the objectives of the Nature Restoration regulation will require landscape-level action.
- **Inefficiencies in implementation:** Scattered and small-scale adoption of sustainable practices implies higher transaction and investment costs for all actors involved - both for the process of allocating/ securing finance, the procurement of equipment, and the provision of technical support.
- **Unfavorable conditions for larger commercial investors:** Since projects are usually relatively small and farmers receive little support for clustering together, the role for larger investors (who require larger investment opportunities) remains limited. Consequently, the current fragmentation means that larger funding sources cannot be leveraged.

Consequently, increased coordination and collaboration both between different private actors and between public and private capital providers, is not just being perceived as a major point for improvement by many stakeholders in the field ([Wedl & Kam, 2025](#)), but even as a necessity to accelerate the transition and achieve impact at scale ([Deloitte et al, 2025](#)).

The potential **benefits of a higher level of coordination and alignment** of financing options and initiatives include:

- cost efficiency and knowledge sharing through the integration of overlapping initiatives and resource pooling
- easily accessible bundles of integrated, complementary financing components for farmers
- scaling of funds through the strategic, coordinated use of different types of capital
- better biodiversity outcomes through the facilitation of landscape approaches
- lower transition thresholds and transaction costs through a more aligned set of requirements, and
- increased potential for achieving desired environmental outcomes through better alignment of objectives.

Moving beyond isolated solutions both requires a new paradigm of collaboration amongst both private and public actors as well as new means of coordinating and aligning sources of public finance and private finance – in particular, as the new EU MFF proposal for the post 2027 period might be resulting in less funding for public environmental schemes ([Hart & Baldock, 2025](#); interview with representative of a financing initiative).

This paper explores existing strategies and tools to better coordinate finance (including public and private finance), based on international case examples, expert interviews<sup>1</sup>, and literature. It also looks at current hurdles to cooperation and scaling, and how these could be overcome, as well as the role of different actors in boosting coordination and cooperation in this field.

## Strategies for coordinating finance

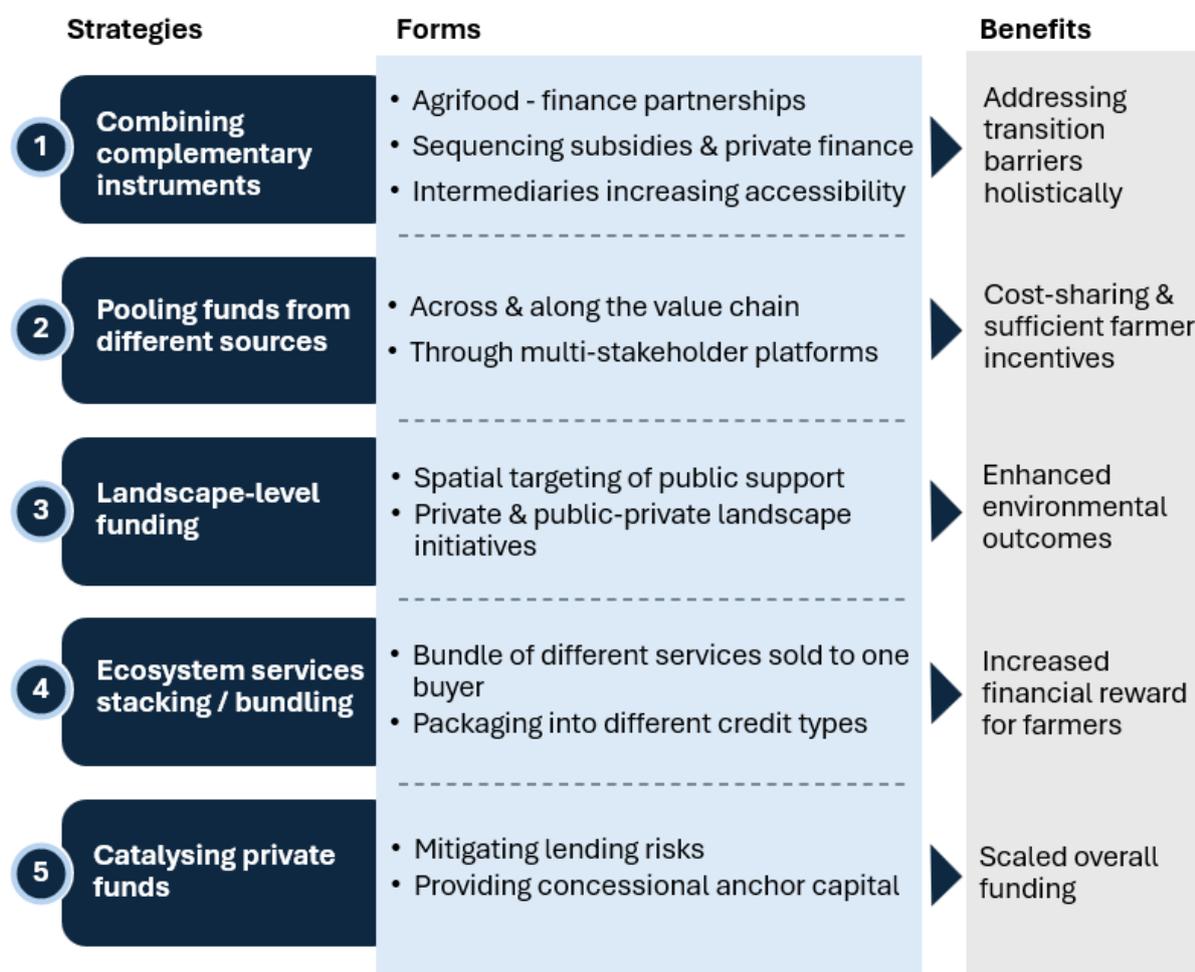
This section breaks down different strategies that are already being deployed by public and private actors (and often by multi-stakeholder consortia) to improve coordination and collaboration in the field of financing the transition to sustainable agriculture – albeit at a very small scale. These strategies can be considered complementary elements that advance the alignment between actors and financing instruments<sup>2</sup>. In fact, most of the international case examples of existing initiatives that were used as the empirical basis for this paper, use several of these strategies in combination.

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<sup>1</sup> For the purpose of this brief, interviews were carried out with five experts from different stakeholder groups - covering financing initiatives for sustainable agriculture, a farmer organization, and a business association. Interview inputs are referenced in brackets, identifying the type of interviewee making a particular statement or providing evidence. Where similar views are expressed by several interviewees, this is indicated as 'multiple stakeholders,' reflecting consensus or alignment across contributors.

<sup>2</sup> This brief uses the terms financing instruments and financing solutions interchangeably. These refer, in particular, to the instruments identified in the previous IEEP publication 'Leveraging private finance for the transition to sustainable agriculture' (Wedl & Kham, 2025).

**Figure 1. Different strategies for coordinating finance for sustainable agriculture, and their benefits**



**1) Combining complementary financing instruments to holistically address farmers' transition barriers**

**To provide farmers with sufficient and fit-for-purpose funding, it is necessary to address the different transition barriers that they face.** The major challenges that currently prevent many farmers from adopting sustainable farming practices include limited access to capital for upfront investments (e.g., for new equipment, cover crop seeds, etc.), uncertainty about the monetary benefits of sustainable farming methods, a temporary lack of income security as implementing new practices can temporarily reduce yields, and knowledge gaps, as adopting sustainable agricultural practices often requires new and specialized knowledge ([Wedl & Kham, 2025](#)).

**Existing financing instruments often only address one or two of these barriers.** But they are usually 'stackable', meaning they can be combined with each other. While individual measures are valuable in its own regard to meet specific needs - e.g., a specific capital investment for the transition - finding ways to combine different financing solutions that are complementary in the sense that they address different transition barriers, can make the

adoption of sustainable agricultural practices more attractive for farmers because it helps cover all important challenges of the transition. The combination also helps farmers avoid the bureaucratic efforts and transaction costs of securing these support mechanisms separately.

The issue that individual private financing instruments are often insufficient in addressing farmers' transition barriers comprehensively, was raised in the 2025 IEEP working paper 'Leveraging private finance for the transition to sustainable agriculture', which identified 15 financing instruments. For instance, instruments that provide farmers with payments for environmental outcomes, such as carbon offset credits, biodiversity credits, or price premiums, address the barrier of uncertainty about monetary benefits of the transition. However, they do not mitigate the other challenges that farmers face, as they are insufficient to compensate for yield loss risks during the transition or provide upfront capital to fund the necessary investments on the farm. Similarly, the provision of attractive, low-interest transition loans to farmers addresses the need for upfront capital, but on its own, this instrument is still unlikely to drive a larger shift to sustainable agriculture. **In addition to individual financing measures, complementary financing instruments need to be combined or sequenced with each other, so that farmers' transition barriers can also be addressed comprehensively** ([Wedl & Kam, 2025](#)).

Some large agri-food companies and retailers already offer a combination of different financing mechanisms to their suppliers. Carrefour, for instance, combines incentives such as price premiums with de-risking instruments, like long-term contracts for suppliers who are adopting sustainable production practices ([Carrefour, 2025](#)).

However, providing farmers with a bundle of instruments, especially when it includes access to upfront capital, and/or mechanisms that reduce yield loss risks, usually **requires the cooperation or coordination between different financiers**. In the following, three different ways of leveraging this strategy are outlined: (1) 'private-private' partnerships combining complementary financing instruments, (2) the sequencing of public subsidies with private financing instruments, and (3) dedicated intermediary organisations that make different financing instruments easily accessible - and thus stackable - to farmers.

### **Partnerships between agrifood corporates and private finance institutions**

'**Private-private**' partnerships are often set up between large agrifood businesses and banks, where the commercial capital partner underwrites credit for transition costs - typically at a discount - for farmers in the corporate's value chain. Partnering banks often require incentive stacking from the food corporate, e.g., subsidising MRV costs, providing technical assistance, covering a share of the capital expenditure costs, providing a premium payment, or extending the term of guaranteed offtake ([Pollination et al, 2024](#)). An example of this are McCain's partnerships with agricultural banks, such as Crédit Agricole, that offer potato growers in McCain's supply chain preferential payment terms and financial support for the investment in regenerative farming equipment. In addition to providing growers with agronomic technical assistance, McCain offers a contribution towards the loan interest ([Wedl & Kam, 2025](#)).

A new collaboration in the UK takes this approach to the next level: In the "Routes to Regen" project, led by the Sustainable Markets Initiative (SMI) and the Royal Countryside Fund, major agrifood corporates, such as McCain, McDonald's, and Waitrose, work with large financial

institutions, including Lloyds Banking Group, NatWest, and Barclays, and insurers, like Tokio Marine Kiln, to offer UK farmers financing and practical support for regenerative farming. The partnership provides farmers with a comprehensive 'menu' of support options, including access to discounted capital, technical assistance and business planning advice, rotational crop supply opportunities, discounted seeds, weather insurance, and public funding guidance ([Sustainable Times, 2025](#)).

### **Sequencing public subsidies with private financing instruments**

A different form of stacking complementary forms of funding that combines upfront capital and monetary incentives is the **provision of public subsidies that cover upfront costs associated with preparing land for the provision of ecosystem services and participation in environmental markets**. Such grants can help cover the costs of ecological assessments or initial restoration activities. This kind of public subsidy that is directly linked to the use of other financing instruments, is, for example, used in the UK, where the Natural Environment Investment Readiness Fund offers prospective providers of nutrient credits and of biodiversity units grants to support project preparation, including ecological advice ([OECD, 2025](#)).

Another example of this approach is the 'Climate-Smart Agriculture Innovative Finance Initiative', supported by the US Department of Agriculture (USDA) Partnerships for Climate-Smart Commodities program. The 5-year project was initiated by the 'Field to Market' multi-stakeholder alliance<sup>3</sup>, with the aim to provide new innovative financing opportunities and create new markets for climate-smart agriculture. Of the \$174 million project budget, \$70 million were funded directly by the USDA, and \$104 million by the group of participating partners, including producer organisations, private companies, cooperatives, financial institutions, and others. The project sets up innovative finance mechanisms, such as lower-cost, flexible transition loans, and risk-sharing solutions, like crop warranties, to accelerate uptake of climate-smart practices. Around half of the funds are used for technical assistance for participating farmers and implementation ([Field to Market, 2024](#)).

### **Dedicated intermediaries that make different financing instruments accessible to farmers**

Intermediary organisations can play the role of knowledge hubs or even matchmaking platforms by improving transparency about available financing opportunities and/or facilitating the interaction of farmers with financial actors and/or carbon credit buyers ([Deloitte et al, 2025](#)). This can either take the form of commercial platforms, where the intermediary profits from the interactions (via advisory/service/transaction fees), or a non-profit platform.

For example, InSoil, a fintech intermediary operating across multiple European countries, provides an integrated platform where farmers can access green agricultural loans via partner financial intermediaries, get technical assistance for implementing regenerative practices, and MRV services for the generation of carbon credits. InSoil also facilitates the sale of the verified carbon credits to buyers ([InSoil, 2025](#)).

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<sup>3</sup> [Field to Market](#) brings together farmers, agribusinesses, retailers, NGOs, academia, and public sector partners around the goal to promote sustainable agriculture

The Farm to Market Alliance, a public-private partnership and agricultural development initiative focused on smallholder farmers in Africa, has set up a network of coordination platforms, so-called 'Farmer Service Centers', which act as key service hubs improving farming communities' access to information, affordable financing, quality inputs, and a range of other important services ([Farm to Market Alliance, 2025](#)).

## 2) Pooling funds from different sources to offer sufficient transition incentives

Many existing financing instruments fall short of covering the costs of transitioning to sustainable agriculture. For instance, while voluntary carbon markets and sustainability price premiums provide important incentives, current carbon credit prices and off-taker premiums are typically too low to drive large-scale changes in farm practices ([Scherger, 2025](#); [Wedl & Kam, 2025](#)).

Coordination and cooperation initiatives that pool capital from multiple actors to support the transition therefore can have an important role. One of the forms they can take is that of pre-competitive **'private-private' partnerships between agrifood companies that have the same suppliers (but are usually not competitors), and/or along the value chain, as well as public-private partnerships.**

### Pooling funds across and along the value chain

One partnership financing model that allows for the pooling of funds and pre-competitive cost-sharing between different downstream companies is based on crop rotation / cover cropping in arable farming. An example of such a across-value-chain collaboration that moves beyond single-crop solutions and involves multiple agri-food actors is the collaboration between PepsiCo, Mars, and ADM in Western Poland ([Mars, 2025](#)). The companies work in a coordinated way with some of the same farmers in the region to integrate regenerative practices into rotational agriculture. This involves systematically alternating different crops, such as cereals, legumes and cover crop combinations on the same land to help naturally replenish nutrients, break pest and disease cycles, and improve soil structure. PepsiCo aims to source sustainably grown rapeseed oil from this initiative, while Mars wants to foster the supply of regenerative wheat for processing in its pet care brands. ADM enables sustainable sourcing and the adoption of regenerative practices. Farmers will also receive hands-on training, financial incentives, and access to data-driven insights through the provision of digital tools.

### Coordinating pooled funds through multi-stakeholder platforms

Many larger corporates operating downstream in the food value chain use premium payments for insetting, i.e., the reduction of scope 3 emissions within their own supply chain. An example of this approach is Agrolmpact, a multi-stakeholder association that aims to support Swiss agriculture in its climate transition. It provides a national financing platform that pools climate premiums paid by participating downstream food companies and disburses these to Swiss agricultural producers who commit to reducing their carbon footprint over an implementation period of six years. Premiums are handled through the Agroiimpact platform to ensure transparency, traceability, and data protection. So far, milk, bread wheat, sunflowers, canola and potatoes are eligible for premiums, with the quantities demanded by the participating

customers being decisive. The platform offers farms a structured consulting process including baselining to understand their total carbon footprint and consultation to develop individual action plans to reduce their climate impact.

The association was founded by a number of diverse public and private actors, including the Chambers of Agriculture in the Romandy region, WWF Switzerland, Earthworm Foundation and Nestlé, along with the Canton of Vaud. Nestlé contributed to the start of the project by enabling participation for farms along their value chain.

The setup of the project is publicly supported via a grant of 1.1 million Swiss francs over five years from the Canton of Vaud, including 900,000 Swiss francs from a support fund for the sustainable economy, and 150,000 Swiss francs from the Directorate-General for Agriculture, Viticulture and Veterinary Affairs (DGAV) ([AgroImpact, 2024](#); [Earthworm Foundation, 2024](#)).

### 3) Landscape-level funding and farm participation

Going beyond supporting the transition of individual farms to coordinating funding for sustainable agriculture across a larger number of farms in the same region at once has multiple benefits.

On the one hand, pooling farm participation is attractive for capital providers: while the coordination requires a skilled facilitator and entails some overall transaction costs, the **aggregation of a number of farms cuts individual transaction costs and helps investors to deploy capital at scale**. A critical mass of investment opportunities on such a level might also be able to **draw in more conservative investors and insurance companies** ([Ross et al, 2023](#)). The **diversification also reduces risks for investors** ([Pollination et al, 2024](#)), and efficiency gains can reduce the overall costs of implementation, thereby lowering the total amount of capital required to increase adoption ([WEF, 2024](#)). These benefits emerge when many farmers in the same region participate, even if the farms are not adjacent to one another.

On the other hand, a **focus on the landscape level can help to achieve environmental, and potentially also socioeconomic, objectives** that would otherwise not be viable. Landscape-scale initiatives where the farms are in the same locality and/or water catchment area achieve a more substantial environmental impact because it is possible to alter the water and vegetation management in a coordinated way. They are especially helpful in tackling systemic issues such as ecosystem conversion, watershed health, and deforestation. Enhancing biodiversity outcomes, e.g., through conservation corridors or connecting biodiversity areas, requires coordination at community or landscape levels. Watershed health often requires collective action and logistical coordination of producers in the water catchment area ([Pollination Group et al, 2024](#)). The same is true for removing pollution from a drinking water catchment, coordinated flood control, or restoration of depleted aquifers.

As landscapes are shaped by locally distinct ecological features, economic activities and land uses, and socioeconomic contexts ([Shames & Scherr, 2020](#); [Pollination Group et al, 2024](#)), environmental pressures and objectives differ across landscapes. These region-specific needs and objectives – potentially defined in dialogue with local stakeholders - can be more easily addressed and reconciled when sustainable farming practices and results are organised at the landscape level ([WBCSD et al, 2025](#)).

## **Landscape financing through spatial targeting of public support**

Many environmental policy objectives require collaboration in certain aspects of land management at landscape scales, but the typical designs of conventional agri-environmental policy schemes usually do not consider the landscape as a unit for conservation among landholders. Several policy design features to enhance spatial coordination are discussed in the literature, namely the use of bonus payments to incentivize adjacent landholders to coordinate in engaging in conservation activities, or alternatively offering a threshold payment to landholders if a certain level of participation and/or spatial connectivity at the landscape level is reached ([Nguyen et al, 2022](#)).

The Agri-environment-climate-measures (AECM) and Eco-schemes under the EU Common Agricultural Policy (CAP)<sup>4</sup> offer the potential to target the landscape level. EU Member States can use both in a way that extends the spatial scale of public support interventions, from focusing on individual farms to the landscape level, through collaborative and coordinated implementation within target areas ([Pe'er et al, 2022](#)).

The Irish ACRES Co-operation program is an example of a locally adapted Agri-environment scheme funded under Ireland's CAP Strategic Plan (2023-2027). The five-year programme is available to (up to 30,000) farmers in eight cooperation zones, focusing specifically on high priority, high-nature-value farmland areas dominated by semi-natural vegetation, Natura 2000 sites, and priority water catchments with high water quality. It provides up to €10,500 per year in results-based payments plus investment funds to farmers. Dedicated project teams and advisors work with farmers to create local action plans for the improvement of biodiversity, water quality, and habitats ([ACRES, 2026](#)).

More recently, under the EU's new voluntary framework for certifying carbon farming and carbon removal activities on farms, the Climate Reference Framework (CRCF), small farms can apply for group certification together. While implementation at landscape level is not a requirement for group certification, in practice, geographical clustering makes practical sense for farmers.

### **Private and public-private landscape initiatives**

Funding at the landscape level is usually done in partnerships – including various constellations of public and/or private actors across the value chain as capital providers. This is because funding can be pooled when several actors have an interest in fostering sustainable farming in the same area, plus, there is often an inherent co-dependence among actors operating in, or relying on, the same landscape (interview with representative of a financing initiative). This dynamic is illustrated in the example of the Landscape Enterprise networks (LENs) below. Financing mechanisms that are usually used in landscape scale initiatives are either payment for ecosystem services (PES) and/or premium payments to farm suppliers by downstream value chain actors.

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<sup>4</sup> Referring to the CAP programming period 2023 – 2027; the CAP proposal published in July 2025 does not include eco-schemes in the current form anymore.

## Box 1. Landscape Enterprise Networks (LENs): Coordinated investment in landscape resilience

### Landscape Enterprise Networks (LENs)

LENs brings together multiple actors to fund and implement sustainable farming practices in the landscape they rely on. There are currently seven LENs networks operating, two in England, and one each in Scotland, Wales, Italy, Hungary, and Poland – and several more under development – which span dairy production, arable, and horticulture farming. Since 2021, they have delivered €30 million to farms for measures to mitigate flood risk, improve the resilience of crop production, reduce GHG emissions, increase biodiversity, and improve water quality.

**Development:** The initiative was developed 10 years ago in a landscape in Northwest England, where there was a common interest of three downstream actors in more sustainable farming in the area: a local water company seeking to reduce nutrient loads in the water catchment, and a Nestlé dairy factory and their supplier partner keen on increasing the resilience of supplying farms, and on reducing GHG emissions in their supply chain. The consultancy 3Keel joined the dots and developed a model that enabled these actors to co-fund local farms to adopt sustainable practices by providing co-contracting and MRV mechanisms that deliver the desired results.

**Convening role of LENs & financial architecture:** LENs' convening role consists in helping the participating (demand-side) organizations define their demand specification, i.e., what exact landscape outcomes are most important for them, depending on their corporate agenda, and how they can be quantified; identify evidence-based measures and farming practices that can deliver these outcomes; and model the projected outcomes based on the funding that the companies intend to invest. They then work with suppliers and other intermediaries to engage farmers in the area and invite proposals for funding. Once agreed, LENs issues contracts for the measures agreed and apply robust MRV methods for baselining, as well as impact measurements after the harvesting cycle. Contract timelines depend on the nature of the practices to be implemented, and vary between short-term (e.g., one year) and long-term (e.g., 10 years).

The financing mechanism is a relatively simple revenue model, where the payments by funders are aggregated and disbursed to farmers.

LENs offers farmers funding typically in the range of 5,000 - 25,0000 Euros per farm per year based on the implementation of sustainable practices, as well as a flat 'resilience payment' per hectare for farmers that already have reached a certain level of sustainability. Funding also includes upfront capital for initial investments required to implement a practice.

**Commercial demand as a driver of this landscape model:** Commercial interests differ by organization and by landscape. As co-funding by several companies is the 'key

ingredient' of LENs, the model works best where there is more than one, ideally around five commercial interests, in the same landscape. Consumer goods companies have shown the most demand and have been the most active in initiating these collaborations, as well as water companies – though these play a smaller part in the funding mix to date. Local councils and municipal authorities that are responsible for local infrastructure, are most interested in improving natural flood management; and while food retailers are starting to show interest in this model, the diversity of supermarkets' supply chains is a barrier for their participation (with beef, dairy, and fruits and vegetables potentially being promising exceptions). Farmers are generally keen to participate in the networks, and usually, there is an oversupply of farmer interest over demand.

**Benefits for actors involved:** All parties involved benefit from the low administrative burden of the model since this is effectively contracted out. The cost-sharing mechanism and the model's flexibility (that allows for short-term arrangements in line with the measures to be implemented), lowers the risk and barriers to entry for participating actors. Thanks to the rigour of MRV methods applied, the model allows for robust, high-quality verification of results that meet the latest standards, including the GHG Protocol, Land Sector Removals Guidance, and Science Based Targets Initiative.

**Sources:** Interview with representative of a financing initiative; [WBCSD et al, 2025](#).

#### 4) Stacking or bundling different ecosystem services

Often a single site or management intervention in a farmed area generates multiple ecosystem services, yet not all these services are promoted or rewarded. **Aggregating multiple ecosystem services provided from the same location (e.g. habitat provision, carbon sequestration and water filtration) and selling them in different markets can increase the financial reward for participating farmers** ([OECD, 2025](#)). For instance, the bundling of carbon offset credits with biodiversity credits, or the creation of nature credits that include other environmental aspects without substantial additional costs can realise higher prices, and increase the return on investment for farmers ([Wedl & Kam, 2025](#)). It can also help attract private investment as diverse revenues may have a more attractive risk-return profile. In addition, the incentive to deliver multiple ecosystem services, as opposed to maximising a single service, might prevent unsustainable outcomes ([OECD, 2025](#)). Higher-quality environmental practices that are not economically feasible through a single payment scheme may become profitable when capitalising on the synergies between different ecosystem services. For example, a study in the US Corn Belt showed that some land use practices to generate carbon offsets only become profitable when combined with water quality offsets, e.g., the reduction of nitrogen application and the establishment of green set-asides (*ibid.*).

A challenge in this context is financial additionality, as carbon benefits and other ecosystem services that would have occurred in any case without the specific payment are not eligible for funding under the EU CRCF and some eco-schemes under the CAP, and this can be an issue under other certification schemes as well.

**Ecosystem services can be either bundled and sold together as a single unit to one buyer, or stacked and packaged into different credit types, where each service can be sold individually to different buyers.** Stacking can involve combining various incentives, such as biodiversity offset credits, payments for ecosystem services, biodiversity-positive subsidies, water quality credits and carbon credits - sometimes combining regulatory and voluntary markets.

For example, US state trading programs allow farmers in the US Corn Belt region to stack water quality credits with carbon credits, which increases their participation in carbon offset markets ([OECD, 2025](#)). Since that region struggles with major nutrient runoff from fertilizer use, voluntary markets for nutrient reduction credits developed as well, to support compliance with the US Clean Water Act. These are often also being stacking with carbon and biodiversity credits. A US non-profit platform that facilitates the bundling of ecosystem services and matches sellers with buyers is the Ecosystem Services Market Consortium, which focuses on multi-ecosystem service outcomes, including carbon, water, and biodiversity ([ESMC, 2026](#)).

### **5) Catalysing commercial capital through blended finance**

Blended finance instruments are de-risking mechanisms that can mobilise additional capital and thus scale available funding. Blended finance schemes are often set up via public-private-partnerships. However, in contrast to merely pooling public and private funds, concessional capital – which might be public and/or philanthropic, or impact capital – takes on a catalytic role and acts as a ‘lever’ to attract private funding ([Deloitte et al, 2025](#)). Decreased investment risks and bundling investment opportunities to achieve larger-size investment opportunities can make investment in sustainable agriculture attractive for more commercial investors ([Ross et al, 2023](#)).

#### **Public banks absorbing loan risks to increase commercial lending for sustainable agriculture**

When public banks de-risk agricultural loans provided by commercial banks, e.g., by providing loan guarantees or investing in first-loss tranches of a securitised loan portfolio, it allows the commercial bank to extend additional lending without increasing its capital base.

For example, under the Pan-European Agricultural Programme, a € 3 billion package launched by the EIB in 2024 to support agricultural businesses, the EIB Group has signed an operation with the Spanish bank Santander to unlock € 370 million in new, attractive loans for agricultural SMEs - supporting, in particular sustainable and regenerative agriculture, climate-resilient crops, infrastructure, and water management. To mobilise the additional capital, the EIB Group uses two de-risking mechanisms: first, it provides Santander with a € 200 million bilateral guarantee, which reduces the capital coverage Santander is required to hold against its loan portfolio, and allows the bank to extend € 270 million in additional lending without increasing its capital base. Second, it directly invests €50 million into a risk tranche of the bank’s securitised agricultural loan portfolio. As this investment takes a loss-absorbing position before other investors, it de-risks the portfolio, and, in turn, allows Santander to mobilize an additional € 100 million investment in the agricultural loan portfolio from private investors ([EIB, 2025](#)).

## Concessional anchor capital to set up financing structures

Often, the setting up of new financing structures requires first (anchor) capital, to establish and test new types of intermediation structures and help to bring a financial instrument to scale, so additional private capital can engage ([Havemann et al, 2020](#)). This anchor capital is usually grant funding from public sources, like multilateral development banks ([Wedl & Kam, 2025](#)).

### Box 2. United States Department of Agriculture's Climate-Smart Commodities Program: Leveraging public grants to catalyse private investment in sustainable agriculture

#### USDA Partnerships for Climate Smart Commodities Program

The Partnerships for Climate-Smart Commodities program, established in 2022 by the Biden administration, was a competitive grants program that has co-funded multi-stakeholder projects focused on sustainable agriculture. Funding was granted for proposals that match on average 50% of the federal investment with non-federal funds. Through this effort, the US Department of Agriculture has granted more than \$3.1 billion to 141 different project partnerships that provide technical and financial assistance to producers to implement climate-smart production practices, pilot MRV methods, and develop markets for climate-smart commodities – reaching about 60,000 farms in total.

Large US food corporates involved in the program describe that, while they were holding back before, expecting competitors to invest first, the competitive grants program created momentum and incentivized them to cooperate with other value chain actors to make the investments in the transition (interview with representative of a financing initiative).

One example of partnerships selected for this grant is the ADM and Partners' Climate-Smart Solutions project (funded with \$90 million). It utilizes incentive payments to thousands of producers funded by supply chain actors (including, e.g., large retailers, input providers, food processors, and agritech businesses) for the adoption of climate-smart agriculture practices. The USDA grant allows a cost-share on a per acre basis to reduce costs for early adopting farms.

While the program was cancelled by the Trump administration in 2025, it illustrates how public grants can not only be used to complement and incentivize private financing for sustainable agriculture but also be leveraged for the creation of further private financing opportunities ([USDA, 2025](#)).

## Organizational approaches, challenges, and opportunities for coordination

### Organisational set-ups: diverse approaches to engage farmers

Coordination necessitates an appropriate institutional setup, as it cannot self-organize. Across the different strategies outlined above, coordination and collaboration initiatives take different forms, resulting in different ways of engaging with farmers. However, they usually tap into existing outreach channels, such as supply chain links and agricultural banks' connections with farmers. Four models are worth highlighting.

First, **partnerships between a limited number of different actors** often include one or more corporate players. These initiatives can leverage the corporates' supply chain network to reach farmers and thus, often explicitly target the partnering companies' suppliers. Second, an **intermediary organization** functions as a platform or 'broker' that brings together farmers and financiers or ecosystem service buyers, potentially at the landscape level. The intermediary typically reaches out proactively to farmers – either directly, or through trusted entry points, e.g., agricultural advisory or extension services, cooperatives, or farmer associations. The empirical example of LENSs shows that farmers are keen to participate in such networks, if they are well designed, which is reflected by an 'oversupply' of farmer interest in the case of LENSs (interview with representative of a financing initiative). Third, is the model where **public support schemes explicitly allow, or aim, for the integration with other, private financing opportunities**. In this case, farmers apply via the usual ways to receive the respective forms of support. Fourth, is the case where public finance institutions set up **blended finance partnerships or blended finance funds**, and farmers can benefit through partnering with commercial lenders, which are usually agricultural banks with good relationships to the farming community.

### Challenges limiting coordination efforts

Current challenges that constrain the adoption of coordination strategies – as discussed in more detail below – are: (i) the limited availability for this purpose of upfront capital and transition insurance, which constrains efforts to address farmers' transition barriers holistically via a mix of financing instruments; (ii) anti-trust concerns limiting corporate collaboration to pool funding; (iii) varying levels of commercial interest in different landscapes, and scarce integration of commercial and public support schemes, which limits the applicability of landscape-level financing; and (iv) risks of non-additionality for both suppliers and purchasers, which can be an issue across several strategies, e.g., the stacking of ecosystem services.

**Initiatives that offer farmers upfront capital and/or reduce income risks during the transition are still rare.** However, the strategy of **combining complementary financing instruments misses fundamental 'building blocks'** if these elements are lacking. Farmers need to be able to cover the costs of necessary initial investments and reduce the risk of income loss during the transition if they are expected to adopt sustainable practices. Even if some co-financing collaborations and blended finance partnerships offer attractive transition loans or green bonds, a general issue with this type of financing is that farmers are often already indebted and hesitate to take on further loans and accumulate more debt (interview with representative of a financing initiative). One option to mitigate risks are transition insurance

schemes, designed to insure farmers against the potential operational risks and yield losses during the first four years of specified forms of transition. Such a scheme could be backed by the EIB, as suggested by a group of farmer, landowner and business organisations ([EARA et al, 2025](#)).

Large agrifood companies are in a unique position to convene producers within their supply chains. They also have a motivation to collaborate with other corporates in order to share costs and keep support schemes affordable in the longer run (interview with representative of a financing initiative). **One of the barriers to industry cooperation is the hesitation of private companies to work with competitors due to antitrust concerns.** This can be addressed by intermediaries, e.g., the landscape model adopted by LENS addresses these concerns by proactively managing antitrust risk in its contracts so that funders can have reassurance from the UK antitrust authority. In addition, anti-trust **concerns are being addressed by pioneering EU legislation**, namely Article 210a of the EU's CMO Regulation. The article, in effect since 2021, exempts restrictions of competition in agreements that are indispensable to achieving sustainability standards in the agriculture sector that are higher than EU or national mandatory standards. The respective Guidelines increase legal certainty for businesses wanting to collaborate with competitors to promote sustainable farming. Since this exemption is still quite new, it is likely that it has not yet gained broad visibility ([Kluwer Competition Law Blog, 2023; EU, 2023](#)).

While some public agri-environmental schemes, including those under the EU CAP, offer this potential, voluntary **spatial targeting of landscapes is seldom implemented in Member States' CAP Strategic Plans as the EU CAP does not structurally incentivise landscape-scale coordination**, and its dominant implementation logic remains farm-level ([Falco, 2022](#)). Private landscape-level financing is confined to areas where there is sufficient commercial interest in the environment.

While it can maximise farmers' benefits, **stacking financing incentives (ecosystem service credits or different schemes) risks double counting and/or a lack of additionality** – i.e., there is a risk that each scheme provider attributes the positive impact to their activity, and funds are being used inefficiently ([OECD, 2025](#)). To protect against this, both public and private actors need to create transparency about how schemes can, or cannot, be stacked with other benefits. An example from the private sector is Cargill's US RegenConnect programme, which clearly states that participants cannot be enrolled in other privately funded programmes, but they can be stacked with public or government payments ([SAI, 2025](#)). Accounting for this can become increasingly complex and increase private transaction costs and the administrative costs of schemes ([OECD, 2025](#)).

### **Opportunities: MRV harmonization and catalytic co-funding**

**The lack of a 'unified data language' is considered one of the main bottlenecks for blending and stacking of financing instruments.** The collection of data to measure performance and/or improvements on the ground is an essential part of both outcome-based and practice-based financing programs. The current multitude of different frameworks, indicators, and metrics for sustainable agriculture that reflects the diversity of institutions, experts, MRV organizations, and financiers, involved hinders the compatibility of different

schemes, leads to inefficiencies, and can represent a bureaucratic burden for farmers and implementors. It also prevents the exchange of data needed to strengthen the evidence base on the economic and environmental benefits of sustainable agriculture ([Klauser et al, 2025](#); [Wedl & Kam, 2025](#)).

**Harmonising MRV requirements can increase the efficiency and compatibility of financing opportunities.** Both public and private actors are making efforts to create a shared understanding and harmonisation of MRV standards. Several multi-stakeholder processes have been launched to build consensus about standards (interview with representative of a farmers' organization; [Ross et al, 2023](#)). **One of the key international harmonization efforts in the private sector is the Sustainable Agriculture Initiative (SAI)'s global standard.** The SAI platform is a member-led industry organisation of corporates in the food and beverage sector. It proposed a global framework for regenerative agriculture, which was developed based on consultations with platform members, farmers, and academics, and a review of existing frameworks ([Klauser et al, 2025](#)). The framework follows an **outcome-based approach**, including eight regenerative agriculture outcomes across the environmental areas of soil health, biodiversity, water, and climate, and suggests indicators to quantify progress. It also outlines a process for implementing regenerative agriculture that emphasises the need to understand local contexts and farmer needs<sup>5</sup> (*ibid.*).

**An NGO-driven harmonisation initiative is the 'Regeneration Index'**, a standard developed by the multi-stakeholder initiative *Pour un Agriculture du Vivant* (PADV), which is already used by thousands of farmers, and many cooperatives, companies, and funding agencies. For instance, the 'Regenified' certification for agricultural products and 'Agripurpose', a global validation and data platform, work with this standard. The framework is the result of scientific and field collaboration. In comparison to the SAI framework, it focuses on **process-oriented benchmarks** ([PADV, 2026](#)).

**The new EU CRCF (Climate Reference Framework) regulation provides EU-wide criteria and principles for MRV of carbon removals**, including soil-carbon increases (interview with representative of a financing initiative). Carbon removal certification programmes or frameworks qualify if the methodology they use involves application of the CRCF criteria ([European Commission, 2025](#)). Another public effort to help overcome MRV challenges is the OGCR (Open Geospatial Carbon Registry) research project, funded under Horizon Europe between 2025 and 2029. The project is building openly accessible carbon accounting tools using geospatial data and satellite monitoring, and the digital infrastructure for a carbon registry across the EU ([OCGR, 2026](#)).

**Another important enabling factor can be catalytic co-funding, including public funding for facilitators of coordination.** Flexible co-funding through small public grants can, for instance, be an important enabling factor for private or public-private landscape-scale financing. By reducing the overhead costs, such as program management, MRV, and technical assistance, it can make the model more attractive for participating companies and farmers and

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<sup>5</sup> Including (i) a context analysis to identify key material criteria of a production system, (ii) the prioritisation of outcomes based on the context analysis, (iii) the selection of practices to achieve improved performance against prioritised outcomes, and (iv) the development and implementation of continuous improvement plans to monitor and report progress.

facilitate the formation of landscape financing networks. LENS, for instance, has recently started to integrate public grant funding and secured regional development funding to support project design (interview with representative of a financing initiative). Similarly, grants can be used for the establishment of multi-stakeholder governance bodies for initiatives that pool funding, ensure local capacity building, and facilitate technical assistance. The example of the Swiss AgrolImpact multi-stakeholder platform highlights this enabling role of public financial support ([SAI, 2025](#)).

## Policy and institutional levers to harness untapped coordination potential in the EU

### Catalytic use of public funds

**Public funds should be used strategically to strengthen the role of intermediaries.** Many successful examples (LENS, InSoil, AgrolImpact) rely on intermediary organizations that reduce transaction costs, manage MRV, address antitrust risks, and aggregate demand and supply. Public policy should recognise intermediaries as critical infrastructure for coordinated finance and provide targeted support for their establishment and operation. In addition, **greater use of targeted public grants could enable the establishment of innovative financing mechanisms on a larger scale.** The catalytic role of public money should not be limited to 'traditional' blended finance approaches focused on lending - especially against the background of accumulated debt amongst farmers. On a bigger scale, matching private funding with public grant money, as under the USDA Partnerships for Climate Smart Commodities Program (see above) could be another way to provide finance without further indebting farmers (interview with representative of a financing initiative).

### Embedding coordination in public support frameworks

**The new CAP transition support mechanism concept should be developed so as to allow Member States to integrate investment support, insurance, and monetary incentives to holistically address farmers' transition barriers,** underpinned by knowledge transfer and capacity building. While the proposed CAP transition support is a step in the right direction, it needs further conceptual refinement. Apart from defining clear sustainability objectives, the funding should be designed in a way that addresses farmers' multiple transition barriers, i.e., upfront investment costs, temporary income risks, uncertain monetary benefits, and or knowledge barriers. An additional policy tool to be explored at the EU level could aim at bridging the gap arising from the absence of farm level.

**In addition, CAP support should foster spatial targeting at landscape-scale level.** To make sure that funding via the agri-environmental actions and the new transition support planned under the new EU CAP adds the most value possible for the environment, the policy design should not just allow for but incentivize collaboration among landholders at landscape scale. EU agricultural and environmental policy should explicitly incentivise coordination between farms, schemes and funding sources, rather than treating coordination as optional or exceptional. This could translate into: CAP payments that reward collective participation; eligibility criteria that favour coordinated or bundled approaches; and support for intermediaries that manage coordination.

## Improving transparency and harmonizing MRV

**Additionality issues need to be addressed through increased transparency.** The public sector should take a leading role in reducing uncertainty, specifying rules where required and creating transparency about how support schemes can, or cannot, be stacked with other sources of income for related benefit provision. This applies, in particular, to the new policy tools introduced following the Commission's CAP post-2027 proposals that aim to incentivize sustainable agriculture practices – i.e., the agri-environmental actions and the new transition support planned under the new EU CAP. Since such payments under the CAP will remain a main lever for transition to sustainable forms of agriculture, there needs to be clarity both among EU Member States and farmers if, and to which extent, the monetary incentives under these policies can be combined with other (private) financing instruments, such as ecosystem service credits. In addition, further public action is needed to increase overall transparency and create and disseminate guidance on preventing additionality risks for all actors involved in the financing of sustainable agriculture. **The public sector also needs to lead on MRV harmonization to create interoperability at scale.** While multiple standardization efforts have emerged in this field, partly driven by multi-stakeholder initiatives and business networks, the creation of a widely applicable, harmonised framework and respective indicators, which can be utilised for public and private data needs, will need to be driven by the public sector. Ideally, harmonisation would be undertaken at the EU level; however, in the interim, progress at the Member State level would already constitute a valuable step forward. One expert compared the current developments to the incremental process that led to the organic farming standard in the EU a few decades ago, when existing and overlapping frameworks gradually converged (interview with representative of a farmers' organization). But perhaps MS activity should sit within a broader EU framework. A general criticism of the CRCF in this context is that its vagueness prevents it from bringing about the level of standardisation that is necessary. Ideally, publicly driven MRV standards are integrated with EU assessment frameworks, including the new CAP policy tools and Member States reporting.

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