

---

# Blended Climate Finance for Sustainable Agrifood Systems

## Latin America & the Caribbean (LAC)

April 2025



How can blended climate finance enable private capital mobilization in agrifood systems in Latin America and how can financial institutions get involved?

### THE CASE FOR FINANCING SUSTAINABLE AGRIFOOD SYSTEMS IN LAC

**Agriculture and land use are the largest sources of emissions in LAC, major drivers of biodiversity and water loss, and vital sectors for livelihoods and global food supply.** They account for over 55% of greenhouse gas emissions in the region. Current farming and ranching practices consume 70% of freshwater resources and drive 70% of habitat conversion. At the same time, agriculture represents 14% of the workforce, and agrifood systems as a whole account for 24%.

**Despite their climate, environmental, and economic importance, agrifood systems receive critically low levels of climate finance.** In LAC, they account for just 8% of climate finance flows. It is critical to shift to sustainable practices in agrifood systems that conserve, restore, and use natural landscapes responsibly, while also strengthening the resilience of food systems in the face of increasing climate change.

**Agrifood systems, particularly in emerging markets, face several barriers that limit their transition.** Common challenges include a high perceived risk due to lack of credit history and collaterals, mismatches between investment terms and scale, misalignment between short-term vision and long-term sustainability goals and the emergence of new asset types, among others. **Blended finance can address barriers and promote transition to sustainable agrifood systems.**

## BLENDED FINANCE - OVERCOMING BARRIERS TO INVESTMENT

**Blended finance uses capital from public or philanthropic sources to unlock private investment in developing countries for global development impact.** It is a structuring approach that enables different types of capital—whether impact-driven or commercial—to invest side by side while meeting their own financial or social objectives. **At its core, blended finance involves adjusting the risk-return profile of investments to make them viable for a broader range of investors.**

**Blended finance can take several forms, each tailored to address specific development objectives:** a) Design/Preparation Funding (used to prove business concepts); b) Technical Assistance Funds (deployed alongside investment projects to support their success and drive broader systemic impact); c) Concessional Debt or Equity & Guarantees/Insurance (to mobilize additional financing by improving the risk-return profile for private investors); d) Results-Based Financing (to encourage innovation and impact).

**Convergence reported 59 blended finance transactions for agriculture in Latin America and the Caribbean to date, totaling \$7 billion in financing.** Of these, 20 transactions focused on the agroforestry sub-sector, accounting for \$3.5 billion. Most blended agriculture deals in LAC have concentrated in Brazil (17 transactions) and Colombia (13).

## INNOVATIVE FINANCE IN PRACTICE - LESSONS LEARNED FROM PRACTITIONERS

Practitioners can provide useful reflections and recommendations, particularly for financial institutions exploring the creation of sustainable agri-focused financing solutions. Below are some insights from [AGRI3 Fund](#), [Root Capital](#) and [SAIL Investments](#), who provide great examples of different strategies to investing in agrifood systems across Latin America.

- **SAIL Investments** has the mission to finance the transition towards deforestation-free supply chains in tropical forests (soy, palm oil, livestock). They engage through direct lending to large commodity producers.
- **Agri3Fund** enables financing to the agricultural sector through mechanisms to reduce risk to local financial institutions. They provide guarantees to local financial institutions to unlock lending to producers.
- **Root Capital** has the mission to grow rural prosperity and build the resilience of farming families around the world. They do direct lending to small-holder farmers.

**Effective investment in sustainable agriculture begins with a deep understanding of the local context.** This means mapping the entire value chain, identifying prevailing practices, and assessing both the opportunities and the barriers to transition toward more resilient and sustainable systems.

**Recognizing the range of financial risks—operational, market, currency, credit, and climate—and how these are distributed among actors is essential.** From there, organizations can determine where they are best positioned to add value. Targeting one or two key barriers with intention helps ensure additionality.

**A range of de-risking tools—such as guarantees, foreign exchange hedging, off-take agreements, and technical assistance—can be used to align incentives and crowd in capital.** Crucially, finance must go hand-in-hand with **capacity building**. Agricultural investment is inherently high-risk, and climate change will continue to heighten that risk. Blended finance approaches, as seen in models like AGRI3 Fund, Root Capital, and SAIL Investments, offer structured pathways to manage these risks while enabling long-term impact.