

PRIVATE SECTOR INCENTIVES AND INVESTMENTS (PSII)

for climate change, resilience, and environmental sustainability



A project of the Agroecological Transitions Program for Building Resilient and Inclusive Agricultural & Food Systems (TRANSITIONS)

At a glance

- The TRANSITIONS program aims to better align policy, investment, and technical support to **enable climate-informed agroecological transitions by farmers in low- and middle-income countries.**
- TRANSITIONS will develop and adopt a set of holistic metrics for food and agricultural systems performance, inclusive digital tools, and transparent private sector engagement to leverage incentives and foster investment.
- To support this program, the Private Sector Incentives, and Investments (PSii) project will develop **inclusive incentive mechanisms** for private sector and public stakeholders, while **leveraging investments to support agroecological transitions.**

The challenge

Transforming global food production systems, while also reducing their impact on the natural environment and improving welfare, remains a complex agenda characterized by overlapping trade-offs. Transitioning from “business as usual” requires simultaneous transformation across multiple levels – from socio-ecological systems, economics, business, and politico-institutional systems – to ensure the adoption of a more regenerative use of natural resources.

However, too little attention is paid to the role of the private and public sectors in advancing to agroecological transition pathways. Although many business and private sector stakeholders are aligning to agroecological principles in food systems, there remains concerns among actors on the motivation, incentives, investments, and transparency of private sector initiatives.

Project objectives

Under the TRANSITIONS program, the Private Sector Incentives and Investments (PSii) project will fill persistent knowledge gaps on the role of private and public sector incentives and investments in supporting agroecological transitions for farmers in low- and middle-income countries. The project will:

- **Improve private and public sector incentive models** to support agroecological transitions for stakeholders along the value chain.
- **Increase transparency and traceability in supply chains** on holistic agroecological metrics and principles.
- **Enhance the capacity of local institutions** for engaging in innovative finance models, assessments, and policies that support agroecological transitions.

Key questions



The PSii project will explore the following entry-point questions:

What are the key structural elements of private and public sector incentive models for enabling agroecological transitions?

How can holistic metrics and new traceability and transparency tools support farmers and consumers in agroecological transitions?

What are enabling factors in public policies, co-design and scaling, that allow farmers to benefit better from private sector incentive mechanisms for agroecological transitions?

Private Sector Incentives and Investments (PSii) for Climate Change, Resilience and Environmental Sustainability



COMPONENTS	COUNTRY-LEVEL ANALYSIS	MATRIX CODE ACTIVITY	Peru	Vietnam	Ethiopia
			CACAO	RICE	WHEAT
1 Incentives, investments and sustainable finance	Incentives, investments and financial analysis 	1A Incentives and investments			
		1B Sustainable finance and economic analysis			
2 Holistic metrics and digital traceability	Metrics and traceability 	2A Holistic metrics			
		2B Traceability tools (Digital tools)			
3 Co-design, capacity and scaling-out	Co-design, capacity and scaling-out 	3A Co-design and co-learning capacity building internship			
		3B Scaling-out, monitoring and impact			

Figure 1: Macro of the PSii project components.

Project locations

The PSii project will focus on two project sites and one learning site for three commodity supply chains, including:



CACAO
Sustainable cacao production in the Ucayali/Amazonas, PERU



WHEAT
Sustainable wheat production in Oromia, ETHIOPIA



RICE
Sustainable rice production in the Mekong River Delta, VIETNAM

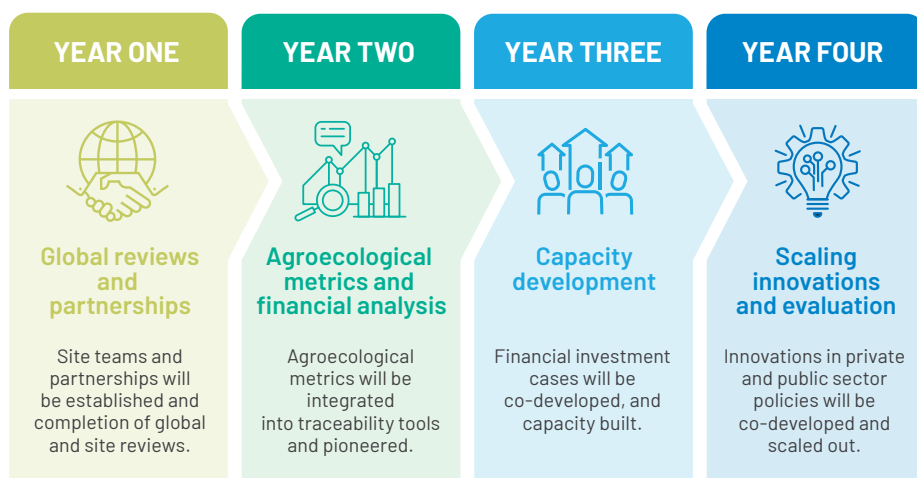
Figure 2: PSii project sites.

Project activities

Project timeline

To achieve the project goals, the PSii project is divided into four interconnected phases:

Figure 3: Interconnected phases of the PSii project.



Project outcomes

The PSii project focuses on developing innovative pathways for long-term incentives and transparent private sector engagement to support agroecological transitions for farmers. Key outcomes include:

- Supporting at least 100,000 households to engage with improved private and public sector incentive models and investments.
- Incentivizing agroecological principles in transparent supply chains for rice, cocoa, and wheat for at least 50,000 households.
- Integrating agroecological metrics in supply chain transparency and traceability tools.
- Building local capacity, engaging multi-stakeholder platforms and co-mobilizing private sector investments to support agroecological transitions.

The opportunities

Developing a better understanding and application of private sector incentives and investments through the PSii project will benefit:



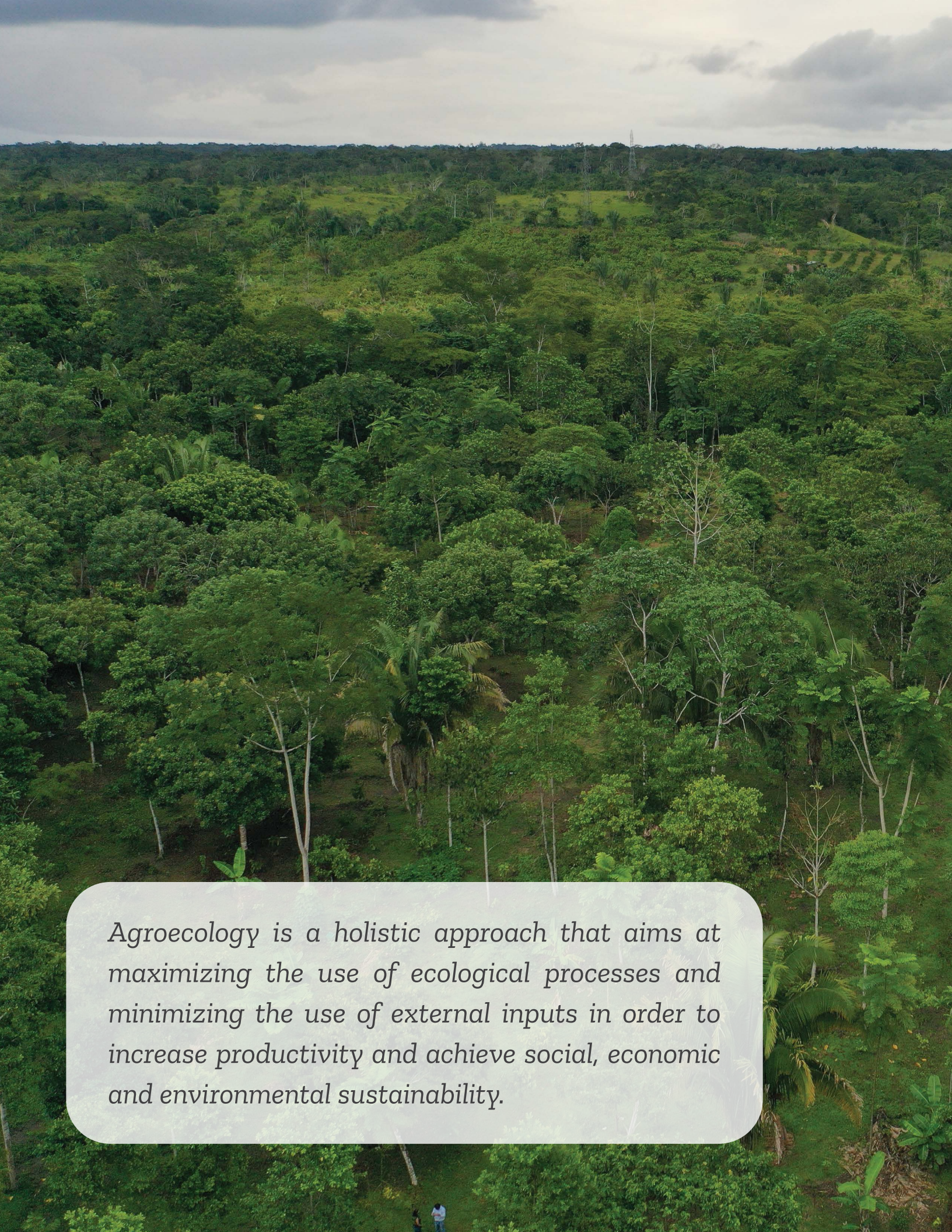
Governments: unlocking more private investment to support national climate, environment, and food security goals.



Farmers: more assistance for proven agroecological practices and techniques will provide greater sustainability and ecosystem services.



Agribusiness: greater transparency, more inclusive business environments, and agroecological practices will allow businesses continued access to markets such as the EU, which recently introduced a law against imports from deforested land.

An aerial photograph of a vast, lush green landscape, likely a tropical agroecological system. The terrain is covered with a dense canopy of diverse trees and crops, including palm trees and banana plants. The colors range from deep forest green to lighter, more vibrant greens, indicating a rich biodiversity. In the distance, a thin line of trees marks the horizon under a cloudy sky. A few small figures of people are visible at the bottom center of the frame, providing a sense of scale to the expansive natural environment.

Agroecology is a holistic approach that aims at maximizing the use of ecological processes and minimizing the use of external inputs in order to increase productivity and achieve social, economic and environmental sustainability.



13 Agroecological principles (HLPE, 2019)¹

- 1 **Recycling:** Preferentially use local renewable resources and close as far as possible resource cycles of nutrients and biomass.
- 2 **Input reduction:** Reduce or eliminate dependency on purchased inputs and increase self-sufficiency.
- 3 **Soil health:** Secure and enhance soil health and functioning for improved plant growth, particularly by managing organic matter and enhancing soil biological activity.
- 4 **Animal health:** Ensure animal health and welfare.
- 5 **Biodiversity:** Maintain and enhance diversity of species, functional diversity and genetic resources and thereby maintain overall agroecosystem biodiversity in time and space at field, farm, and landscape scales.
- 6 **Synergies:** Enhance positive ecological interaction, synergy, integration, and complementarity amongst the elements of agroecosystems (animals, crops, trees, soil, and water).
- 7 **Economic diversification:** Diversify on-farm incomes by ensuring that small-scale farmers have greater financial independence and value addition opportunities while enabling them to respond to demand from consumers.
- 8 **Co-creation of knowledge:** Enhance co-creation and horizontal sharing of knowledge including local and scientific innovation, especially through farmer-to-farmer exchange.
- 9 **Social values and diets:** Build food systems based on the culture, identity, tradition, social and gender equity of local communities that provide healthy, diversified, seasonally and culturally appropriate diets.
- 10 **Fairness:** Support dignified and robust livelihoods for all actors engaged in food systems, especially small-scale food producers, based on fair trade, fair employment, and fair treatment of intellectual property rights.
- 11 **Connectivity:** Ensure proximity and confidence between producers and consumers through promotion of fair and short distribution networks and by re-embedding food systems into local economies.
- 12 **Land and natural resource governance:** Strengthen institutional arrangements to improve, including the recognition and support of family farmers, smallholders, and peasant food producers as sustainable managers of natural and genetic resources.
- 13 **Participation:** Encourage social organization and greater participation in decision-making by food producers and consumers to support decentralized governance and local adaptive management of agricultural and food systems.

1 <https://bit.ly/3am50tT>

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