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FINANCING FOOD SYSTEM REGENERATION?

The potential of social finance in the agrifood sector

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Introduction

The regenerative capacity of food systems is profoundly shaped by the financial systems that serve them. Food and financial systems have been intimately entwined for centuries, although food studies scholars have only recently directed their full attention to this linkage. The concurrent 2008 food and financial crises prompted a closer look at the linkages between the sectors, as financial investors sought to profit from speculation in agricultural commodities, farmland, and agrifood equities investments (e.g. Fairbairn 2014; Ghosh 2010; Ouma 2016). These studies have focused on the extent to which the agrifood system has become 'financialized', with financial actors, institutions, and priorities becoming dominant in ways that reshape food systems (e.g. Clapp and Isakson 2018).

This work exploring the linkages between food and financial systems has prompted growing concern in both scholarly and policy communities about the ways in which financial investment in the sector is associated with problematic outcomes, including food price volatility, weakened land rights, and corporate concentration. Such outcomes on the ground suggest that the growing role of finance can diminish the resilience of food systems and their overall capacity for regeneration. Growing awareness of the potential for negative outcomes has prompted initiatives for more 'responsible' financial investment in the agrifood sector through initiatives such as voluntary codes of conduct and investor guidelines. These efforts have, on the whole, focused on a 'do no harm' approach to sustainability that is still rooted in profit maximization within the industrial food system.

Theorists and practitioners of social finance question whether negative outcomes are an inevitable result of financial investment in the food system. These scholars explore whether finance can be redeployed for more positive societal outcomes. Social finance seeks to invest for social and environmental return, rather than purely for financial gain. Though social finance has received far less attention in the academic literature on financialization in the agrifood system, there is value in bringing the two concepts

together when examining this sector. Whereas most of the scholarship on financialization in the food system describes the ways in which finance interacts with various activities along the food chain, social finance offers potential solutions to the harmful effects of mainstream investment patterns and supports initiatives that reside outside of the mainstream industrial food system.

This chapter explores the theme of social finance and how, in the context of financialization in the agrifood sector, social finance could potentially support more regenerative food systems. We argue that regenerative food systems are those which are firmly rooted in local initiatives that explicitly seek to improve the capacity of food systems to provide positive environmental and social benefits that enable the sector not only to be more 'sustainable' (i.e. to enable the system to continue into the future without causing undue harm), but also to improve its capacity to regenerate ecosystems and social dynamics of food systems in ways that see continual positive improvement.

The chapter unfolds as follows. First, we provide a brief overview of the literature on the impact of financialization in the agrifood sector and the rise of 'responsible' investment in the sector. Second, we outline the ways in which social finance seeks to build not only more sustainable food systems, but specifically seeks to foster improvements that bolster the regenerative capacity of food systems by promoting initiatives outside of the mainstream industrial food system. Third, we present the case of FarmWorks Investment Co-op, based in the Canadian province of Nova Scotia, as a case study of the regenerative capacity of social finance for food systems. Fourth, we discuss the kinds of policy changes required for social finance to become a more dominant mode of financial support for the agrifood sector. Finally, we conclude with some reflections regarding potential contradictions and prospects for more regenerative types of agrifood finance.

Current patterns of agrifood financial investment fall short

Financial markets have been deeply enmeshed in the agrifood system for hundreds of years. The relationship is two-way. Financial markets have long provided much needed capital for farmers as well as for firms that operate along agrifood supply chains to enable their economic viability. Agrifood commodities, firms, and farmland have also served as lucrative investment opportunities for financial investors seeking a decent rate of return on their capital. While the relationship between food and finance has the potential to be mutually beneficial, it has also been fraught throughout history. Farmers have long expressed skepticism about the role of financial speculators who invested in agricultural commodities, for example, viewing them as forces that drive volatility in commodity prices (Martin and Clapp 2015).

Concern about the impact of commodity speculation on food prices became prominent during the 2008 food crisis. As the crisis unfolded, many analysts pointed to increased investment in financial derivatives such as commodity futures contracts as well as in new types of complex investment vehicles such as commodity index funds. The availability of these new investment products after the early 2000s fuelled investor interest in the sector, which coincided with sharp increases in food prices by 2008, prompting a number of analysts to conclude that speculative investment was a factor in the food price spikes (De Schutter 2010; Ghosh 2010; IATP 2008). The 2008 food crisis also increased awareness of the extent to which financial actors are also implicated in the global land rush, as pension funds and other institutional investors sought to increase their exposure to farmland through

new complex financial instruments such as land investment funds (Fairbairn 2014). What set this new investment apart from previous historical episodes of speculation is that large-scale institutional investors have come to dominate these markets. In other words, pension funds, hedge funds, university endowments, and asset management companies have become large investors in the sector (Clapp 2019).

The growing interest by financial investors who were relatively new to the agrifood sector via new types of investment vehicles has been characterized by some analysts as 'financialization' of the food system. Financialization refers to an increased role for financial actors, motives, and institutions in determining and shaping activities in the broader economy (Epstein 2005; Krippner 2011; van der Zwan 2014). Financialization has taken three distinct forms as it has taken hold in the food system: it has transformed a range of activities across the agrifood sector into an arena for financial accumulation by investors; it has encouraged a prioritization of shareholder value within agrifood firms; and it has facilitated the permeation of financial activities and values into everyday food and agricultural provisioning (Clapp and Isakson 2018). This process of financialization within the sector has been associated with a range of effects, including the loss of land rights for many agricultural producers in some of the world's poorest countries; higher and more volatile food prices; corporate concentration; inequitable distribution of income among owners and workers in the sector; and a loss of autonomy for workers, farmers, and consumers (for an overview, see Clapp and Isakson 2018).

As awareness of the potential negative impacts of financialization in the food system has grown, so too have calls for more responsible financial investment in the sector (Hallam 2011; Clapp 2017). Such initiatives have sought to ensure that investors do not exacerbate potentially negative impacts, such as rising food prices, land grabbing, and environmental degradation. Calls for responsible investment have had some appeal in the agricultural sector, because many of the institutional investors that have a stake in the sector, such as pension funds, have long-term outlooks and passive investment strategies. Responsible investment approaches in farmland, for example, could help to ensure the long-term viability of those investments by ensuring that they are socially and ecologically sustainable, an important consideration given the illiquid nature of land as an asset (Scott 2013). In this sense, making 'responsible' investments is in the long-term interest of investors, while also reducing the potential for harm (Carroll and Shabana 2010).

Several prominent responsible agricultural investment initiatives emerged over the 2009–14 period. These include the Principles for Responsible Agricultural Investment (PRAI), led by Japan along with the World Bank, FAO, and UNCTAD, launched in 2010. The PRAI advance seven key principles to guide agricultural investments: (1) recognize and respect existing rights to both land and natural resources; (2) strengthen food security; (3) require transparency and good governance when acquiring land; (4) ensure consultation with and participation of those affected by the investment; (5) ensure economic viability; (6) promote positive social impacts; and (7) support environmental sustainability. The PRAI targets all types of agricultural investment, including investment from both public and private investors (FAO et al. 2010).

The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security were launched in 2012 (FAO 2012; see also Seufert 2013). The Voluntary Guidelines (VGGT) were meant to guide investment in land, fisheries, and forests, with a view to protecting land and resource tenure rights, especially customary land rights for indigenous peoples and smallholders, and to safeguard the environment. The VGGT are relevant to financial investment in that they call on

governments to protect tenure rights and request that all involved parties, including private financial investors, be respectful of those rights (FAO 2012). Coordinated by the FAO and overseen by the Committee on World Food Security (CFS), the VGGT were developed through a process largely viewed to be broadly inclusive and consultative (McKeon 2013). As such, the VGGT are widely seen as holding more legitimacy than the PRAI (Margulis and Porter 2013).

The CFS launched further discussions in 2012 with a view to developing yet another set of responsible agricultural investment guidelines that included land, but also encompassed other agricultural investment (Stephens 2013, 190). Adopted by the CFS in 2014, the Principles for Responsible Investment in Agriculture and Food Systems (PRIAFS, also referred to as the CFS-RAI) (FAO 2014), underline the role of small farmers as agricultural investors alongside corporate and financial investors. The CFS-RAI contain explicit language about the need to hold investors to account for any negative impacts of their investments (FAO 2014).

Other responsible investment initiatives have also emerged on the voluntary responsible investment landscape. These include the G8 New Alliance for Food Security and Nutrition's Analytical Framework for Responsible Land-Based Agricultural Investments; the UN Principles for Responsible Investment's (PRI) Principles for Responsible Investment in Farmland; the UN Land Policy Initiative's Guiding Principles on Large Scale Land Based Investments in Africa; the Global Compact's Food and Agriculture Business Principles; the OECD-FAO's Guidance for Responsible Agricultural Supply Chains; as well as numerous standards stylized for investment in specific commodities, including for soy, sugar, cotton, biofuels, etc. (GRAIN 2012; OECD and FAO 2016; World Bank et al. 2017).

These various responsible investment initiatives in the agrifood sector reflect a widespread interest to ensure that investment into the sector is socially and environmentally sustainable. But at the same time, these initiatives, based on the voluntary efforts of institutional investors to seek out responsible investments from the current products available through mainstream investment channels, have at best supported a 'do no harm' type approach, which maintains a strong motive to maximize financial returns while avoiding negative outcomes. In practice, these initiatives are inherently weak even at avoiding negative outcomes. The responsible investment initiatives in the agrifood sector have tended to be broad in scope and vague with respect to requirements, making it easy to claim adherence without changing much by way of practice. The PRAI, for example, is only one page long, and while the FAO's Voluntary Guidelines and the RAI-CFS are much more detailed and specific, all three operate only as guidance frameworks and do not have signatories, making it difficult to ascertain how many investors actually abide by them (Clapp 2017). The number of voluntary initiatives in the agricultural investment space has also multiplied rapidly, leading to confusion as they cover overlapping themes. For the casual observer, the differences between the PRAI, the Voluntary Guidelines, the CFS-RAI, and the Farmland Principles are not easily discernible (Margulis and Porter 2013).

The weaknesses of these responsible investment efforts have led some analysts to promote alternative financing initiatives, such as social finance, for the agrifood sector. Rather than banking on a sufficient number of institutional investors acting more responsibly in their global investment activities, these alternative initiatives seek to ground investment in sustainability by appealing to investors to fund specific sustainable agricultural initiatives at the local level.

Social finance

Social finance is an alternative way of conceptualizing finance that gained momentum after the 2008 financial crisis. It not only presents tools to align finance with social and environmental goals, but it also advances a progressive ethos about the way money is used (Nicholls 2010). Moving beyond responsible investing, it intentionally and proactively targets businesses that will provide measurable benefits to society rather than merely avoiding the worst offenders. It does so in a variety of ways including redrawing investment parameters and measuring investments according to social and environmental indicators.

Social finance is a growing field of research and practice aimed at supporting the success and spread of social innovations (Geobey et al. 2012, 151). Social innovation can be understood as: 'a complex process of introducing new products, processes or programs that profoundly change the basic routines, resource and authority flows, or beliefs of the social system in which the innovation occurs. Such successful social innovations have durability and broad impact' (Moore et al. 2012, 120). Such efforts go beyond the 'do no harm' approach, and as such have more potential to promote regenerative food systems.

By definition, 'regenerative' implies a more transformative process than 'sustainable.' Certainly, maintaining desirable characteristics over a period of time, or being sustainable, is necessary for the functioning of our food systems. But it does not adequately describe the changes that need to occur within agrifood systems to revitalize local economies, enhance biodiversity and soil quality, adapt to climate change, and improve the health of communities. Regenerative food systems, however, are about enhancing the vitality of natural and social resource bases over time (Dahlberg 1993). These systems emphasize local expressions, seeing niche activity as containing 'the adaptive possibilities that could offer stability to higher, more abstract levels of a system and resilience to the system as a whole' (DeLind 2011, 274). There is significant overlap between principles of local food and those of regenerative food systems. In both cases, supporting food systems that are contextually aware, collaborative, and self-reliant is deemed critically important.

There is no shortage of innovative, local alternatives to the industrial food system. And, as consumer interest in supporting a better food system grows, more and more novel approaches are arising. However, these promising initiatives frequently remain in the ideation or pilot stages because they lack resources to grow and sustain themselves. This is largely because mainstream economic structures present numerous barriers and disincentives for investing in these socially beneficial projects (Moore et al. 2012, 116). Market-based approaches to regenerate food systems unfortunately tend to 'employ narrow economic or production and productivity criteria to measure their "success"' (Dahlberg 1993, 80). Such hurdles are increasingly recognized by governments around the world, which have responded in recent years by developing social finance strategies to stimulate social innovation. For instance governments in Europe, Australia, the UK, and Canada are implementing social finance policies to cultivate an institutional environment that will allow communities to prosper from these much needed innovations.

The Government of Canada defines social finance as 'an approach to mobilizing private capital that delivers a social dividend and an economic return to achieve social and environmental goals' (Government of Canada 2015). Social finance looks to course correct existing resource flows to vitalize financially marginalized areas for individual and collective benefit. It involves a number of tools and approaches including community investment, ethical banking, alternative currencies, microfinance, social impact bonds, venture philanthropy, and impact investing (Rizzi et al. 2018, 805).

Investors may be drawn to social finance as a way of diversifying their portfolios and mitigating risk, but also because their investments hold promise for sparking 'a radical systems change' (Geobey 2014, 17). Indeed, the spectrum of what constitutes social finance and what motivates social financiers is mystifyingly broad. In an effort to bring some coherence to this emerging field, Nicholls (2010) put forward a three-part typology of social investment. Descriptions of the three types of social finance investments are provided in Table 16.1. Social finance can be applied to a variety of sectors and has featured prominently in supporting clean energy and poverty alleviation initiatives. It involves a range of actors from foundations to private investors, pension funds, individual community members, and governments. Similar to the well-established notion of strong versus weak sustainability (Neumayer 2013), there can be weaker social finance and stronger social finance.

Means-ends driven investments are primarily built on the desire to maximize financial return to investors, though social and environmental considerations still factor into the decision-making. Socially responsible investing falls under this category. We are sceptical about the degree to which means-ends driven social finance can effect profound change and thus ascribe them a weak social finance status. Funds that abide by this rationale often invest in large multinational firms that, granted, report on sustainability targets, but are ultimately vested in the growth of the industrial food system. For example, Closed-Loop is a social impact investment fund focused on improving recycling rates in the United States. The $100 million fund enjoys investment from some of the world's largest food and beverage multinationals including PepsiCo, Unilever, Walmart, Coca-Cola, and most recently, Nestlé Waters (Nestlé 2017). While improving recycling rates is a laudable goal, addressing the root causes that produce abundant plastic waste is not a focus of this fund nor of its investors. Sustainability in the food system, as considered by means-ends driven social financiers, aligns closely with proponents of the industrial model of sustainability. That is, food productivity must be increased to feed growing populations, farms must become more efficient at using natural resources, and the adoption of high-tech solutions is key to achieving these outcomes.

Values-driven social investments are significantly smaller in scale and tend to reflect a grounded approach to investment that helps to seed more transformational change. So far, this appears to be the strongest type of social finance. The Slow Money movement in the United States is an example of values-driven social finance that is focused on building regenerative food systems. The movement was started in 2008 by Woody Tasch, a socially conscious investor who believes that supporting local, regenerative food systems is one of the most powerful ways to address the social and ecological crises of our time (Scheer and Moss n.d.). Now a registered non-profit, Slow Money supports the formation of self-organizing local groups who determine the best ways to support their food systems (Slow Money Institute 2010).

Slow Money investors often describe themselves as nurture capitalists: 'fiduciaries that are working to balance financial returns with patient strategies for promoting carrying capacity, sense of place, and soil fertility' (Slow Money 2014). The vast majority of the 27 local groups loan money to food enterprises along the food value chain at low or no interest rates in an effort to regenerate local food systems. Since 2010, Slow Money chapters have invested US$66 million in almost 700 food enterprises across the United States and, to a more limited extent, in Canada (Slow Money Institute 2010). According to Tasch, one of the principal measures of success for the movement will be 'the extent to which we have

Table 16.1 Means-ends driven, systematic, and values driven social investment

1. Means-Ends Driven Social Investment	*2. Systematic Social Investment*	*3. Values-Driven Social Investment*
Focuses on maximizing returns to the owner of capital. This type of social investment consists of three categories of capital allocation: clean energy investments; socially responsible investment vehicles offered by mainstream fund managers; and venture philanthropy.	Reflects systemic investor rationality in owners of capital. This type of fund typically aims at balancing means-ends and values-driven rationality by seeking returns that benefit both the investor and the investee/beneficiary. This type includes: impact investments (typically in firms that offer high returns from operations in deprived areas or developing country settings); social enterprise investment; and government investment in social innovation.	Reflects a values-driven investor rationality. This rationality typically prioritizes the investee/beneficiary in terms of returns and often focuses on social and environmental impact and social change. This type consists of: mainstream philanthropy; community, mutual, and co-operative investment plus foundation Mission Related Investment; and social change investment.

Source: Reproduced from Nicholls 2010

catalysed substantial new capital flows to enterprises that create economic opportunity while respecting, protecting, and promoting the fertility of the soil' (Tasch 2008, 7). Values-driven social finance initiatives show the most promise for nurturing food systems towards regeneration. The challenge with the approach is its small scale.

Systematic social investment represents a mid-way point between means-ends and values-driven social finance. Some impact investing funds that target the food system fall within this category. While these funds are still motivated by a financial return, they work with investors with long-term visions and enough capital to weather short-term fluctuations. These funds invest with a goal of changing the food system and do so by establishing an impact framework through which to assess their activities. For instance, an evergreen impact investing fund in the Netherlands that is focused on food system change only invests in companies that benefit soil fertility, consumer health, and enhance fairness in the value chain. There are challenges with this approach, however, such as determining how to precisely measure the desired impacts. As well, these funds must still satisfy investors in order to continue to operate and are thus required to generate an attractive rate of return. Because financial incentives support dominant social structures, this type of fund– which seeks a competitive level of return – can only challenge the dominant structures to a limited extent. These funds attempt to excel within today's economic system while supporting a broader diversity of food enterprises.

Social finance in the food system: the case of FarmWorks Investment Co-operative

The primary Slow Money chapter in Canada, FarmWorks Investment Co-operative, provides valuable insights for the ways in which social finance is applied in practice to build regenerative food systems. In 2011, community members in the Canadian province of Nova Scotia recognized the opportunity of social finance to increase the region's local food supply

and set up FarmWorks Investment Co-operative (FarmWorks n.d.a). FarmWorks is considered a social finance initiative because it mobilizes capital to achieve societal benefit alongside financial return. It best fits the description of a values-driven social investment because it relies almost exclusively on relationship lending and prioritizes social and environmental impact above profit.

FarmWorks operates as part of Nova Scotia's landmark Community Economic Development Investment Fund Program (CEDIF). The program came about because the majority of Nova Scotians' investment dollars were being funnelled to large economic centers in Canada instead of supporting the region (FarmWorks, 2019). CEDIF was set up in 1998 to recapture some of this investment – less than 2% of which was staying in the province, to build a more vibrant and resilient local economy (Farmworks.ca, n.d.b).. CEDIFs allow individuals to pool capital and invest in for-profit businesses in their communities. Investors receive a 35% tax credit as an incentive to participate in the program. If they choose to hold their investments in the CEDIF longer than five years, they are eligible for an additional 20% tax credit, and after ten years another 10% tax credit (Nova Scotia Department of Finance and Treasury Board 2018, p. 7). The maximum amount that any one individual can invest in a CEDIF is C$50,000. In the last five years, other Canadian provinces have started to set up their own version of the CEDIF model in an effort to revitalize local economies, particularly in rural areas.

The CEDIF model gained traction not only because Nova Scotians' investment dollars were leaving the province, but also because of a dramatic hollowing out of rural communities. The population of roughly one million inhabitants has been stagnant while youth out-migration is on the rise (The Canadian CED Network n.d.). This trend has exacerbated the issue of succession; there are fewer and fewer young people to take over family-run businesses. These unfortunate trends are at once fueling and being driven by the precarious economic situation. Farm populations in Nova Scotia have plunged from 58,000 to only 8,000, mirroring the declining number of farms from 12,518 to 3,905 over the last 50 years (Local Prosperity 2015). Understandably, employment in the local food sector is suffering, with a 20% decline from 2005 to 2012 (Local Prosperity 2015).

Currently, FarmWorks is the only CEDIF that invests along the food value chain. FarmWorks sees a unique role for local food in boosting the vibrancy and resilience of Nova Scotia's economy, particularly in rural areas. The organization believes that food production has a significant multiplier effect on local economies. In other words, 'a dollar spent on the local food system tends to circulate within the local economy many times over' (Stephens et al. 2019). FarmWorks believes that by prioritizing the local food economy, Nova Scotians will benefit as a whole. It argues that 'strategies that increase the availability of Nova-Scotian grown food will help improve the local economy' (FarmWorks 2017). These strategies demand financial investment, however. Gaining access to financing is often cited as a barrier for the start-up and expansion phases for small food enterprises. FarmWorks aims to fill a financing gap in order to support the region's local food economy, a key aspect of regenerative food systems, through the lens of values-driven social finance.

FarmWorks allows members to purchase common shares for a fixed period of five years in a diversified portfolio of businesses. As a CEDIF, those shares are eligible for a 35% Nova Scotia non-refundable Equity Tax Credit. These investments 'provide loans to farms, food processors, and value-added food producers, helping to increase the viability and sustainability of agriculture and the security of a healthy food supply' (Farmworks.ca, n.d.b). As of June 15, 2018, FarmWorks had invested 2.8 million CAD in 89 companies across the province (Stephens et al. 2019). Kennedy et al. (2017) estimate that because of the

multiplier effect of the local food sector, FarmWorks could generate between C$11.2 and C$20.8 million for Nova Scotia's economy. FarmWorks' clients see great value in the co-op's loans – attributing 70% of jobs generated to them. As FarmWorks' clients grow, they overwhelmingly tend to source from other local businesses, helping to develop a more resilient local economy (Kennedy et al. 2017). Social finance applied in this context goes beyond narrowly supporting sustainable production practices by strengthening the social and economic vitality of communities in Nova Scotia.

FarmWorks prioritizes 'relationship lending' and 'meaningful financial returns' (FarmWorks n.d.). Its lending criteria are less stringent than those of traditional financial institutions, enabling small enterprises that have non-traditional business models, such as those which take environmental and social sustainability into account along with economic profit, to access financing. FarmWorks members regularly make in-person visits to their clients to learn about how their businesses are doing. If they are struggling, FarmWorks offers mentorship for how to improve outcomes and connects the business owners to others in the community who may help support their success. Here again, the organization's approach demonstrates a commitment to regeneration as they go beyond merely monitoring sustainability outcomes towards building and strengthening of social capital. FarmWorks applies the principles of patient capital, meaning that its clients are not subjected to the pressures of 'growth at all costs,' allowing them to engage in practices that align with regenerative rather than industrial food systems, with their relentless focus on productivism and efficiency. As a social finance organization, FarmWorks seeks to create systemic change by intentionally channelling capital towards projects that will produce social and environmental as well as economic returns. In targeting the local food system, FarmWorks demonstrates the ways in which finance can be mobilized to regenerate both natural and social elements of the food system.

Making social finance a viable force

While the case of FarmWorks – and that of Slow Money more broadly – are inspiring, the amount they invest in building regenerative food system pales in comparison to financial investment in the industrial food system. According to some estimates, for example, the agricultural investments of pension funds alone was over US$ 300 billion in 2012 (Buxton et al. 2012, 2). Although agricultural investments, especially commodity futures, have seen some drop in investment in recent years due to depressed commodity prices, investments have shifted into private and listed equities in agrifood companies (Valoral Advisors 2015; Clapp 2019). By contrast, social impact investments remain tiny in terms of their size. This section explores what policies will encourage the growth of social finance to become a viable force in the food sector.

The case of FarmWorks demonstrates the need for government participation in creating incentives for investing in sustainable food systems. FarmWorks staff are adamant that the tax incentives available to investors through the CEDIF program substantially contribute to investor interest in the fund. The CEDIF model has been adopted in varying formats across several Canadian provinces. However, Canada's most populous province, Ontario, does not have anything comparable to the CEDIF program. For regions like Ontario that lack this type of government programming, investing in regenerative food systems is largely inaccessible to the average individual. It is clear that government has an important role to play in facilitating investments in sustainable food systems, and programs like CEDIF can help communities develop solutions well suited to their specific contexts.

More broadly, government funding is considered necessary for establishing a robust social finance market to foster social innovation. Raworth (2017) notes that state leadership is critical for catalyzing investments that will bring about the social and ecological changes required to comfortably live within planetary boundaries. In her view, 'the state, not the market, turns out to have been the innovating, risk-taking partner, not "crowding out" but "dynamising in" private enterprise' (Raworth 2017, 73). Indeed, government funding is often seen as a way of reducing risk for private investors or to seed a fund that could then attract funding from other organizations. This is why states often offer tax breaks and other incentives as a strategy for attracting investment to key sectors that it views as vital for its development and competitiveness. Such an approach with social impact investing '"signals" confidence in social finance to other investors' (Eggleton et al. 2018, 8).

Mazzucato (2015) argues that society tends to overlook the importance of government funding in spurring innovation and advances several key arguments that could improve outcomes of government investment. First, she argues that government is well-placed to make riskier investments in novel fields, playing the role of investor first and building an ecosystem of entrepreneurliasm that is necessary to address the complex challenges of the 21st century. For instance, the United States government generously funded the early days of the internet, which ultimately supported an explosion of technological innovation. Similarly, government funding in renewables helped to develop the industry, attract private investment, and bring down costs of these cleaner technologies. We have yet to see significant government investment in the food system to help shift the market towards a regenerative model, but experience in other sectors suggests that this is a pivotal step.

Second, the terms upon which governments invest in innovation also need to be revised, according to Mazzucato. Traditionally, governments have done a poor job at recouping their investments while private companies that benefit from initial public investments reap spectacular profits. Since citizens are backing these investments in social innovation, it stands that they should also experience rewards when they prove to be successful (Mazzucato 2011).

Governments are beginning to reconsider their role in innovation, and are starting to leverage social finance as a tactic for generating desirable social and environmental outcomes. In 2013, the G8 launched the Social Impact Investment Taskforce with a mandate of 'catalysing a global market in impact investment' (Social Investment Taskforce 2014). Since then, a number of national governments have established funds to support social innovation. In late 2018, the Canadian federal government announced the establishment of a C$755 million fund for social finance (MaRS 2018) that could, among other outcomes, motivate social investors to 'finance Indigenous social entrepreneurs to address challenges like food insecurity and clean energy generation' (McConnell Foundation 2018).

Conclusion

Governments are evidently embracing social finance as a tool for innovation, which can be interpreted as a positive development. However, it bears mentioning the risks and contradictions associated with this approach. Fetherston explains the rise in popularity of social finance in recent years: 'For governments continuing to feel the fiscal pinch of the global financial crisis, it offers a new source of revenue without an unpopular increase in taxation' (Fetherston 2014, 29). The rise of social finance in a context of tight budgets has

led some scholars to question whether it represents a retraction of state responsibilities such as the provisioning of social services. If social finance investments replace public investments, then it may serve to further consolidate power in the hands of a few (wealthy investors). This unfortunate turn could present a host of implications such as limiting the social and environmental issues that are deemed 'worthy' of investment. The risks presented by social finance are well summed up by Rosenman (2017, 8),

> at stake is the question of whether social finance truly uses profits to engender a more holistic range of social values – as argued by the movement's proponents – or whether it allows financial logics to further dominate already-neoliberalizing models of social services provision and poverty regulation.

In this light, a glaring contradiction of social finance becomes clear: social finance paradoxically seeks to fix the negative impacts of financialization by extending finance's reach into previously untouched realms – thereby further spreading financialization, albeit in a mutated form.

Recognizing these risks and contradictions, we see social finance as playing a useful but limited role in shifting food systems towards greater regeneration. Weak social finance initiatives are likely to further entrench the existing neoliberal economic order, and potentially further financialize aspects of social life and environmental phenomena. However, strong social finance initiatives that are rooted in local communities, with the primary intention of regenerating systems may prove to be useful tools in addressing some of the world's most complex challenges including the food system. In either case, however, social finance operates in the existing neoliberal order and therefore engages in incremental rather than transformative change. To date, the application of social finance for regenerative food systems is under-researched and there are ample opportunities for exploring when and how it can be employed as a helpful intermediary towards greater transformation.

Discussion questions

1. To what degree can and should financial actors be made accountable for the social and environmental impacts of their investments?
2. Does social finance have transformative potential or is it unlikely to contribute to systemic change?
3. What role, if any, should the government play in supporting social finance initiatives?

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