



# Hawai'i Capital Scan

MAPPING THE INTENTIONS OF INVESTORS AND  
CAPITAL SEEKERS TO BETTER LEVERAGE CAPITAL  
RESOURCES FOR SYSTEMS CHANGE

**PART I:** FOOD SYSTEM INVESTORS:  
DATA AND PERSPECTIVES FROM THE FIELD

September 2022

PREPARED BY:



HAWAII  
INVESTMENT  
READY





# Table of Contents

**About the Hawai'i Capital Scan** ..... 4

    Acknowledgements ..... 6

    Disclaimer ..... 6

**Food System Investors: Data and Perspectives from the Field** ..... 7

    Introduction ..... 7

    Shared Purpose ..... 8

    Diverse Strategies to Achieve Purpose ..... 8

    Evolving Endowment Investment Strategies ..... 10

    The Evolving Product Landscape ..... 11

        Investor Product Overview ..... 12

        Leveraging Existing Product to Address Gaps ..... 14

        Value Chain Analysis and Financing to Address Bottlenecks ..... 16

        Incentivizing Banks & Private Equity Limitations ..... 18

    Importance of Support Services for the Sector ..... 20

    Are Investors Satisfied with Their Impact and Financial Returns? ..... 21

    Challenges & Recommendations ..... 24

    Getting to Yes ..... 34





# About the Hawai'i Capital Scan

The challenges Hawai'i faces to build a sustainable, just economy are complex and systemic in nature. Siloed solutions, long the norm, are falling short of addressing today's system level dynamics. Actors within government, philanthropy and the private sector are increasingly questioning the purpose, allocation, management and governance of capital in being able to address these system level challenges.

In response, Hawai'i Investment Ready (HIR) with our community partners designed the Hawai'i Capital Scan (HCS) as a framework to help *investors*<sup>1</sup> and seekers of capital better understand the characteristics and impacts of existing *capital stocks and capital flows*.<sup>2</sup>

The inaugural capital scan focuses on the Hawai'i Food System – an essential product and service that impacts residents and our economy statewide. This novel framework can also be applied to a range of social and environmental themes, such as shelter, healthcare, and climate change.

The HCS seeks to illuminate the unique narratives Hawai'i's capital movements are creating in Hawai'i's food system, thought leadership emerging across sectors, innovations in the arrangement and use of capital, and noteworthy investment and product gaps and opportunities.

To fully harvest the rich content provided by our interviewees, we are sharing their stories in four parts.

- Part I:** Food System Investors – Data and Perspectives from the Field
- Part II:** Food System Entrepreneurs – Data and Perspectives from the Field
- Part III:** Investment Strategies for a Sustainable Food System
- Part IV:** How Disruptions to Hawai'i's Supply Chain are Informing a More Sustainable Food System

Can a rethink of the purpose, use and structure of capital play a supporting role in building the sustainable food system Hawai'i needs? We hope that the findings in this report will inspire and empower food system investors and entrepreneurs to reimagine how coordinated financial capital or *systems capital*<sup>3</sup> can build on the existing food system foundation to better serve, scale and sustain Hawai'i's food system to benefit all stakeholders.

## About Hawai'i Investment Ready

Since Hawai'i Investment Ready's founding in 2013, we have focused exclusively on Hawai'i regional economic development, growing the impact ecosystem through capacity building and capital navigation programs and services. Our advocacy and practice at the forefront of impact investing in Hawai'i has grown to include field-building, investment, research, and systems-level interventions—all rooted in place and 100% committed to restoring reciprocity and abundance to Hawai'i's economy. We continue to learn and iterate our interventions in response to the ever-evolving and interconnected dynamics of the broader ecosystem.

<sup>1</sup> Note: For the purposes of this document, the term "investor" denotes all interviewees, whether a person and/or an entity, who are investing capital with the expectation of an impact and/or financial return, whether that capital is a grant, a loan or equity.  
<sup>2</sup> Capital stocks are the total amount of capital goods available in an economy at any one point of time. Capital flows refers to the movement of capital that is the consequence of investment flows (cash flow generated by investment activities).  
<sup>3</sup> Source: "Design Foundations for Systems Capital", Page 14. The term 'systems capital' is used in this report to refer to all types of financial capital needed to address complex and common challenges.





## Acknowledgements

Our systems-based work, like the Hawai'i Capital Scan, is intended to be generative and complementary to the work of many other practitioners in the ecosystem. Initially inspired by the Oregon Capital Scan<sup>4</sup> and participants in the HIR Leveraging Hawai'i Capital workshop series, this project was able to take flight due to collaboration with our Systems Partners:

Transforming Hawai'i Food Systems Together  
Ag Hui  
Funder Hui – Food & Farmer Working Group  
HIR Food Systems Accelerator  
‘Āina Aloha Economic Futures

Funding systems level work requires supporters who are patient and who embrace all the uncertainties that come with systems level work. Our deepest gratitude goes to our supporters who have stayed the course. Mahalo nui.

Arizona State University  
KL Felicitas Foundation  
Hawai'i Leadership Forum  
Hawai'i Community Foundation  
Hau'oli Mau Loa Foundation  
Next Gen Donor Hui

And lastly, mahalo nunui to the many food system stakeholders who shared their time and insights with us. Without their generosity this report would not have been possible.

## Disclaimer

This report does not purport to reflect a statistically significant sample size from which one can draw definitive conclusions. Some of the report limitations arise from legal and regulatory constraints, from the essentially private nature of some data, and from our evolving understanding of how to improve the precision of our questions and analysis. In this report, where we make inferences about why particular trends emerge from the data, we do so cautiously and label those inferences as such.

<sup>4</sup> <https://business.uoregon.edu/capital-scan>



# Food System Investors: Data and Perspectives from the Field

## Introduction

With the help of academic, intermediary, philanthropic and government partners, Hawai'i Investment Ready (HIR) developed a list of food system investors (hereafter referred to as "investors"). Interviews were conducted between January 2020 until August of 2021. Interviewees were then selected based on their sector, role, and financing activity in the food system. Data was collected two ways:

- Through the collection of quantitative **financial product**<sup>5</sup> data and qualitative perspectives on investment intentions and outcomes from 47 investors; and
- From 789 investment transactions from 125 investors shared by individuals or sourced online (with some overlap from the 47 interviewees).

To see a full list of the types of organizations interviewed, refer to the Survey and Transaction charts on pages 11-12 of this report.

[Investing in Hawai'i's food systems] "is a wonderful way to invest in community and to get to the root cause of some of the inequalities that we need to address to have a healthier Hawai'i."

[We invest to] "shock proof Hawai'i"



5 The term "financial product" in this document refers to products that seek a financial return, like lines of credit, concessionary debt, and private equity; and grant products. For a complete list of products provided by the investors, see TABLE 1: SURVEY DATA and TABLE 2: TRANSACTION DATA on pages 11-12 of this report.

## Shared Purpose

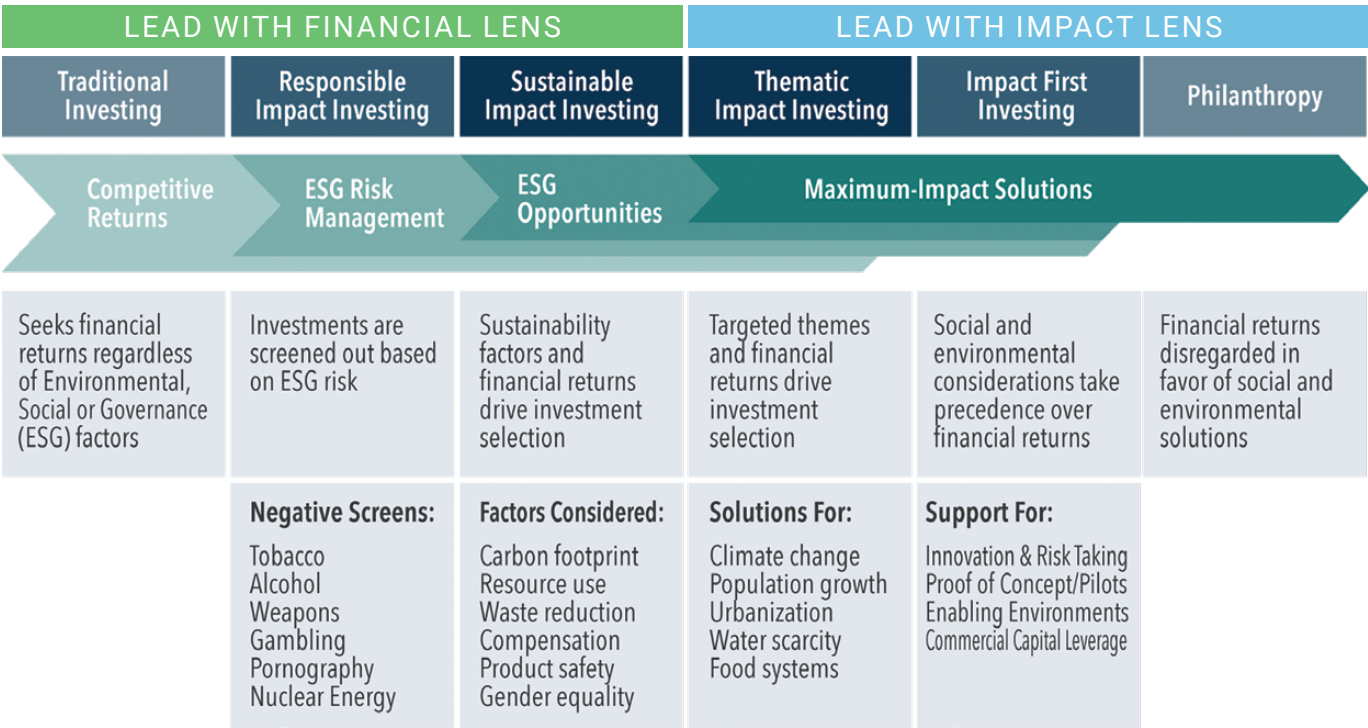
When investors were interviewed, they shared their desire to help the sector succeed. When asked why they were investing in Hawaii's food system, the following objectives rose to the top:

- **Food Security** – seen as a requirement to achieve a more just, equitable and sustainable economy in Hawai'i;
- **Community Health and Well-being** – a belief that "the health of the land is the health of the people"; and
- **Financial Self-Sufficiency** – a shared understanding that the support of small businesses is essential to achieving a financially self-sufficient and food secure Hawai'i.

## Diverse Strategies to Achieve Purpose

While united in their commitment to the sector, investors' investment strategies to support the sector vary. Investors tend to lead either with an **impact lens**<sup>6</sup> or a **finance lens**<sup>7</sup>, even though all investors shared impact objectives. Referencing **Figure 1: Capital Continuum**<sup>8</sup> below, investors were asked to select the portion of the chart that best reflected their approach. A majority of respondents, across all three sectors, placed themselves on the impact lens side of the chart, which is consistent with the type of funding we saw in our research, and with the objectives of many of the capital products they shared with us.

FIGURE 1: CAPITAL CONTINUUM



6 Impact Lens: When an investor prioritizes impact over financial returns.  
7 Finance Lens: When an investor prioritizes financial returns over impact returns.  
8 Sonen Capital: <https://www.sonencapital.com/impact/methodology>





Investors with an “**impact lens**” are more likely to use catalytic<sup>9</sup> and grant products in order to address mainstream capital product gaps. They are aware of externalities impacting the sector and inclined to align their products and services to provide grant support, patient financial return horizons and other concessional<sup>10</sup> terms. These investors are funding parts of the food system that “no one else will fund,” like education, access to food, and early-stage companies that need risk capital to prove out their business models.

“I weigh all these factors because in today’s world, to not consider the environmental and community impacts of an investment is the highest risk we can take as an investor.”

Investors with a “**finance lens**” are more conservative, risk averse, and want to target “*viable*” companies (able to qualify for commercial loans, have plausible exits). They utilize more traditional term sheets and financing structures. Equity investors interviewed are typically seeking 3 to 4X returns. Commercial lenders are seeking risk-adjusted market-rate returns.

## Evolving Endowment Investment Strategies

Foundation endowment capital has historically focused on traditional investment strategies. However, a few foundations interviewed are also exercising their endowments in pursuit of their food system missions. Following are the different endowment investment strategies foundations shared with us.

- **Preservation and/or growth** to maximize the return.
- **Spend down** to reduce the lifespan of the foundation and spend capital faster than it takes to replenish it.
- **Impact lens applied across the endowment investment portfolio** across asset classes, using different impact strategies like ESG screening for public equities, and mission-aligned investments in impact funds and enterprises.
  - + Foundations using this strategy strive to balance financial and impact returns
  - + Two foundations are deploying a 100% of their endowment to achieve both mission and risk-adjusted returns.

“Tried a mission pilot” for the last 5 years successfully with returns exceeding the traditional part of our portfolio.”

<sup>9</sup> Catalytic capital is investment capital (debt, equity, guarantees, etc) with which the investor accepts reduced financial expectations in order to bring about a greater social or environmental impact. To learn more, visit <https://www.impactterms.org/tag/catalytic-capital> and <https://www.macfound.org/programs/catalytic-capital-consortium>

<sup>10</sup> Concessional products are designed with more favorable terms than could otherwise be obtained in the marketplace.



## The Evolving Product Landscape

To gain an understanding of the capital product landscape, investors described their products and services, the intended and actual use of their investment capital, and the degree to which they have been and are currently satisfied with their financial and impact returns. The word “product” in this context and throughout this document refers to financial products such as loans, grants, or equity investments. Table 1 below provides an overview of the many products investors are offering. Table 2 is an analysis of the types of products we saw in our analysis of 789 individual investment and grant transactions.

*Note: The data sets used for the following two charts are not complete data sets and as such cannot be used for a full economic input/output analysis of investor transactions from each sector (government, philanthropy and the private sector). For the purposes of this study, this data is being used to analyze capital arrangements, and thus, should be understood to be limited in other more macro uses.*

### TABLE 1: SURVEY DATA

[illegible]

## Investor Product Overview

**Table 1: SURVEY DATA** aggregates all product offerings shared by the investors. The product lines highlighted – grants and concessional loans – are offered by all three sectors. While each sector tends to stay in their product ‘swim lane,’ the products shared span 18 different product types. This finding prompts us to pose two questions. What more could a cross-sector coordinated product and investment strategy achieve when seeking to strengthen the sector? And how could these catalytic investments and grants be designed to more efficiently bridge the gap between concessional products and mainstream commercial capital? These questions will be further explored in *Part III: Investment Strategies for a Sustainable Food System*.

**Table 2: TRANSACTION DATA** is an analysis of 789 grant and investment transactions across the three investor sectors. Data was gathered opportunistically, directly from investors or indirectly, i.e., online foundation tax returns. In some cases, the data goes back 10 years, while the bulk of the transactions occurred between 2018 and 2020. Not surprisingly, the volume of grants and concessionary transactions align with the SURVEY DATA product offerings. Note in this analysis foundations appear to be experimenting with more alternative financing tools than their product list would suggest.

### TABLE 2: TRANSACTION DATA

[illegible]





Leveraging Existing Products to Address Gaps

Figure 2 below shows the total number of products by product type. Government and philanthropy are providing a large number of catalytic<sup>11</sup> and grant products – a total of 98 unique products were shared in the surveys. Figure 3 below shows the total number of products by product type within each sector and subsector (e.g., philanthropy subsectors include foundations, donor advised funds (DAFs), public charities and nonprofit trusts). Here we see that the main investor sector and subsectors financing the food system are government, foundations and Community Development Financial Institutions (CDFIs).

FIGURE 2: OVERVIEW OF PRODUCT TYPES OFFERED BY INVESTORS

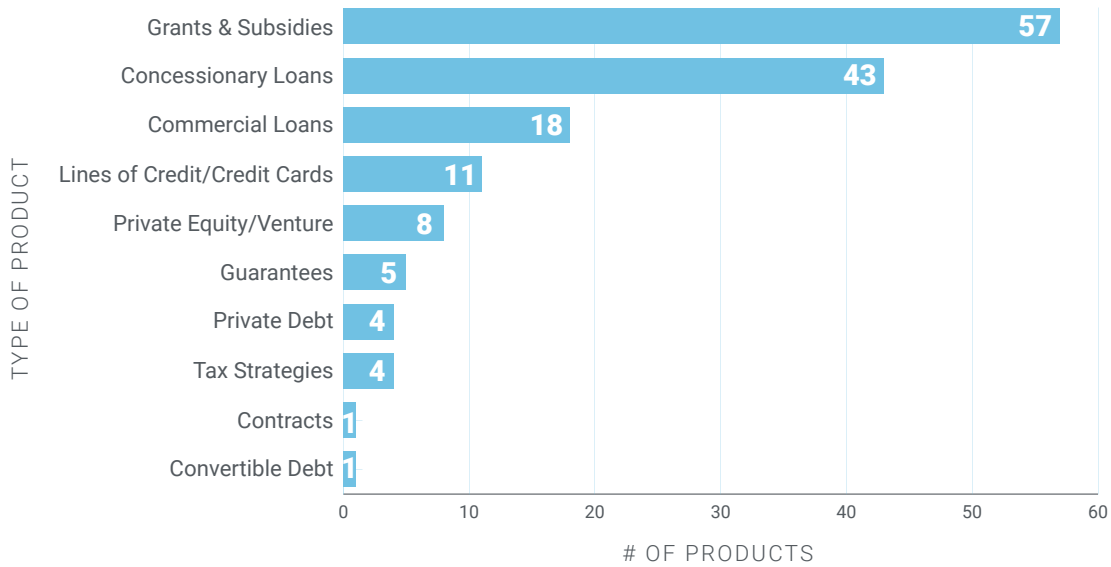
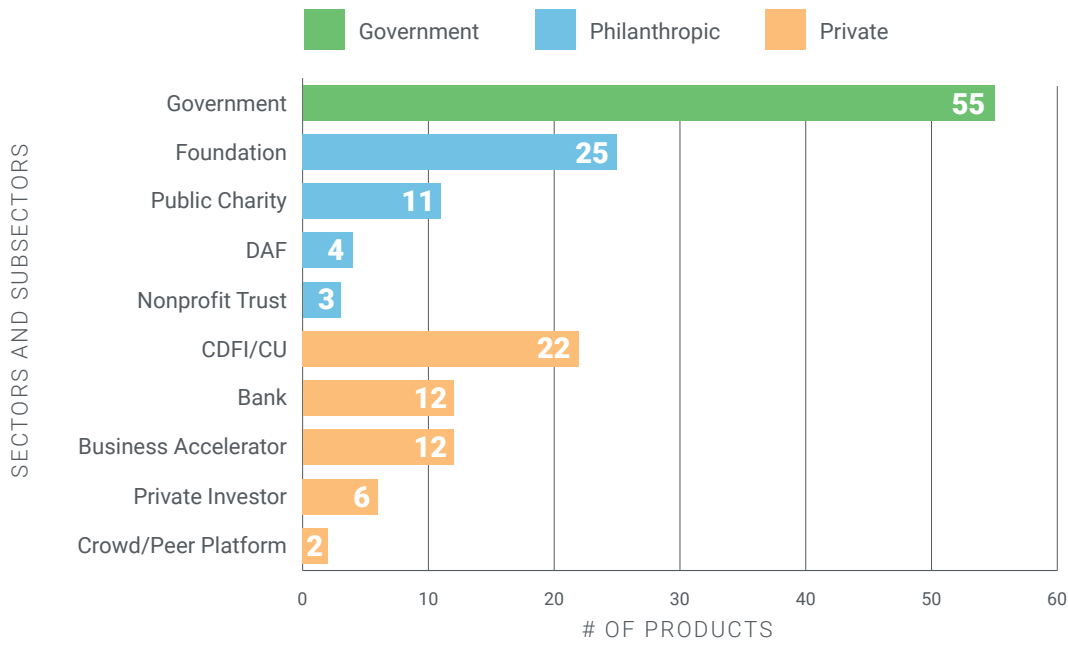


FIGURE 3: PRODUCT TOTALS BY INVESTOR ENTITY TYPE



<sup>11</sup> Catalytic capital—investment capital that is patient, risk-tolerant, concessionary, and flexible—is an essential tool to support impact-driven enterprises and organizations that lack access to capital on suitable terms through the conventional marketplace.



Following are further observations based on the above tables and figures.

Crowdfunding

Crowdfunding, represented by two products – KIVA and Slow Money Hawai'i, is a critical first investment option for beginning and early-stage food system enterprises. While transactions for KIVA and Slow Money Hawai'i have increased in the last 4 years, crowdfunding remains a small, but important part of the overall transactions in the food system.

Guarantees

Guarantees provide an essential bridge to growth capital for enterprises graduating from catalytic investments. Products, such as lines of credit, are a good fit for enterprise working capital, but foundations often lack the administrative tools to manage this type of product for their investees. Banks and CDFIs do have the tools, but may require a guarantee either from the Small Business Administration (SBA) or from a foundation in order to get internal bank approvals.

SPOTLIGHT

One public charity interviewed provides guarantees to their local bank partner to lend to qualifying enterprises that fit the public charity’s mission. More such arrangements between philanthropy and the private sector (e.g., banks, CDFIs, etc.) could help food system enterprises bridge to commercial capital.

Product Development to Address Gaps

Two guarantee product innovations that could potentially address the growth gap include the creation of a *guarantee pool*<sup>12</sup> and Small Business Administration (SBA) products developed exclusively for the food system. Other areas of potential product development include loan product term sheets that align with production plans, e.g., revenue-based financing, production financing; favorable tax strategies targeting small and medium size producers and processors; contracts for growing that could qualify as “collateral” for debt financing; the use of convertible debt products to lay the groundwork for more potential equity investments in the food system; and the use of forgivable loans or recoverable grants.

SPOTLIGHT

The Walton Family Foundation and Builders Initiative have created “a new pooled loan fund<sup>1.1</sup> designed to make partially forgivable loans to tech companies improving fisheries management, reducing environmental impacts of fishing, delivering benefits to fishing communities, and increasing transparency across the seafood supply chain.”

1.1 <https://multiplier.org/2022/03/announcing-the-technology-adoption-fund-for-sustainable-fisheries-and-the-inaugural-round-of-loan-funding>

12 <https://www.guaranteepool.org/about-cigp>

Existing Product Coordination

A review of sector and subsector product could potentially lead to improved alignment and more efficient use of products currently serving the food system. By clarifying investor fiduciary constraints, investors representing different investor entity types with shared mission objectives could coordinate their different return expectations to provide the right blend of capital to fit the needs of the food system enterprises.

Value Chain Analysis and Financing to Address Bottlenecks

In Figures 4 and 5 below, we see an uneven distribution of capital across the value chain. More capital is being placed in production, with less being allocated to aggregation, processing and distribution. This pattern of investing is having a direct impact on the efficiency and efficacy of the local food system from the field to the consumer. An assessment of the full value chain connected to any single enterprise could inform an enhanced investment approach.

FIGURE 4. GOVERNMENT TRANSACTION DATA BY VALUE CHAIN

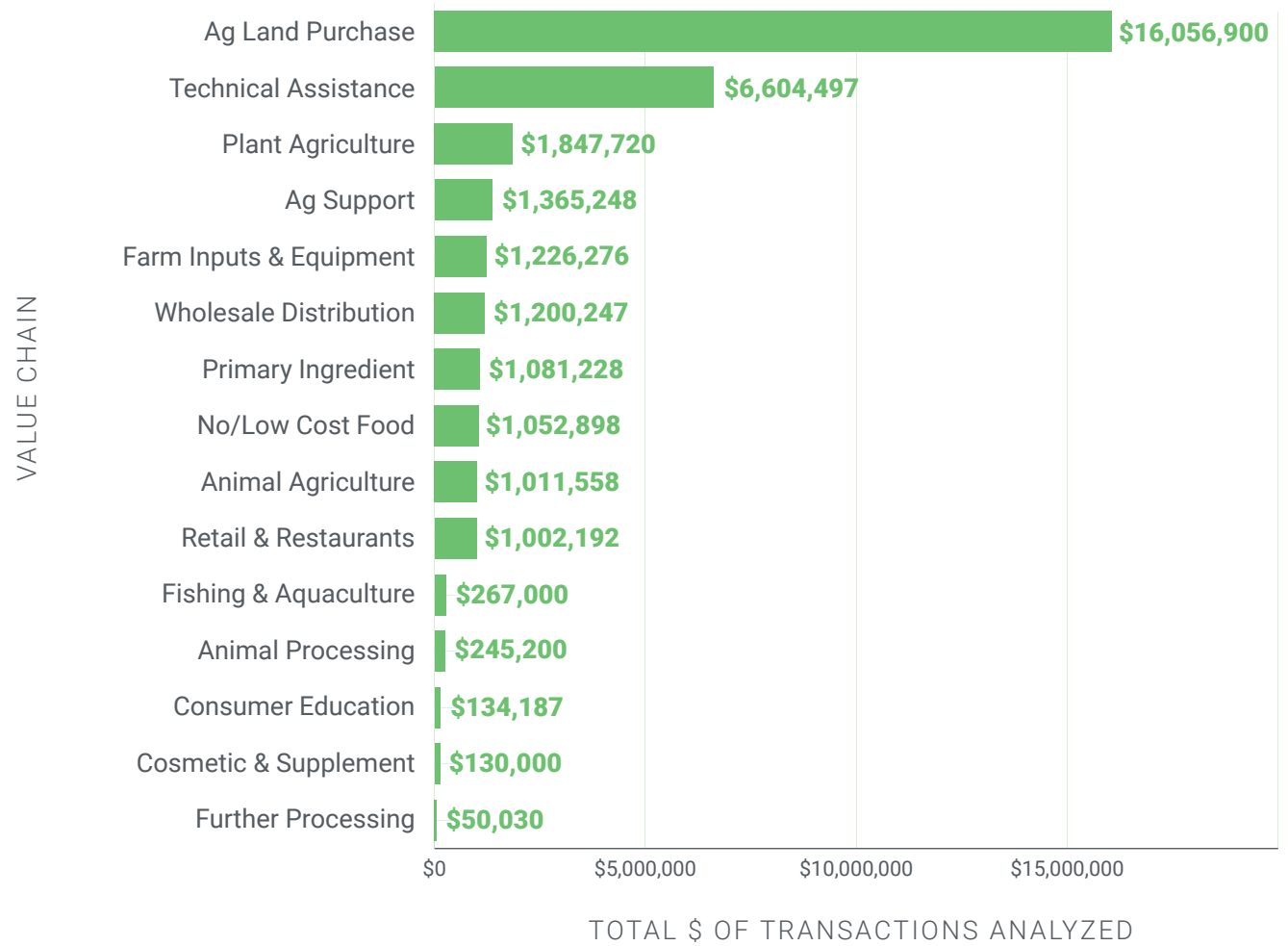
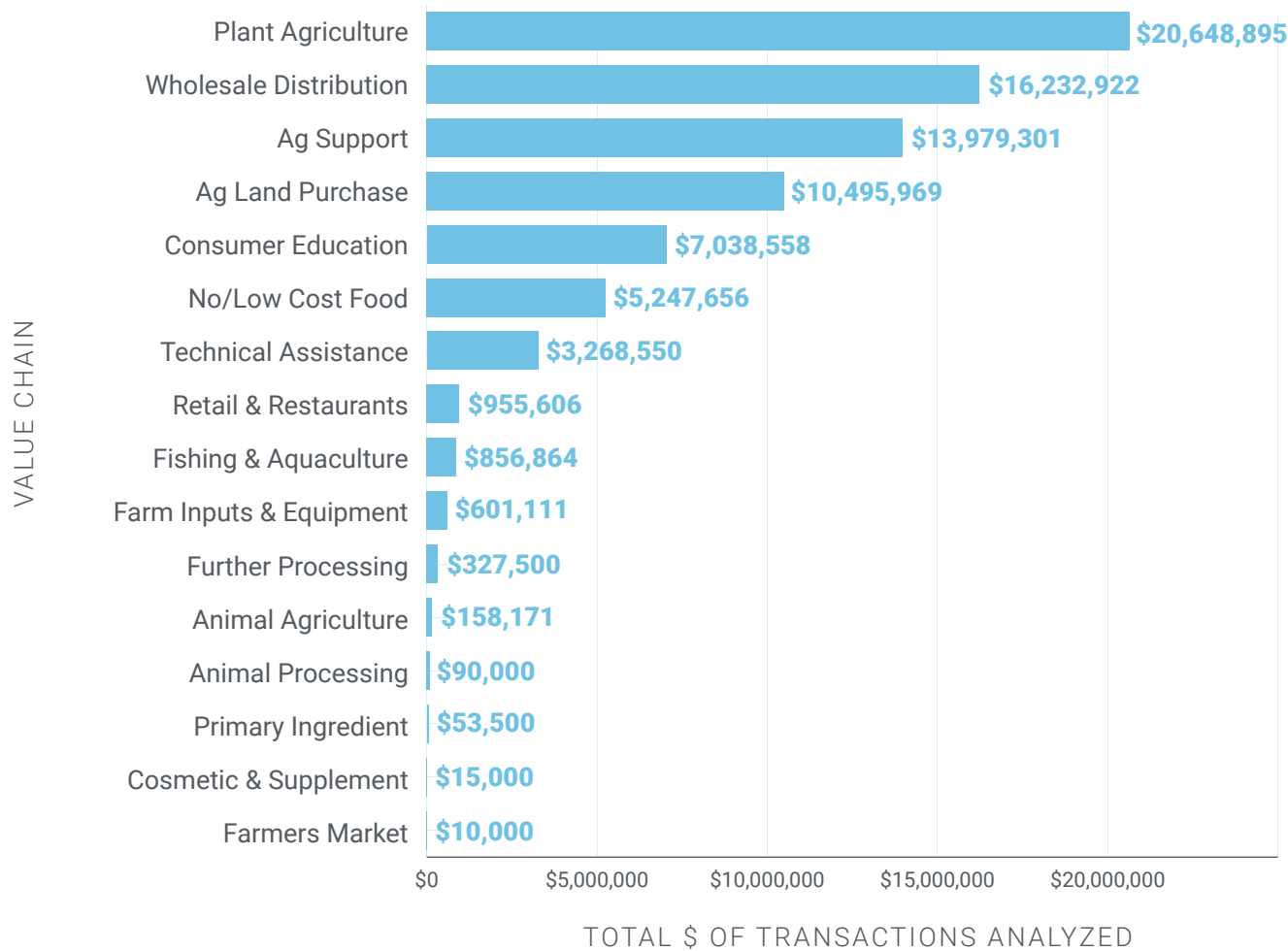




FIGURE 5. PHILANTHROPY TRANSACTION DATA BY VALUE CHAIN



SPOTLIGHT

Hawai'i banks are critical sources of working capital for growth. Government and philanthropic incentives could encourage an increase in their participation.<sup>1,2</sup> Examples of this partnership include the following:

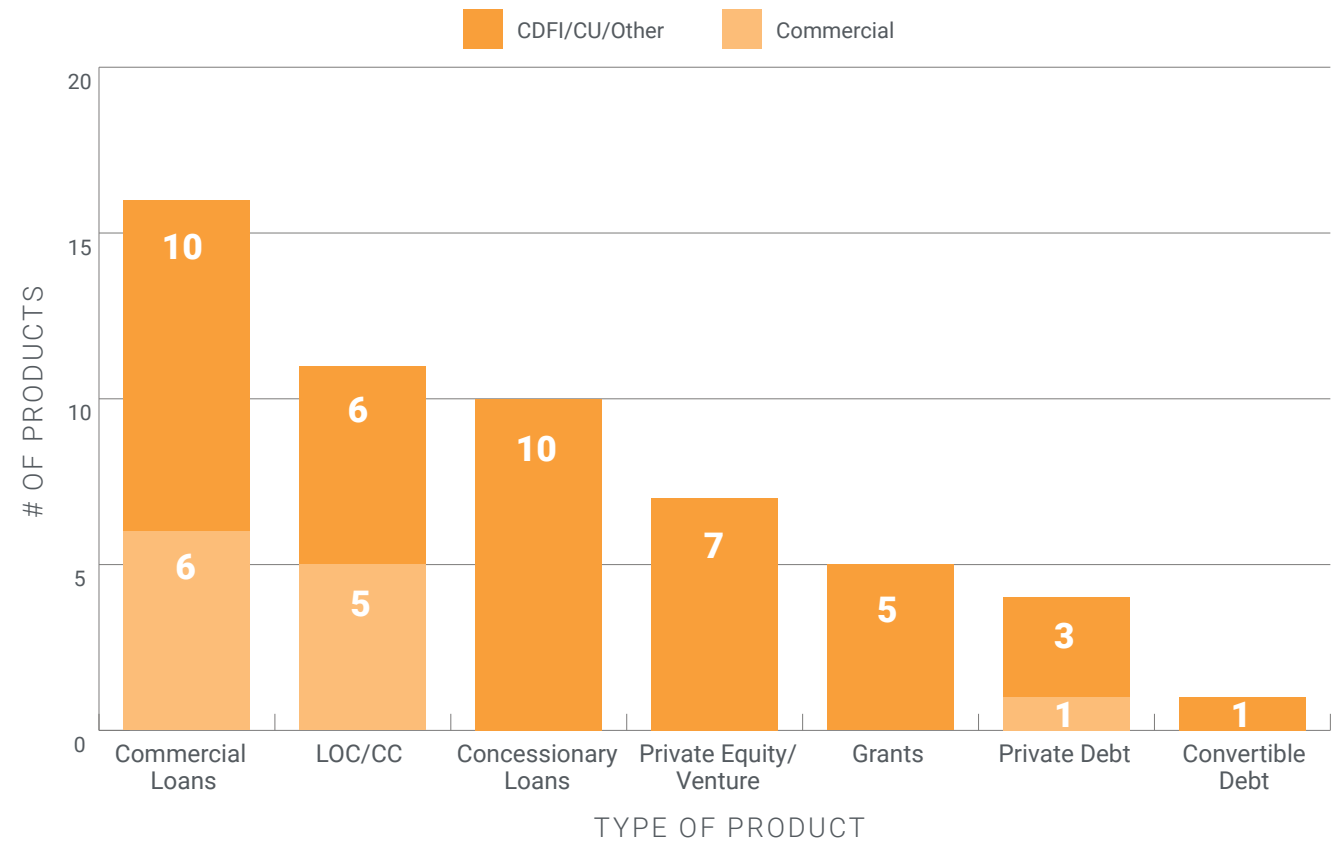
- A local public charity is partnering with a local bank to act as the guarantor for bank generated agricultural term loans and lines of credit.
- A local nonprofit farm partnered with a local charitable trust whose guarantee unleashed a bridge loan from a bank to enable the nonprofit to scale its production.
- A foundation provided guarantees to a local CDFI to back loans for Hawai'i food system enterprises. This CDFI is leveraging multi-year federal operational grants and loan capital to serve Hawai'i food entrepreneurs.

1.2 Kokua Hawaii Foundation & ASB Lending Partnership; MA'O case study; <https://www.ksbe.edu/article/mao-organic-farms-ks-and-central-pacific-bank-form-unique-partnership-on-wa>

Incentivizing Banks & Private Equity Limitations

In Figure 6 below, we see that the private loan market is dominated by CDFIs, credit unions, private investors and lenders referred to as *lenders of last resort*,<sup>13</sup> such as Hawai'i Department of Agriculture Agriculture Loan Program. Bank staff members interviewed confirmed that most food system applicants do not qualify for commercial loans and are typically referred to other lenders. The SBA, at the time of our interview, had no SBA-backed agriculture loans in Hawai'i, but expressed an interest in addressing this product gap. Despite this feedback from the banks, a number of investors shared how they are working with banks to provide the incentives to increase their participation.

FIGURE 6. PRIVATE SECTOR PRODUCTS (BANKS, CDFIS, CREDIT UNIONS, PRIVATE INVESTORS)



SPOTLIGHT

Private Equity Limitations

There were few private equity products reported and even fewer private equity investments shared. Until the sector can move from its dependency on catalytic debt and grants, opportunities for equity will remain scarce. The lack of interest in private equity by investors as well as food system entrepreneurs will continue to slow growth for the sector.

13 <https://hdoa.hawaii.gov/ag/>









## Importance of Support Services for the Sector

Due to challenging market dynamics, investors and sector intermediaries see services as essential to ensuring mutual success. Nonprofit intermediaries tend to provide longitudinal resources and support, while banks and lender intermediaries tend to provide services or referrals on a case by case basis. The breadth, depth and quality of services offered are siloed, complex and sometimes difficult to access. Often, services are tied to product offerings and available by invitation only. Service providers are challenged with raising enough capital to support this work.

### SPOTLIGHT

Over 75% of the enterprises interviewed have used one or more support services, and most strongly agree that these services are important to their success. “At the time, I was focused on day to day and survival, but they helped me see what was possible and develop a real plan. They helped me to not quit.”

The following is a list of the types of support services offered by investors.

<div>Both Impact Lens and Finance Lens Investors</div> <div></div>	Referrals: grantors, lenders, experts, technical assistance, etc.
	Credit enhancements, e.g., partner with SBA, third party guarantees
	Builder of stakeholder networks
	Research and Analysis, e.g., production & processing, characteristics of capital supply and demand, policy
	Consumer Market Advocacy
<div>Impact Lens Investors</div> <div></div>	Grant writing
	Paid internships
	Essential business and supply chain knowledge and services
	Individual coaching
	Supervised credit services
	Joint lending with government, philanthropy and/or private sector
<div>Finance Lens Investors</div> <div></div>	Crop Insurance
	Corporate foundation grant support, e.g., to apply for government funding, subsidize technical assistance programs



Are investors satisfied with their impact and financial returns?

In a word: yes. Investors, in spite of the challenges, are generally satisfied and want to do more.

They are not satisfied with the lack of data and analysis of the sector, something they need to help tell the broader impact story and improve sector performance. They would like a collective effort to figure this out. They acknowledge that the status quo needs to change if significant progress is to be achieved.

“Investees are hardworking, passionate, driven and resilient, successfully pivoting during Covid-19.”

“We have not arrived, but we have started.”

“Cannot go fast enough without leaving some folks behind.”

“Few foreclosures during Covid-19”

“Low default rates”

There is also a consistent thread across responses asking for cross-sector capital coordination between government, philanthropy and the private sector.

All but two interviewees see diversity in the sector as an opportunity, rather than a challenge.

“The blend of cultures creates unique market opportunities in the Hawai’i Food System.”

Coopetition not competition. “Start from a place where we are not competing for resources, but that there is abundance.”

“A holistic view is needed. It will take a diverse set of actors to get to a resilient workable solution.”

Island economic hurdles are real, but also present an opportunity, e.g. become a shining example of “the power of circular economy principles.”





“It’s not just about investing in enterprises, it is about investing in the system.”

## Challenges & Recommendations

This section explores, in summary form, investor shared challenges and recommendations.

### CHALLENGE

**More intentional coordination is needed between investors and food system enterprises to ensure the efficient placement of capital and service resources.**

### RECOMMENDATIONS

- Capital coordination services are needed between investors, intermediaries, and enterprises.
- Longitudinal system-level partnerships need to be developed and nurtured.
- Leadership is needed to design, build, and maintain a systems-level marketplace.
- Grassroot networks and matchmaking services have emerged. More support of these networks and the development of a network of networks is needed.

### SPOTLIGHT

- The Ag Microfinance Hui led by Oahu Agriculture and Conservation Association (OACA) meets monthly to share best practices, financial products and investment opportunities; assess sector resources; and collaborate on policy initiatives.
- The TA (technical assistance) Hui, founded in 2014, shares best practices, identifies and fills TA gaps, capacity builds its members, and collaborates to raise funds to support their collective field work.
- The Food and Farmers Working Group, birthed during Covid-19, meets monthly, hosting conversations between investors and enterprises.
- The Kohala Center provides technical assistance and capital matchmaking services to agricultural enterprises statewide, connecting a wide range of grant and debt opportunities with food system enterprises.
- The Ag Hui, a grassroots initiative, surveyed over 150 food system enterprises and built a public website providing a level of transparency about the funding needs of sector that had never before been available.



CHALLENGE

**Investors want more impact leverage for their grant and investment dollars.**

RECOMMENDATION

Public private partnerships that leverage government and philanthropic grants can achieve outsized returns when targeting system wide externalities. Following is an example of one such partnership that is addressing one of the top three hurdles cited by the sector – the cost of agricultural land.

SPOTLIGHT

The cost of agricultural land is a significant hurdle for farmers and ranchers. The Trust for Public Land and Hawai'i Land Trust, in partnership with government, philanthropy and the private sector, have been a steady force behind the increase in the conversion of prime agricultural land into conservation agriculture land over the past decade. While land acquisition can be expensive, the Trust for Public Land has been able to attract 10 dollars in government capital for every dollar of philanthropic capital support it receives from foundations and the private sector. This enables the Trust for Public Land to secure thousands of acres of land in perpetuity and put land back into the hands of local producers and ranchers.

“We worked to figure out how our funding could solve for access to land for ag and this led us to work with Hawai'i Land Trust, Trust for Public Land and The Kohala Center.”



RECOMMENDATION

Grant and concessionary debt support for equipment and technology purchases can increase efficiency for farmers, processors and distributors, thereby reducing operation costs, and improving net profit margins across the value chain. More financing and grant products targeting equipment and technology purchases need to be developed.

SPOTLIGHT

A family owned macnut farm, wanting to increase efficiency and scale their production, converted from hand to mechanized harvesting. The cost savings enabled them to upskill and keep employees while growing their business.

SPOTLIGHT

A nonprofit food hub, Kahumana Organic Farms in Wai'anae, benefits from grant and concessionary debt capital to fund capital expenditures like cold storage and processing equipment. This cost savings enables Kahumana to keep their operating and processing costs competitive. These cost savings also help their consumer packaged goods customers be more competitive in the marketplace.

“90% of requests coming to USDA are looking for grants for equipment.”



CHALLENGE

Investors say there are not enough “viable” investable enterprises, while food system enterprises declare that financial product terms are not aligned with their production plans and cash flow cycles.

RECOMMENDATION

Define what “viable” means in the context of food security, health and well-being and financial self-sufficiency in food systems in an island economy and then build on local success stories.

SPOTLIGHT

Innovative financing enabled the Hawai'i Ulu Cooperative to take ulu production, processing and distribution from a niche market to mainstream. HUC leveraged a combination of grants, concessional debt, and member and non-member equity to fund their processing and marketing business from seed stage to growth.



CHALLENGE

Investors want key metrics in order to measure and drive improvements in impact and business performance.

RECOMMENDATION

Given the shared purpose articulated by investors, there is an opportunity to develop shared indicators that measure progress in addressing food security, health and well-being outcomes, and sector financial sustainability.

A “nervous moment” as we collectively try to “shift agency and power” to achieve food security.





CHALLENGE

Capital providers, and technical assistance and capacity building services are siloed.

RECOMMENDATION

Build a one-stop online resource of financial, technical, and capacity building services to connect the sector with services, service providers with each other, and as a way to identify and address service gaps.

“You can’t ‘fund’ the relationship, you have to ‘be’ the relationship.”



CHALLENGE

Traditional financial tools do not address the sector’s needs.

RECOMMENDATIONS

- **Cross-sector collaboration to explore, experiment and report out about the use of alternative financing strategies** that better align with production plans and revenue earning realities such as revenue-based financing, demand dividend, recoverable grants, and forgivable loans in return for impact.
- **A pooled guarantee fund** designed specifically for food system enterprises to backstop enterprise growth transitions from catalytic capital to commercial capital.

Find more recommendations in The Evolving Product Landscape p. 11 to 19.

“When we are not stuck in the past, we are more successful.”







CHALLENGE

**Lack of state and legislative resource and policy alignment with the realities and opportunities of the sector.**

RECOMMENDATION

The state, in partnership with investors and enterprises, must re-envision its role to prioritize and protect the sector, to build on the existing diverse foundation of the sector, and embrace this diversity as a unique value proposition for the state.

“Policies that support and protect agriculture need to be in place.”





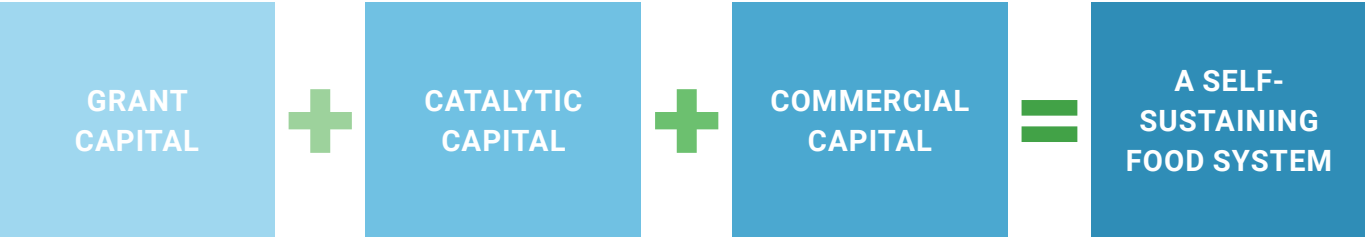


### Getting to Yes

What we see in the data and feedback from investors is a readiness to engage differently in order to achieve their food system financial and impact objectives. Capital coordination or capital arrangements stand out as foundational to the investors engaging differently and seeing results.

The responsibility of coordinating capital to address gaps in the value chain lies as much with investors as it does with the enterprises. Traditionally it has been up to enterprises to take the full responsibility to find and arrange the available types of capital and integrate it into their production plans, while investors wait on the sidelines with their products until a demand side actor agrees to their terms. Investor survey and transaction data confirms this has caused the current gap between the terms of capital and the use of capital.

Increasingly, investors – both financial return focused and impact return focused, and the spectrum of players in between – are seeing that their greater participation in the integration of capital is not only needed but critical to solving system-wide funding opportunities. Once the supply side takes this responsibility, it will be able to see the gaps as opportunities and fill those gaps with sector-informed financial products.



Grant capital, since it is the most flexible, is where the conversation starts – filling the gaps with subsidies and other supportive capital. Next up are the players across the finance/impact spectrum who can then coordinate and integrate their purpose and finance objectives into the system-wide foundation that grant capital has strengthened.

There is a new level of consciousness in the capital markets since Covid-19. The standard of what it means to be a well rounded fiduciary has risen to new levels, where fiduciary duties not only involve acting on behalf of investors, but also acting on behalf of societal security and progress. Fiduciaries are recognizing that the interdependent nature of value creation and the supply and demand of capital can be achieved without compromising the integrity of each. They see the loss of impact when the sector is siloed.

In other words, increasingly, investors feel a responsibility to the entire system – externalizing the question of how they can be better agents of the system. In particular they feel an obligation to expand kuleana to uphold fiduciary responsibilities as a systems level influencers. They understand that saying “no” means saying no to their kuleana to Hawai’i.

Investors want to figure out how to say yes, to serve the sector in a pono, legal way, and to be a part of building a food secure, self-sufficient food system that delivers the promise of health and well-being for all Hawai’i residents.





