FINANCING FOOD SYSTEMS TRANSFORMATION

A New Global Challenge

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IFAD & World Bank
Co-leads Financing Agenda
Food Systems Transformation

In support of the UN Food Systems Coordination Hub
IFAD & World Bank Co-leads Financing Agenda

New Food Finance Architecture

UN Food Systems Summit

1. Step Up Investments
   US$ 300 - 400 billion/year

2. Finance Differently
   US$ 12 trillion wasted/year
1. Food Systems Transformation

- Less than...
  - 0.5% global GDP
  - US$ 500 - 700 billion/year agricultural subsidies
  - US$ 10 trillion value food industry

300 - 400 $ billion/year additional financing
Address Inefficiencies

US$ 12 trillion / year
Environmental, social & economic costs

- Environmental Costs
- Food Waste Costs
- Health Costs
- Inequity Costs
Food Systems Environmental Costs

US$ 3 trillion / year

- 1/3 greenhouse gas emissions
- 80% biodiversity loss
- 70% fresh water consumption
Food Systems
Food Waste Costs

US$ 1 trillion / year

• 1/3 food produced going to waste
Food Systems

Health Costs

US$ 6 trillion / year

- 3 billion people cannot afford healthy diets
- Public health expenditures over unhealthy diets & over-consumption increasing
Food Systems Inequity Costs

US$ 800 billion/year

• 2/3 people in extreme poverty are agricultural workers
IFAD & WB Co-Leads

Objective

- Create dynamic to influence resource flows
- Evidence-based investments
- Mutual accountability for commitments

New Food Finance Architecture
Food Systems Summit Follow Up

New Food Finance Architecture

3 Sources of Financing

5 Imperatives
3 Main Financing Sources

- Domestic Public
- International Development Finance
- Private & Other

Food Systems
1. Public Resources & Incentives

- Not finance food systems
- Short-sighted
- Unhealthy
- Destructive
- Unsustainable for planet
Domestic Public flows
1st Source Development Finance

Food Systems Transformation

- Prioritize allocations despite challenging fiscal context
- Effective Subsidies & Incentives
Development Partners

Stepping up Investments & Coherence Development Finance

70% OECD support to agriculture
  - Distorting measures

Pressure on small producers
  - Competitiveness, livelihoods & wages
2 Food businesses financial decisions

Do not harm

• Health
• Environment
• Well-being
Food Businesses

- World Benchmarking Alliance
  - 93%, No emissions reduction targets
- 80%, No evidence
- Accessibility & affordability nutritious foods
- 91%, No demonstrated action living wages with targets
Governments, Banks, Food Businesses & Donors

Adopt financial instruments & business models

- Fit for purpose
- Work primary producers
Primary Producers

Heart of Food Systems

- 90% of 570 million farms globally less 2 ha
- 2/3 people in extreme poverty are smallholders & agri-food workers
- 90% Smallholders no access to Finance
- 1.7% Climate Finance to Smallholders
Incentives private sector investments

Impact PS engagement on poverty, inequality & 2030 Agenda

- Reviews blended finance limited evidence of impact
- Incentives must go with environmental, health & social targets

Increased Private Sector financing does not automatically leads to better performing food systems
Increased Private Sector financing does not automatically lead to better performing food systems.
Financing for food systems

- Rebalance bargaining power
- Fair prices & living wages
- Access affordable & healthy diets
Invest

- Stability & resilience
- Global, regional & national supply chains
Financing Food Systems Transformation

**Food Security**
1. Safe and Nutritious Food for All

**Food Systems**
1. Food & Nutrition
2. Environment
3. Livelihoods
4. Resilience
2022 - Asia Pacific Rural Development and Food Security Forum

- Need of a holistic approach
- Prioritize food systems transformation
- Emissions - Climate change & Productivity Nexus
- Innovative blended finance models
- Catalyze private capital towards sustainable agriculture
Financing Agenda

Food Systems Transformation

Evidence Gap

- Who spends what? How much?
- Where & for what purpose?
- Financing gaps & needs?
- Targeting sectors & people most in need?
Targeted Investments

Food Systems Transformation

"Countries Request analytical Support & budgeting Tool"

African Union Common Position
Arab Food Systems Dialogues
EU evidence-based priorities
IFAD & WB

Country Budget tool for food systems

Help governments

- Measure public & private financing to Food Systems
- Evidence for targeted investment decisions
- Resource allocation vs. country national pathways
- 5 candidate pilots: Niger, Kenya, Malawi, Honduras & Peru

1st Tool Tagging public finance to food systems
1. Food Systems Framework

Food systems categories

2. Identify relevant Government expenditures

Agricultural development and value chain
Health & nutrition
Infrastructure for food systems
Social protection vulnerable groups
Climate change & natural resources

3. Tag public expenditures to food systems
IFAD & WB Co-leads

Measurement ODA flows to food systems

- Who spends what, where, how and for what purpose?
- Targeting countries & sectors most in need?
- Evidence commitment to prioritize ODA to food systems transformation

Collaboration with OECD
Official data ODA to Food Systems transformation
Timeline

1 March
- Pilot countries selected and engaged
- Data processing
- Prototype design
- First ODA data

1 May
- Second Data review and validation with Pilot countries

15 June
- Exhaustive review of ODA and country data

July 2023
- Official launch of Dashboard

1 April
- First data review with Pilot countries

1 June
- Data entry pilot countries and ODA
- Test prototype

FSS Stocktake
Influencing Investment Windows

- Financing windows
- Dialogues Private Sector Incentives & Subsidies
Food Systems

Financing Windows

- SDG Fund Window - Incubator
- GEF Food Systems Window
- IFAD 13
- World Bank Food Systems 2030
...


• Dialogues Private Sector Incentives & Subsidies
IFAD & WB

Cohort of countries & initiatives

Food systems Financing Solutions

Linking Domestic, Donor & Private Financing

Food Systems approach: Food Security, Nutrition, Livelihoods, Sustainability & Resilience
UN Food Systems Summit Stocktake
24 - 26 July 2023

IFAD & WB
Co-Lead Financing Segment

- Budgeting Tools & Analytics with candidate countries
- Financing windows
- Countries/Initiatives: Food Systems Financing Solutions
- Dialogues: Private sector, Subsidies & Incentives
- Coalitions & other
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