

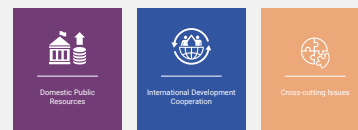


FINANCING FOR FOOD SYSTEMS AND RURAL DEVELOPMENT: BUILDING CONNECTED, EQUITABLE, RESILIENT AND PROSPEROUS ECONOMIES

Key messages

- The **2015 Addis Ababa Action Agenda recognizes the International Fund for Agricultural Development (IFAD)** for its efforts in mobilizing investments for rural people¹. It highlights the importance of improving food security and nutrition, increasing incomes, and strengthening the resilience of rural communities.
- Ten years later, amid increasing conflicts, climate change, economic slowdowns and downturns, poverty, and hunger, the FfD4 global framework on financing for development open the possibility to reiterate the call for increased investment in rural people and address the challenges that are hindering them from contributing more strongly to and drive economic growth and sustainable development. Reducing poverty, ending hunger and fulfilling the 2030 Agenda is possible by increasing and prioritizing targeted investments where they are needed the most.
- The reform of the financial architecture is an opportunity for Member States to agree on priority actions for scaling up global development financial flows. Issues requiring attention include (1) the debt distress in low-income countries and the current global debt restructuring architecture, (2) the need to increase concessional resources, particularly for low-income and fragile countries, and (3) measures to catalyze greater private sector investments in rural areas and food systems as key accelerators to achieve the Sustainable Development Goals (SDGs).
- Priorities should in this context be increasing flexible ODA for rural development and food systems transformation, strengthening Public

RELEVANT ACTION AREAS



ABOUT THIS SERIES

The Financing Policy Brief Series has been prepared by the Inter-agency Task Force on Financing for Development to inform the substantive preparations for the Fourth International Conference on Financing for Development (FfD4), to be held in Sevilla, Spain, from 30 June to 3 July 2025.

The Inter-agency Task Force on Financing for Development is comprised of more than 60 United Nations Agencies and international organizations. The policy briefs in this series were not subject to review by Task Force Members, and represent the views of the authoring organizations.

The full series is available at:
<https://financing.desa.un.org/iatf/report/financing-policy-brief-series>

1. United Nations. (2015). Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda). United Nations. Available at: https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf



Development Banks (PDBs) and Multilateral Development Banks (MDBs) to leverage their capital and data aggregation for mobilizing additional private and public finance to serve the fight against hunger, poverty and climate change; and unlocking the potential of remittances and diaspora investments to achieve the SDGs.

- A key requirement for these priorities is understanding the current financing gap on food security and food systems financing as part of the effort to fill the financing gaps and improving coordination, leveraging platforms such as the G20, G7, Global Donor Platform for Rural Development and the soon-to-be-launched Global Alliance Against Hunger and Poverty.²

Problem statement

The global financing landscape has become far more complex since the Addis Ababa Action Agenda and the Sustainable Development Goals were adopted in 2015. The current food security and nutrition financing architecture is highly fragmented and needs a shift from a siloed approach to a more holistic and coordinated approach.³ According to the most recent State of Food Security and Nutrition in the World (SOFI) Report, up to 757 million people faced hunger, more than 2.4 billion people were food insecure, and more than 2.8 billion people did not have access to healthy diets in 2023. Achieving SDG 2 requires increased and more cost-effective financing, along with greater efforts to mobilize resources to fill the financing gaps. Food system transformation is identified as one of the critical investment pathways needed to fulfil the 2030 Agenda⁴, however, there is a lack of clarity regarding financing for more sustainable, resilient,

equitable and healthy food systems. Therefore, the new financing framework could offer the opportunity to bridge this information gap and promote better coordination among all stakeholders.

Still today, hunger and poverty are disproportionately prevalent in the rural areas of developing countries⁵ with women, youth, and Indigenous Peoples, being disproportionately affected. To end hunger and malnutrition, reduce poverty and fulfil the 2030 Agenda the new financing framework should lay the foundations for increasing targeted investments where it is needed the most. Funding directed at rural development, mostly in the form of agriculture support, has declined by 15.4% from 2013 to 2022⁶. Moreover, Official development assistance (ODA) for agricultural development has remained stagnant at just 4% of total ODA. Meanwhile, domestic public expenditure in agriculture is very limited. This is exacerbated by debt burdens in many low-income countries, forcing governments to choose between paying debt or investing in the most basic public services.⁷

Moreover, financing is not reaching those who need it most. About 80 percent of the world's extremely poor people reside in rural areas and most rely, at least in part, on agriculture for their economic well-being, food security and nutrition.⁸ Small-scale producers, who produce a third of the world's food, bear the brunt of under-investment. Most of them do not have access to formal finance to invest in their agri-businesses. Small and medium-sized enterprises (SMEs), which are the basis of food systems in most developing countries, are still challenged to access finance including from development partners. In addition, small-scale producers are on the frontlines of climate change yet receive less than 1% of climate finance.⁹

2. <https://www.g20.org/en/tracks/sherpa-track/hunger-and-poverty>.

3. FAO, IFAD, UNICEF, WFP, WHO, The State of Food Security and Nutrition in the World 2024: Financing to end hunger, food insecurity and malnutrition in all its forms. Rome: FAO, 2024.

4. UNSDG | Six Transitions: Investment Pathways to Deliver the SDGs. 2023. Available at: <https://unsdg.un.org/resources/six-transitions-investment-pathways-deliver-sdgs>.

5. Watkins, K., Nwajaku-Dahou, K. and Kovach, H. (2024) Financing the fight against poverty and hunger – mobilising resources for a Sustainable Development Goal reset. ODI Report. London: ODI, 2024.

6. International Fund for agricultural development (IFAD). Rural Development Report 2025. Forthcoming, IFAD.

7. International Fund for agricultural development (IFAD). 2024. Available at: <https://www.ifad.org/en/w/explainers/solutions-to-hunger-exist-what-we-are-lacking-is-finance#>.

8. United Nations, Food Systems Summit 2021. [Action Track 4 Discussion Starter](#).

9. IFAD and CPI: Examining the climate finance gap for small-scale agriculture, 2020.



Policy solutions

Assembling and mobilizing domestic and international financing in collaboration with International Financial Institutions and other financing partners and drive better system-wide coordination is critical to deliver on addressing today's challenges including tackling poverty, hunger, and climate change. To ensure that FfD4 address the problems identified above, Member States should consider the following key policy solutions and innovative financing instruments, considering their ability to access financing flows¹⁰:

- **Increase ODA in support of rural communities and small-scale producers.** Increasing ODA toward rural development, climate adaptation and food system transformation is a precondition to fulfil the 2030 Agenda. Investing in adaptation for small-scale producers and rural communities should be prioritized as poverty is concentrated in rural areas and small-scale producers are at the frontline of climate change. Additional ODA for climate adaptation would be instrumental to bridge the gap between climate and development finance so that climate finance reaches small-scale producers and rural communities to accelerate climate adaptation and strengthen their resilience to climate shocks. It is also important to increase grant ODA for blended finance platforms aiming to mobilize private capital and investments for rural development and private investments.
- **Strengthen public development banks (PDBs) and multilateral development banks (MDBs) and leverage their capital for mobilizing additional private and public finance to serve the fight against hunger, poverty and climate change.** PDBs supply two-thirds of the world's food systems financing, and collectively invest US\$2 - 3 trillion per year, all sectors included. PDB's should be supported to develop innovative strategies and mechanisms to leverage their balance sheets, take on more risks and share them better –using securitization, loan syndication, sustainability-linked bonds, and sovereign guarantees, while also helping develop enabling environments and market infrastructure to facilitate the flow of private capital to offer services best tailored to meet the needs of the rural populations and small-scale producers on the frontline of climate change. Member States could consider establishing innovative financing mechanisms including a 'SDR for food initiative' to strategically leverage the Special Drawing Rights (SDRs) to address pressing systemic food security and sustainable food system issues. An effective rechanneling of SDRs could lead to \$20 to \$25 billions of sustainable investments¹¹.
- **Remittances and diaspora investments are a vital source of external finance and major source of external private finance crucial for financing the 2030 Agenda and achieving SDGs.** Migrants' remittances are a major source of private finance for LMICs, surpassing foreign direct investment (FDI) and official development assistance (ODA). In 2023, remittances to LMICs amounted to approximately \$656 billion and are projected to reach \$5 trillion cumulatively by 2030. FfD4 should acknowledge their potential and renew and expand their commitments to maximize their impact to development, ensuring access to formal, affordable, and secure remittance services through supportive regulations, improved payment systems, digital solutions, and promoting financial inclusion for both migrants and their families back home.
- **Improve the availability and transparency of data on financial flows going to food systems.** High-quality financial data are essential for evidence-based decision making and impactful investment. To address this, IFAD and the World Bank accelerated the creation of the Financial Flows to Food Systems (3FS) tool,

10. FAO, IFAD, UNICEF, WFP, WHO, The State of Food Security and Nutrition in the World 2024: Financing to end hunger, food insecurity and malnutrition in all its forms. Rome: FAO, 2024.

11. Rampa, F., Bilal, S., D'Alessandro, C., & Karaki, K. (2023). *Using special drawing rights for climate-resilient food systems and food security*. ECDPM. Retrieved from <https://ecdpm.org/work/using-special-drawing-rights-climate-resilient-food-systems-and-food-security>.



providing a unified approach for countries to track domestic investments in food systems. Additionally, they collaborated with the OECD to measure international financing (ODA and other official flows) for food systems. On private sector financing, the methodology is currently under development¹².

🌸 Specific recommendations for FFD4

The outcome document of FfD4 should establish the necessary conditions to tackle the structural barriers that are hindering countries' progress toward the SDGs and ensure that financial flows are more effectively directed to the most vulnerable groups. Member States should:

- Increase targeted investment in rural communities to enhance food security and nutrition and build resilience against shocks. Building on the Addis Ababa Action Agenda, recognize the role of the International Fund for Agricultural Development (IFAD) in mobilizing resources towards rural populations to drive sustainable economic growth and development.
- Enhance ODA for rural development, climate adaptation and food systems transformation, channeling resources towards effective multilateral channels and programs that address the interlinkages between poverty, food security and inequalities.
- Emphasize the crucial role of PDBs and MDBs for sustainable development and strengthen the capital and leverage capacity of financial institutions for increased finance and mobilizing resources to fill financing gaps in food systems and rural areas.
- Commit to effectively re-channel the Special Drawing Rights (SDR) to turn what is today a monetary instrument into a development instrument that contributes to tackle today's crises including the food crises.
- Promote, through technical assistance and public finance, blended finance platforms to scale private sector investments to rural Small and Medium-sized Enterprises (MSMEs). Prioritize blended finance that combines public and private resources to mobilize private capital at scale. Encourage responsible private investments to support climate adaptation, rural development, and expand economic opportunities in rural areas.
- Improve coordination and reduce fragmentation among investors in food security and rural development by leveraging multilateral platforms such as G20, G7, the Global Donor Platform for Rural Development and the soon-to-be-launched Global Alliance Against Hunger and Poverty.
- Intensify efforts to close the information gap on food security and food systems financing through promoting the use of analytical tools such as the 3FS (Tracking Financial Flows to Food Systems) to track progress and fill the financing gaps in the world's transition to healthier, equitable, sustainable, and resilient agriculture and food systems.

12. IFAD, "Food Systems Transformation", 12 September 2023. [EB 2023/139/R.11](#).