**FAO inputs to the elements paper draft zero: Excerpts from recent and forthcoming FAO publications on financing for agrifood systems transformation and the mitigation and prevention of food crises[[1]](#footnote-2)**

“What are the key financing policy reforms and solutions that the fourth International Conference on Financing for Development should deliver? How could the Conference strengthen the follow-up process, to ensure accountability to and full implementation of commitments made?”

1. **A global financing framework (including cross-cutting issues)**

Countries are off track on the 2030 Agenda for Sustainable Development. The world is also off track to achieve SDG 2, Zero Hunger. As of 2023, between 713 and 757 million people still faced hunger, mostly driven by conflict, climate extremes and variability, and economic slowdowns and downturns.[[2]](#footnote-3) The 2024 State of Food Security and Nutrition in the World Report (SOFI) estimates that policies and interventions necessary to meet SDG Targets 2.1 and 2.2 would require additional resources from now until 2030 ranging from USD 176 billion to USD 3 975 billion, plus an additional USD 90 billion to meet selected global undernutrition targets. Estimates jump sharply to USD 15.4 trillion when adding the types of transformational policies necessary to increase the affordability of healthy diets for millions while still reducing undernourishment.[[3]](#footnote-4) Reducing the gaps in financing for SDG 2 is critical in order to achieve Zero Hunger. This will require a significant change in the narrative on financing for development (FfD), placing greater emphasis on financing for agrifood systems transformation and food crises prevention and mitigation.

In addition, according to the 2024 edition of the Global Report on Food Crises (GRFC), nearly 282 million people in 59 countries and territories experienced high levels of acute hunger in 2023[[4]](#footnote-5). Financing development solutions to prevent and mitigate food crises are crucial to address the multiple crisis. This includes preemptive measures including increased public spending on agrifood systems transformation, increased investments in just climate interventions and anticipatory actions in social protection, and mitigating measures, such as food import financing facilities or catastrophic insurance schemes that help ease the costs of overcoming crises.

Climate extremes and variability impact the agrifood system directly; agriculture is also a significant contributor of greenhouse gas emissions, producing around one third of the estimated emissions. The global demand for long-term agricultural finance remains mostly unmet, while this is required for putting in place green and climate-smart investments and for matching the length of the ecological transition in the sector. Agriculture and land use systems receive between 3-4 percent of total climate finance flows.[[5]](#footnote-6) This is particularly challenging for some small-scale agrifood actors, such as smallholder farmers, rural women and youth. Currently, only 1.7 percent of global climate finance goes to smallholder farmers, despite their being particularly exposed and vulnerable to the effect of climate change on their livelihoods, with the poor and women suffering from higher losses than others in rural areas.[[6]](#footnote-7) Only a tiny share of climate development finance flows pursue GEWE as a principal objective - two percent for mitigation and four percent for adaptation in 2022 - despite of women being more severely affected by climate crisis than men.[[7]](#footnote-8) Increasing climate financing for agrifood systems transformation is an important part of addressing the multiple crisis.

1. **Action areas**
2. **Domestic public resources**

**Repurposing and/or reorienting agricultural support[[8]](#footnote-9)**

To meet the SDGs, agrifood systems will need to cut greenhouse gas (GHG) emissions, contribute to reducing poverty and improving equality for small farmers and those experiencing multiple and overlapping vulnerabilities in agrifood systems, ensure food security and nutrition, and protect and restore dwindling biodiversity. Only a small percentage of all domestic support to farmers – USD 851 billion per year from 2020 to 2022 – supports activities that help to achieve that transformation, such as improved market infrastructure and market access, land management or carbon sequestration. Broad and untargeted public support to agrifood systems can disproportionately benefit larger, richer farmers, failing to meet stated goals of reducing inequality and increasing incomes for lower-income households. Public support to agrifood systems could be repurposed and /or reoriented to reduce GHG emissions from agricultural production and safeguard biodiversity while improving equity and promoting access to healthy diets**.** Some of this reallocation needs to take place within countries; some could result from increasing official development assistance (ODA) flows to lower-middle-income (LMICs) and low-income countries (LICs) where little money is available to meet fundamental food security and nutrition investment needs. More specifically:

**•** Governments need to shift support to interventions that more directly target emissions reduction or other environmental benefits; to maximize equity, these would target the most vulnerable and poorest farmers to close the yield gap they face in an environmentally efficient way.

• Some of the most substantial rewards could come from redirecting public support towards funding research and development in technologies or practices that could simultaneously strengthen resilience and boost productivity while reducing emissions; supporting rural infrastructure; and paying farmers to supply public goods, such as ecosystems services or carbon sequestration.

• However, even reallocating budget transfers in a way that reduces costs for farmers and boosts productivity over the longer term can reduce farming household incomes in the short-term as yields may go through an adjustment period as farmers switch to different production techniques or crops. Transitional assistance and extended social safety nets may be needed to bridge this period, especially for poorer farming households.

• Making producer support payments conditional on environmental compliance can improve environmental outcomes, such as reducing GHG emissions and boosting water quality; these can be combined with payments for setting aside farmland for non-cultivation. However, these can have a small negative impact on biodiversity; additionally, the reduction of fertilizer use can lead to the expansion of land under cultivation, and targeted investments can increase food security but reduce farm labour requirements.

• Repurposing support to target more nutritious foods could make healthy diets more affordable for more people and reduce extreme poverty and undernourishment. Shifting budgetary support from producers to consumers provides the largest improvement in the affordability of a healthy diet, with a smaller effect from changing price incentives globally by repurposing market price support. However, there are potential trade-offs with poverty reduction, farm incomes and total agricultural output. Boosting expenditure on general services that favour more nutritious food crops could be a more neutral way of achieving more balanced outcomes across different goals. Social protection may be needed to shield vulnerable consumers from price rises.

• To ensure an inclusive pathway of agrifood system transformation, redirection of public support would need to target poorer and more vulnerable producers, particularly women, removing barriers to participating in subsidy schemes and addressing the skewed distribution of the value of subsidies between poorer and richer farmers. This could have the benefit of increasing the income and food security of the poor through additional consumption. However, it requires reductions in the over-consumption of certain actors, particularly of products with high emissions intensity, to offset the increased overall GHG emissions as a result of additional consumption among the poorer and most vulnerable producers.

**Increasing domestic finance for food security and nutrition**

Repurposing, however, is not enough to prevent and mitigate food crises and transform agrifood systems. The large volumes of public expenditure that can be reallocated is mainly found in HICs and UMICs, which are not the countries with the largest needs in terms of AFS transformation and crisis mitigation. Additionally, repurposing alone is unlikely to cover all the needs of agrifood systems investments given the enormous gap in the required financing to transform agrifood systems and prevent and mitigate food crises.

In many countries, but particularly low- and lower-middle-income countries, small-scale agrifood value chains actors face difficulties in accessing finance. An estimated 70 percent of the global demand for smallholder finance is unmet.[[9]](#footnote-10) In Sub-Saharan Africa, 3 out of 4 small and medium agricultural enterprises (SMEs) lack sufficient access to finance.[[10]](#footnote-11) The gap in financing is especially severe for women, youth and other vulnerable groups. In Africa, Heads of State and Government endorsed the “Maputo Declaration on Agriculture and Food Security in Africa” at the Second Ordinary Assembly of the African Union in July 2003 in Maputo. A key decision of the declaration was the “commitment to the allocation of at least 10 percent of national budgetary resources to agriculture and rural development policy implementation within five years”. Since then, only a few countries have consistently met this target. On average, only 2.44 percent of national budgets were allocated to agriculture and rural development on the 2016-2020 period.[[11]](#footnote-12) Having targets such as the Maputo Declaration remains crucial to prevent and mitigate food crises and transform agrifood systems, however increased efforts to increase public revenue and to increase the quality of public spending are required.

For LMICs and LICs, where public funds to support agriculture are severely constrained, there is even more pressure to use those funds in a way that maximizes inclusivity and sustainability, and minimizes trade-offs, while looking for additional finance. Considering the context of severely constrained fiscal space, one important solution is the provision of technical assistance and robust evidence to optimize public budgets in LMICs and LICs. For example, the FAO’s Monitoring and Analyzing Food and Agricultural Policies (MAFAP) programme has been developed to support governments’ understanding and decision-making on budget allocations, identifying potential gains of repurposing existing expenditure to achieve objectives related to poverty reduction and climate mitigation and adaptation.[[12]](#footnote-13)

Governments will also need to use other policies to complement any repurpose of government support to agriculture, e.g. through taxes on unhealthy foods and carbon pricing of agricultural emissions, improving food environments and using standards and regulations to improve nutritional and environmental practices. Additional revenue to boost support to agrifood systems could come from other sources, including repurposing fossil fuel subsidies and distributing profits more equitably across food systems. Finally, there is also a need to build solutions to ensure that domestic climate finance reaches the small-scale producers and MSMEs.

1. Domestic and international private business and finance

**Blended Finance**[[13]](#footnote-14)

While grants and low- or no-interest loans are certainly among the most traditional concessional finance instruments, they can be designed in more innovative ways as part of blended finance strategies to de-risk and attract private financing flows into the agrifood sector. These instruments together with technical assistance can be leveraged to address the main limitations for accessing private finance – poor bankability and lack of operational readiness to access finance – often faced by food security and nutrition initiatives.

Blended finance is a de-risking tool for private investors, used when there is a high perception of risk, thereby channeling financial resources that can take on more risk and a longer horizon on return for their investment. Especially when there is a substantial development benefit, actors such as governments and donors can use blended finance as a vehicle to channel the needed financing flows to achieve that outcome. The objective is that, over time, risk perception will diminish due to the initial support of the more risk-tolerant capital, and that commercial finance can then replace the grants or concessional financing which played a crucial and catalytic role in the initial stage.

**Bonds**[[14]](#footnote-15)**,[[15]](#footnote-16)**

Green, social, and sustainability-linked bonds are debt instruments that can be issued by governments, multilateral development banks (MDBs), commercial banks and local corporates; they are linked with development goals and can be especially relevant for targeting financing for countries that are affected by some of the major drivers of food insecurity and malnutrition, such as climate extremes and/or economic downturns.

Gender bonds represent a relatively recent, but highly promising, solution to raise capital on international markets that can then be channeled into GEWE-focused projects in agrifood systems. Recent efforts towards developing a shared standard for the design and issuance of gender bonds represent a critical driving factor for the growth of these types of products in financial markets.

1. **International development cooperation**[[16]](#footnote-17)

As the SOFI 2024 highlights, Global ODA and OOF flows for food security and nutrition amounted to USD 77 billion in 2021, of which the majority corresponds to ODA. Not even a quarter of these flows for all aid sectors were allocated to food security and nutrition between 2017 and 2021. The composition of ODA and OOF flows for food security and nutrition is, by and large, very stable over time and, by 2021, most resources were flowing to food consumption (USD 35 billion out of USD 77 billion), and fewer were allocated to addressing the major drivers of food insecurity and malnutrition (USD 27 billion), and even fewer to health status (USD 15 billion).

The increase on ODA and OOF for food security and nutrition is a rucial solution to address the multiple crisis , particularly in countries with limited ability to access financing. LICs and LMICs would also need expanded development finance assistance flows channeled bilaterally or via IFIs, and centered on social, environmental and health objectives.

The flows of ODA funds directed at projects including specific GEWE objectives in agrifood systems have been plateauing since 2017. Furthermore, only a small share of such projects pursues GEWE as a principal or core objective of their interventions.

Only a very small share of climate finance flows pursues GEWE as a principal objective of their interventions, despite the disproportionate impact that climate change has on the livelihoods of rural women and girls – as an amplifier of structural inequalities. Fostering high-quality GEWE work within the frame of climate finance is critical to ensuring the success of the fight against climate change.

1. **International trade as an engine for development[[17]](#footnote-18)**

As highlighted by the State of Agricultural Commodity Markets 2022, today’s trade policy environment in food and agriculture, as shaped by the WTO, has discouraged unfair practices, reduced uncertainty and facilitated coordination between countries.

The multilateral framework also provides a basis for regional trade agreements. Both multilateral and regional liberalization have contributed to expanding global trade. Deeper and more extensive regional trade agreements, which address both market access and regulatory convergence, are being developed and include food and agriculture. This has raised concerns about whether multilateral cooperation is weakening. Regional trade agreements create gains, including through promoting value chains. However, low-income countries, which have limited capacity to negotiate and implement complex trade provisions, may be left out of the trade integration process. Multilateral trade reform results in higher gains globally and is the most efficient way to promote market access and economic growth for all.

Localized environmental externalities generated by trade can be addressed by trade policies complemented by national regulation. When these externalities are global, such as greenhouse gas emissions, unilateral or even regional actions will not be effective. Although difficult to negotiate and implement, only multilateral agreements can effectively address global environmental externalities. Trade rules can help expand the reach of policies that take into account the social costs of such externalities.

1. **Debt and debt sustainability**

**Debt Swaps**[[18]](#footnote-19)

Given the critical challenges posed by unsustainable debt burdens and high levels of food insecurity and malnutrition in many countries, exchanging debt for food has emerged as a practical solution with good potential. Debt-for-food security swaps have already been instrumental in addressing food insecurity and malnutrition. Noteworthy initiatives, such as home-grown school feeding and social protection programmes, have been supported. In the current situation, where some countries’ food import volumes have fallen, leveraging freed-up foreign exchange through debt relief to procure essential foodstuffs on international markets presents a viable option.

To date, debt-for-food security swaps have been used primarily to swap bilateral debt. In practice, they are typically executed through development partners to ensure effective implementation, transparency, mutual accountability and thorough monitoring and evaluation.

1. **Addressing systemic issues**
2. **Science, technology, innovation and capacity building**
3. **Emerging issues**
4. **Data, monitoring and follow-up**

SOFI 2024[[19]](#footnote-20) shows that due to serious data constraints, it is not possible to arrive at the global measurement of the financing for food security and nutrition that is currently available and of the financing gap that must be bridged to support efforts towards meeting SDG Targets 2.1 and 2.2.

There is a need to refine the gender equality marking system currently used by public and philanthropic donors to identify and categorize the flows of GEWE financing, as the current one does not allow for a precise and granular tracking of financed interventions which go beyond targeting women and seek to transform. An improved marking system would be key to both encouraging donors towards investing more and rendering them more accountable for their efforts in financing GEWE in agrifood systems.

1. **Overarching reflections**

SOFI 2024[[20]](#footnote-21) found that innovative, more inclusive and equitable solutions to scale up financing for food security and nutrition in countries with high levels of hunger, food insecurity and/or malnutrition and important constraints in accessing affordable financing flows, is urgently needed.

For countries with limited access to financing grants or concessional loans remain the most suitable option to scale up financing for food security and nutrition and can be leveraged through collaborative financing partnerships as part of blended finance strategies.

Countries with moderate ability to access financing can rely more heavily on domestic tax revenues due to their wider tax base and stronger public institutions. Their governments can raise revenues by steeping up health taxes to promote the consumption of healthy diets.

Countries with a high ability to access financing can take advantage of increasingly promising financing instruments such as green, social, sustainability and sustainability-linked bonds, which may also embed food security and nutrition objectives.

Making innovative financing instruments more accessible to population groups facing constraints in accessing financial services, such as women, Indigenous Peoples, smallholder farmers and small and medium agrifood enterprises, will be key for financing to work for food security and nutrition.

The current financing architecture for food security and nutrition is highly fragmented. Country donors, multilateral development banks, development finance institutions, international financial institutions and philanthropic foundations have risen in number, but this has created coordination challenges, not only for these actors, but also for recipient countries whose political and financial priorities are not always considered.

Commercial private actors consider food security and nutrition a risky area to invest in, and the lack of data and transparency in the financial sector does not facilitate the creation of an “investment case” for meeting SDG Targets 2.1 and 2.2.

The financing architecture for food security and nutrition needs to shift from a siloed approach towards a more holistic perspective whereby stakeholders consider food security and nutrition to be a single policy goal that is featured in their broader financing flows and investments.

Policy priorities of national and local actors must be considered while building this new narrative for an enhanced financing architecture for food security and nutrition. Multilateral development banks, development finance institutions and international financial institutions should take the lead in scaling up financing for food security and nutrition, increase their risk tolerance and be more involved in de-risking activities.

The public sector should fill gaps not addressed by commercially oriented actors, primarily by investing in public goods and enhancing social values, which requires relying on tax revenues, reducing corruption and tax evasion, stepping up food security and nutrition expenditure, and repurposing policy support.

Improving transparency is essential for enhancing coordination and efficiency among the different stakeholders and will require harmonizing data collection standards at the national and global levels and making data available, which, in turn, is critical to target financing towards the countries most affected by food insecurity and malnutrition and their drivers.

**Gender**

Fostering the flows of development finance towards projects and interventions that promote GEWE in agrifood systems can generate significant positive impacts across a wide range of development indicators, and is critical in the efforts to close the various gender gaps and address the gender inequalities that impair a truly equitable process of socioeconomic growth.

There is significant potential to mobilize greater flows of GEWE-focused development finance towards agrifood systems by promoting collaborations between different kinds of donors, such as ODA and philanthropic capital or – under a blended finance approach – by leveraging public capital to mobilize further private investment. This could be achieved, for example, by reinforcing the significant return on investment and multiplier effects that increase partnerships and funding for GEWE can generate in areas such as food security and nutrition, poverty reduction and inclusive rural development. Furthermore, promoting these kinds of collaborations can help put GEWE back at the top of donors’ agendas, especially at a time when philanthropic donors are shifting their attention towards other priority areas.

Showcasing to the private financial sector the significant business opportunities associated with financing GEWE in agrifood systems is key to promoting the engagement of financial institutions in this area, as well as encouraging them to develop an offer of financial services that are more flexible and better tailored to the needs and strengths of women and girls in agrifood systems.

1. Please note that the below text includes significant tracts taken from the cited works below, and should not be included verbatim in subsequent publications. [↑](#footnote-ref-2)
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3. FAO, IFAD, UNICEF, WFP and WHO. 2024. *The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms*. Rome. https://doi.org/10.4060/cd1254en [↑](#footnote-ref-4)
4. FSIN (Food Security Information Network) & GNAFC (Global Network Against Food Crises). 2024. *Global Report on Food Crises 2024*. Rome. https://www.fsinplatform.org/report/global-report-foodcrises-2024 [↑](#footnote-ref-5)
5. CPI [Daniela Chiriac, Harsha Vishnumolakala, Paul Rosane], 2023. Landscape of Climate Finance for Agrifood Systems. Climate Policy Initiative Landscape of Climate Finance for Agrifood Systems. [↑](#footnote-ref-6)
6. FAO. 2024. The unjust climate – Measuring the impacts of climate change on rural poor, women and youth. Rome. https://doi.org/10.4060/cc9680en [↑](#footnote-ref-7)
7. FAO. Forthcoming. Promoting development finance to achieve gender equality and women’s empowerment in agrifood systems. [↑](#footnote-ref-8)
8. FAO. 2024. Repurposing domestic public support to agriculture. <https://www.fao.org/policy-support/tools-and-publications/resources-details/en/c/1696661/> [↑](#footnote-ref-9)
9. Pathways to Prosperity: 2019 Rural and Agricultural Finance State of the Sector Report. [↑](#footnote-ref-10)
10. Aceli Africa and Dalberg, 2020. Bridging the Financing Gap: Unlocking the Impact Potential of Agricultural SMEs in Africa https://aceliafrica.ams3.digitaloceanspaces.com/wp-content/uploads/2020/09/08173725/Aceli-Africa\_Full-Benchmarking-Report.pdf [↑](#footnote-ref-11)
11. Benin, S. 2024, Two Decades After Maputo, What’s in the CAADP Ten Percent? Determinants and Effects of the Composition of Government Agriculture Expenditure in Africa. IFPRI Discussion Paper 02260. https://cgspace.cgiar.org/server/api/core/bitstreams/c6a5148c-0215-4b7c-9a0a-b6b4ac9caba0/content [↑](#footnote-ref-12)
12. <https://www.fao.org/in-action/mafap/about/overview/en> [↑](#footnote-ref-13)
13. FAO, IFAD, UNICEF, WFP and WHO. 2024. The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms. Rome. <https://doi.org/10.4060/cd1254en> [↑](#footnote-ref-14)
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15. FAO forthcoming policy briefs and reports will further elaborate on green and sustainability bonds and food security and nutrition bonds. [↑](#footnote-ref-16)
16. FAO, IFAD, UNICEF, WFP and WHO. 2024. *The State of Food Security and Nutrition in the World 2024 – Financing to end hunger, food insecurity and malnutrition in all its forms*. Rome. https://doi.org/10.4060/cd1254en [↑](#footnote-ref-17)
17. FAO. 2022. The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development. Rome, FAO. <https://doi.org/10.4060/cc0471en> [↑](#footnote-ref-18)
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