

Financing the Future of Food: A Call to Action



The Challenge

The global food system faces unprecedented challenges. Despite reaching a historic high of US\$223.7 billion in total official development assistance (ODA) in 2023¹, the resources needed for sustainable food systems and rural development far outstrip available funds.

Climate change, conflict, and political and economic instability are exacerbating hunger, malnutrition, and poverty. With only six years until the 2030 deadline for the Sustainable Development Goals (SDGs), the urgent need to increase financing for food systems transformation and rural revitalization has become even more critical.

This situation calls for a profound rethink of how limited ODA resources can be best used. At this year's [Annual General Assembly](#) of the Global Donor Platform for Rural Development (GDPRD), the focus will be on "Financing Food Systems Transformation and Rural Revitalization: Opportunities and Challenges".

To guide these discussions, the GDPRD has prepared a [draft background paper and summary](#) to outline the **critical gaps and opportunities** for transforming food systems and rural development financing. These include:

- **Financing:** The background paper highlights substantial gaps in financing for food security, climate change adaptation and smallholder support. The 2024 State of Food Security and Nutrition in the World (SOFI) report estimates that one out of every eleven people globally suffers from hunger, with 2.33 billion people facing moderate or severe food insecurity, and that nearly a third of the world's population are unable to afford a healthy diet.
- **A catalytic approach:** ODA needs to be leveraged to attract additional public and private investments and to reduce fragmentation. Effective donor coordination is vital, particularly in fragile and conflict-affected areas where resources are limited, and needs are significant.
- **Innovative financing mechanisms:** Innovative models like blended finance, impact bonds, and green bonds are needed to mobilize private capital, helping to bridge financing gaps by de-risking investments.
- **Reforming public finance:** Reforming public finance systems and repurposing agricultural support is essential to meet sustainability goals. Currently, global agricultural support payments far exceed ODA funding for agriculture but are often inefficient and misaligned with long-term sustainability goals.

¹ [Official development assistance \(ODA\) - OECD](#)

- **Supporting smallholders and SMEs:** Smallholders and SMEs in the agrifood sector need much better access to financial services. Development finance institutions (DFIs) and multilateral development banks (MDBs) are crucial in providing the concessional finance, equity investments, and guarantees which can help to unlock private financing for farmers and SMEs.
- **Climate finance for agriculture:** Food systems are responsible for nearly one third of global greenhouse gas emissions and much of global biodiversity loss. However, only a small fraction (about 4 per cent) of climate finance currently supports agriculture, forestry, and related sectors.

A Call to Action

The gravity of the situation demands a fundamental rethink of how limited ODA resources can be best utilized. Conventional approaches have limited impact and cannot address the scale of systemic change needed. Financing must be more significant, robust, and catalytic to achieve the SDGs and create a just and resilient response to climate change.

Additionally, a realignment of ODA and development finance with public and private sector funding is crucial to support country-level food systems transformation.

Join the AGA Discussions

This [draft background paper](#) is a starting point for a broader discussion at the GDPRD's [2024 Annual General Assembly](#) (AGA) on financing food systems transformation and rural revitalization. It outlines ways forward to guide international stakeholders and donors in maximizing their impact:

- **Building a positive narrative around investment returns:** Focus on opportunities and returns rather than problems and gaps to shift the mindset of national governments and attract private investment.
- **Rethinking donor risk tolerance:** The paper advocates for donors to adopt higher risk tolerance, especially in high-need areas, to unlock further private investments.
- **Strengthening the last mile of smallholder and SME finance:** Improve access to finance for small-scale producers and SMEs.
- **Tackling structural constraints:** Long-term policy reforms that promote sustainable agricultural practices and provide stable regulatory environments are necessary to attract and retain private investments.
- **Disentangling social protection and commercial agrifood sector development:** Prioritize public support and social protection where commercial finance is not feasible.
- **Enhancing an integrated food systems financing ecosystem:** Promote a coordinated approach to financing and technical assistance.
- **Strengthening monitoring, coordination and transparency:** Enhance data sharing and coordination among donors, DFIs, and recipient countries to improve accountability and efficiency.

Join the conversation and share your insights at the [2024 AGA](#).

Background note:

This background brief focuses on financing for food security, nutrition, food systems, and rural development in low and middle-income countries. It highlights key challenges and opportunities in financing the future of food systems and rural development and discusses implications for donors. The brief aims to inform discussions at the GDPRD's 2024 Annual General Assembly (AGA). This paper is based on a thorough review of recent reports and studies on food systems and rural development financing. It also incorporates insights from ten key informant interviews with experts, practitioners, and development partners from both the public and private sectors as well as the GDPRD's webinar series on critical food systems financing issues.