Global Donor Platform for Rural Development

Financing Agrifood Systems for People, Planet and Prosperity

Towards a new pact for mobilizing capital, reforming systems and driving transformation at scale

A WHITE PAPER
BY THE GLOBAL DONOR PLATFORM FOR RURAL DEVELOPMENT

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This White Paper was developed between March and June 2025 under the leadership of a **High-Level Advisory Group (HLAG)** comprising the following representatives: **Federica Diamanti**, Associate Vice-President, External Relations Department, International Fund for Agricultural Development (Co-Chair); **Leonard Mizzi**, Head of Unit, Sustainable Agri-Food Systems and Fisheries, Directorate-General for International Partnerships, European Commission (Co-Chair); **Nikita Eriksen-Hamel**, Deputy Director, Food Systems Practice, Global Affairs Canada; **Marianne Grosclaude**, Lead Agriculture Economist, World Bank; **Lawrence Haddad**, Executive Director, Global Alliance for Improved Nutrition; **Cornelia Hett**, Deputy Head of Section, Health and Food, Swiss Agency for Development and Cooperation; **Arif Husain**, Chief Economist, United Nations World Food Programme; **Alice Ruhweza**, President, AGRA; **Maximo Torero Cullen**, Chief Economist, Food and Agriculture Organization of the United Nations; **Wilma Van Esch**, Head of Food Security, Ministry of Foreign Affairs, The Netherlands; and **Virginia Villar Arribas**, Deputy Director, Private Sector Partnerships, United Nations World Food Programme.

Substantial contributions to the paper also came from: **Camilla Fusato**, Policy Officer, Sustainable Agri-Food systems and Fisheries, Directorate-General for International Partnerships, European Commission; **Ron Hartman**, Director, Global Engagement, Partnership and Resource Mobilization, International Fund for Agricultural Development; **Boaz Blackie Keizire**, Director for Policy and State Capability, AGRA; **David Laborde**, Director, Agrifood Economics and Policy Division, Food and Agriculture Organization of the United Nations; **Thule Lenneiye**, Chief of Staff, AGRA; **Geraldine Villeroux**, Junior Professional Officer, External Relations Department, International Fund for Agricultural Development; and **Max Von Bonsdorff**, Chief Partnership Officer, Global Engagement, Partnership and Resource Mobilization, International Fund for Agricultural Development.

The Group discussions, drafting and overall facilitation of the paper were led by **Jim Woodhill**, Senior Advisor, Global Donor Platform for Rural Development, together with **Sierra Berardelli** and **Monique Amar**, Secretariat Advisors, who conducted research, drafting and editing. Input, coordination and organization were carried out by **Maurizio Navarra**, Senior Partnership Officer and Secretariat Coordinator, Global Donor Platform for Rural Development. **Michelle Tang**, Communications Coordination Analyst and **Alessandro Cordova**, Administrative Assistant, contributed to research and editing.

The Paper aims to raise awareness on the critical role of agrifood systems in development, peace and security and to encourage a substantial increase in financing for agrifood systems transformation. A comprehensive coverage of all aspects of agrifood systems transformation is beyond the scope of this paper.

Acronyms

AI	artificial intelligence
FAO	Food and Agriculture Organization of the United Nations
GDP	gross domestic product
IFAD	International Fund for Agricultural Development
IFI	international financial institution
ODA	official development assistance
OECD	Organisation for Economic Cooperation and Development
SMEs	small and medium-sized entreprises
UNICEF	United Nations Children’s Fund
WFP	World Food Programme
WHO	World Health Organization

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Executive summary and key messages

This White Paper makes a clear case: **Transforming agrifood systems is one of the smartest investments the world can make** for prosperity, security, sustainability and resilience. Developed by the Global Donor Platform for Rural Development (GDPRD), the Paper outlines a bold yet practical agenda to unlock the capital, partnerships and innovation needed to drive change at scale. The Paper outlines six practical action areas, one of which advocates for the creation of **collaborative financing agreements** to align public and private actors and scale investment.

The opportunity is immense. Investing in better-functioning agrifood systems is not only a moral imperative; it also delivers strong economic and social returns for governments, investors, businesses and communities. Better agrifood systems **are the foundation of national security, economic growth and human development.** They are key levers for healthier populations, more inclusive economies, political stability, employment and global competitiveness - especially for countries most affected by climate shocks, food insecurity and economic exclusion.

The transformation is affordable. The cost of transforming agrifood systems is estimated in the order of **US$1.2 - US$1.4 trillion annually**, about 1 per cent of global GDP and only a fraction of the **current system's hidden costs**, which amount to an estimated **US$12 trillion per year** due to poor health, environmental damage and poverty.

The business case is undeniable. This investment in agrifood systems transformation could yield substantial returns and dramatically reduce future costs to the economy and society. Responsible private investment in agrifood systems can unlock **as much as US$4.5 trillion annually in new business opportunities**. The problem is not a lack of capital; **it is how we choose to deploy it**.

The risks of not investing are unacceptable. Without a transformation of agrifood systems, the world risks losing the future capability to reliably meet food demands locally and globally, accelerating climate change, biodiversity loss and escalating health costs from poor diets.

Now is the time to seize the opportunity for transformation. The global community needs a new financing model that aligns public and private capital, leverages innovation and positions agrifood systems at the centre of sustainable development.

Transforming agrifood systems is possible, but it requires shifts in mindset, policy and practice from donors, governments, international financial institutions (IFIs) and investors alike. **The narrative must change:** managing the agrifood sector is not just about coping with crises or responding to the food insecurity of the poor. **It is a driver of opportunity, growth and long-term value.**

Innovative solutions, digital technologies and improved collaboration offer powerful tools to overcome the sector's investment challenges. However, unlocking their full potential requires clear direction and targeted action across **six priority areas**:

1. **Ensure the global multilateral system remains the bedrock of a response capability** for catalysing action on global public goods.
2. **Accelerate foundational reforms and policy shifts** to unlock public and private investment in agrifood systems.
3. **Expand and coordinate innovative financing mechanisms** to mobilize and de-risk private capital for agrifood transformation.
4. **Harness the power of innovations and new technologies** through targeted solutions.
5. **Measure what matters,** generating data and evidence to guide investment in agrifood systems transformation.
6. **Broker collaborative agrifood financing agreements** to align actors and scale investment.

This is a call to action. With major milestones ahead in 2025— **FfD4, UNFSS+4, COP30**— now is the time to raise ambition. **Agrifood systems must become a top-tier investment priority**, integrating the climate, development and food agendas into one forward-looking vision for sustainable transformation.

1 Introduction

This White Paper[1] makes the case for a **dramatic increase in investments to transform agrifood systems**[2]. It outlines **six priority action areas**, each with targeted recommendations for key actors across the agrifood landscape. Action area six calls for new collaborative financing agreements. Developed at national and global scales, these agreements would bring together public and private sector actors to align, scale and accelerate financing for sustainable agrifood transformation.

Developed by the Global Donor Platform for Rural Development (GDPRD), the paper supports discussions at key global events in 2025, including the Fourth International Conference on Financing for Development (FfD4), the 2nd UN Food Systems Summit Stocktake (UNFSS+4), and the 30th Conference of the Parties (COP30) to the United Nations Framework Convention on Climate Change (UNFCCC).

Better functioning agrifood systems offer massive global economic and social returns. **Investing in them benefits governments, businesses and communities alike**. On the other hand, failure to invest in sustainable, healthy and resilient agrifood systems will result in far-reaching costs: worsening food insecurity, increased conflict, humanitarian crises, rising healthcare expenses, forced migration and setbacks in tackling climate change and biodiversity loss. **While the poorest will suffer most, no country will be spared the consequences.**

Transforming agrifood systems is not optional – it is essential for long-term prosperity, stability and well-being.

Public financing is under strain with debt, stagnating economies and geopolitical tensions pulling resources in other directions. Traditional aid models, including official development assistance (ODA), are stretched thin and unlikely to grow.

Yet, global wealth and financial capital availability are at a historic high. The problem is not a lack of money – it is a lack of alignment. **A new financing paradigm** is needed - one that brings public and private sectors together to unlock the full potential of agrifood systems transformation. **Agrifood systems must become central to the global financing agenda.**

[1] This White Paper was produced under the guidance of a High-Level Advisory Group (HLAG) comprising representatives from donor organizations, international financial institutions, development agencies and experts from the food and nutrition space. It has been approved by the Board of the GDPRD. It draws on recent reports on the financing of agrifood systems transformation and on interviews with key informants.

[2] A full coverage of all aspects of agrifood systems transformation is beyond the scope of this paper.

This White Paper calls on the global community to ***recognize food systems as a foundational solution to the world's economic, environmental and social challenges***. It urges bold alignment between financing frameworks and the urgent need for transformation in food, climate and biodiversity.

2 The case for long-term investment in agrifood systems

Agrifood systems are the backbone of national security, economic growth and human development. They ensure food availability, generate livelihoods for billions of people and stabilize rural communities. Strong agrifood systems also foster innovation, symbolize cultural heritage and drive inclusive, long-term prosperity.

Yet, they are failing to deliver affordable, nutritious food to all. Over one-third (35.4 per cent) of the world's population cannot afford a healthy diet[3] and food insecurity is on the rise. These same systems contribute almost one-third (31 per cent) of global greenhouse gas emissions[4] and are a major cause of biodiversity loss[5]. At the same time, 3.83 billion people - many of whom are among the poorest - rely on agrifood systems for their livelihoods[6].

Food security, nutrition and rural development are not just humanitarian concerns. They are strategic levers for economic resilience, political stability and national competitiveness.

Responsible private sector investments in agrifood transformation can yield significant business benefits. In fact, the potential market opportunities unlocked by a transformed food system could amount to US$4.5 trillion annually[7].

The cost of inaction is staggering. Current agrifood systems impose massive hidden costs – estimated at roughly US$12 trillion annually[8] – linked to health problems,

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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.

[4] FAO. (2023). ***Agrifood systems and land-related emissions. Global, regional and country trends, 2001– 2021*.** FAOSTAT Analytical Briefs Series No. 73. Rome.

[5] Benton, T. G., Bieg, C., Harwatt, H., Pudasaini, R., & Wellesley, L. (2021). *Food system impacts on biodiversity loss. Three levers for food system transformation in support of nature.* Chatham House, London, 02-03.

[6] 3.83 billion people worldwide live in households linked to agrifood system-based livelihoods, which includes the 1.23 billion people who are directly employed in agrifood systems. FAO. 2023. ***Estimating global and country-level employment in agrifood systems*** *(p. iii).* Rome

[7] The World Bank. 2021. ***Financing a Healthy, Equitable & Sustainable Food System.***

[8] The SOFI 2023 Edition (FAO. 2023. ***The State of Food and Agriculture 2023. Revealing the true cost of food to transform agrifood systems***. Rome (Chapter 2)) estimates these costs to amount to US$12.7 Trillion. The estimated hidden costs of a poorly functioning food system on health, human productivity, the environment and society vary, and further analysis is required. However in orders of magnitude all current analyses are broadly consistent in pointing towards such costs being at least 10% of global GDP.

environmental harm and poverty. Of these costs, the impacts of poor diets on global GDP are estimated to be at least US$9.3 trillion, due to expenditure on health systems and lost productivity[9]. Further, hunger affects 733 million people, while 2.33 billion face food insecurity[10]. Climate shocks and environmental degradation are worsening these pressures.

By contrast, the costs of transforming agrifood systems are estimated to be only about 1.3 per cent of global GDP per year, in the order of US$1.2- US$1.4 trillion per year[11], offering at least a ten-fold return on investment. Investing in agrifood systems is not only a moral imperative – it is smart economics. It promotes job creation, improves public health, supports climate adaptation and strengthens social stability. For businesses, it offers market expansion, reduced risks and enhanced brand value.

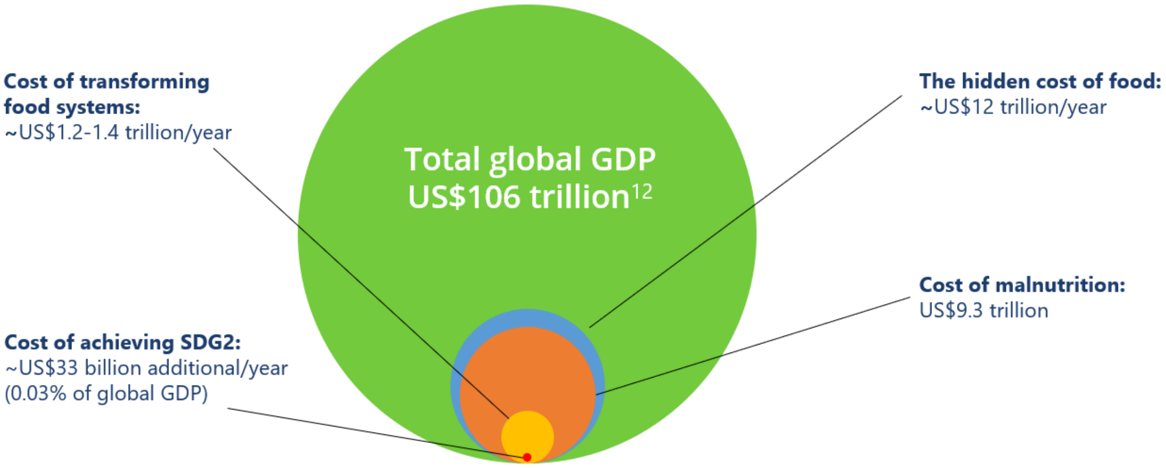

Figure 1 - The investment needed to transform agrifood systems is less than one-tenth of the cost of inaction. Note: This figure illustrates the investments needed to transform food systems relative to the hidden costs of not taking action. The numbers originate from different studies (referenced in the footnotes) that could not be directly compared with precision since they use different approaches, assumptions and scope.

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[9] Ibid.

[10] Ibid.

[11] The estimated costs of transforming food systems vary substantially depending on which factors are being included and the time frame over which the investments are being made. (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. Chapter 4.1.; Laborde D., & Torero, M. (2023), as well as **Modelling actions for transforming agrifood systems, Science and innovations for systems transformation**. pp 105-132). In these two papers, US$ 1.2-1.4 trillion per year till 2030 is taken as an indicative level of investment that would enable substantial progress towards overcoming malnutrition in all its forms while tackling the structural constraints to more sustainable and equitable agrifood systems. It is important to note that the costs are a global total and not just for low- and middle-income countries.

[12] **World Bank national accounts data**, and OECD National Accounts data files.

The estimated costs of transforming agrifood systems vary according to the breadth of the objectives. Ending hunger alone may cost as little as US$33 billion annually[13], while full agrifood systems transformation to ensure everyone can access a healthy diet, taking climate change into account, could require up to US$1.4 trillion per year to 2030[14].

3 The challenge of financing agrifood systems

The current outlook for public spending on agrifood systems transformation is bleak. Traditional models of development aid are weakening. ODA and other official flows (OOF) to agrifood systems remain highly insufficient compared to what is needed. Grants to agriculture, forestry and fisheries have stagnated at about 5 per cent of total ODA[15] - around US$14.1 billion in 2022[16]. Meanwhile, less than 1 per cent of global climate finance supports small-scale agriculture[17], while their livelihoods will be relatively the most impacted by climate change.

[13] Laborde, D., Parent, M., & Smaller, C. (2020). **Ending Hunger, Increasing Incomes, and Protecting the Climate: What would it cost donors? Ceres2030**. International Institute for Sustainable Development (IISD) and International Food Policy Research Institute (IFPRI).

[14] Laborde, D., & Torero, M. (2023). **Modeling actions for transforming agrifood systems**. *Science and innovations for systems transformation.* pp 105-1320.

[15] **OECD Data Explorer • Aid (ODA) by sector and donor [DAC5]**

[16] **OECD Data Explorer • Aid (ODA) by sector and donor [DAC5]**

[17] Climate Policy Initiative. (2023, 22 November). ***44% drop in climate finance to small-scale agrifood systems reveals need for action***. [Press Release].

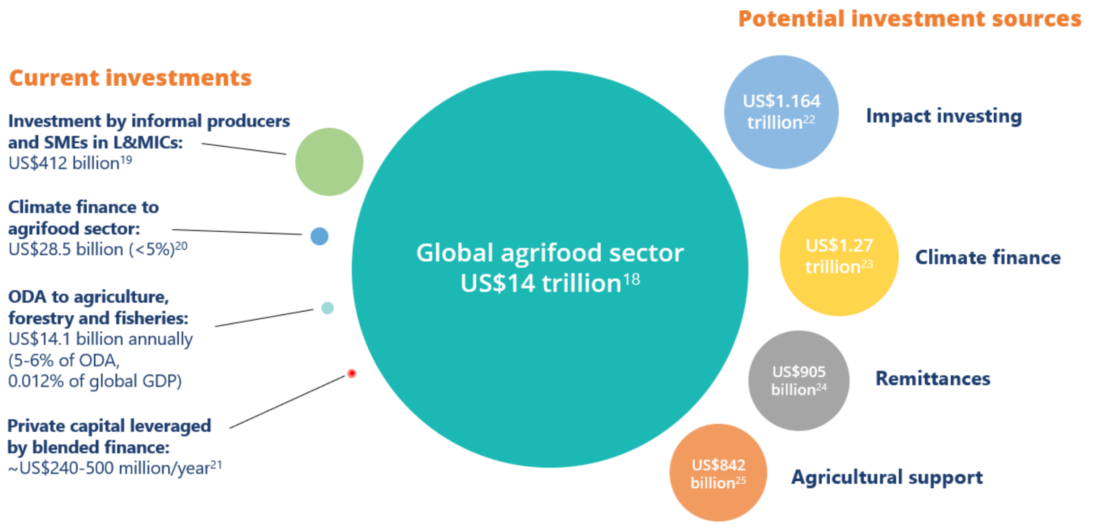

Figure 2 - Investing in transformation requires looking at available resources and closing the financing gap

Public budgets from traditional donors alone will not be enough: private capital must play a central role in closing the gap. Depending on how we define agrifood systems, total ODA contributions to food security and nutrition range from US$6.9 billion to US$62 billion. Yet, private investments from producers and small and medium-sized enterprises (SMEs), as well as domestic subsidies from lower-middle-income countries, already surpass public development finance.

Economic pressures are growing. Many countries - especially those with lower incomes - face crushing debt and sluggish growth. Richer nations are grappling with ageing populations and rising healthcare costs driven by poor diets. **Global instability**

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[18] Planet Tracker, "***Valuing the global food system***", 21 February 2023.

[19] 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***. Chapter 4.1. Rome.

[20] Chiriac, D., Vishnumolakala, H. & Rosane, P. (2023). ***Landscape of Climate Finance for Agrifood Systems***. Climate Policy Initiative.

[21] IFC, 2021. ***Using Blended Concessional Finance to Invest in Challenging Markets: Economic Considerations, Transparency, Governance, and Lessons of Experience***. World Bank. Accurate data on this figure is difficult to ascertain; this is a rough estimate based on IFC (2021) data. However, relative to other investments and sources of capital, it currently remains small.

[22] Hand, D., Ringel, B., Danel, A. (2022). ***Sizing the Impact Investing Market: 2022***. The Global Impact Investing Network (GIIN). New York.

[23] Buchner, B., Naran, B., Padmanabhi, R. et al. (2023). ***Global Landscape of Climate Finance 2023***. Climate Policy Initiative.

[24] Ratha, D., Plaza, S., & Ju Kim, E. (2024). **In 2024, remittance flows to low-and middle-income countries are expected to reach $685 billion, larger than FDI and ODA combined**. World Bank Blogs, December 18. *World Bank Blogs*.

[25] OECD. (2024, 6 Nov). ***OECD advises countries to redirect public subsidies and other support for agriculture to innovation.*** [Press Release].

is shifting spending toward defence, while recent crises like COVID-19 and regional wars have drawn resources away from long-term goals.

And yet, the world has never been wealthier[26]. The real problem is not funding availability – it is how we decide to allocate it. Budgets for global public goods are not inherently too small: the issues are prioritization, leverage of other financial resources and political will. The burden must shift from traditional donors to a broader base of responsibility, including emerging economies and private sector actors. ***We need a bold new financing model that brings together public and private capital, uses innovative tools and puts agrifood systems at the heart of a sustainable and secure future***.

There is no shortage of capital. Venture capital, private equity, climate finance, impact investing, philanthropic funds, remittances and repurposed agricultural subsidies all offer massive potential. The combined scale of these sources dwarfs current public-sector funding.

It is time to redirect this capital toward a future where agrifood systems deliver health, wealth and resilience - for everyone, everywhere.

4 Driving a paradigm shift for agrifood systems financing

A substantial increase in the financing for agrifood systems transformation is possible, but it will require fundamental shifts in the ways donors, national governments, international financial institutions (IFIs), private sector investors and agrifood sector firms operate and align. The ambitions for agrifood systems transformation set by Heads of State during the UN Food Systems Summit process must now be matched by a financing paradigm shift.

There are five key elements to this paradigm shift:

1. ***Prioritizing*** agrifood systems transformation policy and expenditure as a foundation for employment, health, economic development, productivity and environmental objectives, which will provide a high return on investment.
2. ***Integrating*** agrifood systems transformation across other sectoral policy and investment strategies of national governments, donors and development finance institutions, to enable multi-sectoral gains such as improved public health, climate resilience and rural prosperity.

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[26] **Global Wealth Report 2024 | UBS Global.**

3. ***Catalysing***, derisking and incentivising private sector investment through smart use of public funds by national governments, donors and development finance institutions.
4. ***Repurposing*** national government and donor expenditures to be more catalytic of change, reduce incentives that work against the goals of food system transformation, avoid fragmented, duplicated and uncoordinated projects and amplify cross-sector synergies.
5. ***Coordinating*** across sectors and ministries, between public and private sector actors, within value chains and between donors to optimize resource use, policy alignment and collective action.

Transforming agrifood systems requires financing strategies that are not only inclusive on paper, but truly designed to reach and benefit those who are most critical to the system's resilience and sustainability: small-scale producers and enterprises, women, youth and Indigenous Peoples. These groups are not marginal – they produce a significant share of the world's food, especially in low- and middle-income countries. They are stewards of biodiversity, local knowledge and natural resource management and they are key to the cultural and societal fabric of rural communities.

Yet, all too often, they face significant barriers to accessing finance, such as limited collateral, weak market access, discrimination and lack of tailored financial products. Failing to include them means failing to unlock the full potential of agrifood systems, to deliver on food and nutrition security, climate resilience and economic development. Inclusive financing is the backbone of agrifood systems; it means designing financial instruments, incentives and institutions that reflect the diversity of needs and capacities across the value chain. Inclusion is a core condition for transformation.

What needs to be done to transform agrifood systems is largely well understood. The challenge is creating the necessary political will for action. Due to shifting ODA dynamics and the growth of nontraditional donor economies, the development community must reconsider the broader base of responsibility for public financing. Multiple high-level reports over recent years have established a comprehensive menu of policies, investments and actions that could be adopted to leverage agrifood systems change[27]. However, the urgency and benefits of such action are not breaking through into wider societal understanding and political priorities.

Shifting the narrative about agrifood systems transformation is vital. Outdated assumptions and attitudes of policy makers and investors about the agrifood sector

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[27] FAO. (2023). **Achieving SDG 2 without breaching the 1.5° C threshold: A global roadmap, Part 1: How agrifood systems transformation through accelerated climate actions will help achieving food security and nutrition, today and tomorrow, In brief.**

need to change. These include seeing the agrifood sector as being less important to development than other sectors, scepticism about economic returns from investing in the sector, a focus on cheap calories rather than good nutrition, false perceptions of risk in the sector and not understanding the economy-wide systemic risks of failing agrifood systems.

The agrifood sector has unique investment challenges, but innovative initiatives, new technologies and improved coordination mechanisms offer practical ways forward. Working with vast numbers of small-scale farmers and enterprises presents significant challenges, including high costs, the inherent risks of weather extremes, pests and diseases, market price volatility, currency fluctuations, poor infrastructure and difficult business environments. However, a wide range of innovative initiatives and projects are showing how new AI and digital technologies, new financing and insurance products, better data, forecasting and remote sensing, public-private partnerships and coordination mechanisms can all be harnessed to reshape the investment environment.

The context for investing in the agrifood sector is rapidly changing, opening up new opportunities. The future risks and costs of inaction in the agrifood sector will increasingly outweigh the perceived risks of investment for governments and the global community. For businesses, there will be increasing demand for healthy, convenient and sustainably produced food, greater corporate responsibility and the management of reputational risk. The way in which food is produced and agricultural land is managed must be part of solutions to climate change and biodiversity loss, opening greater opportunities to deliver environmental services that provide economic returns.

In agrifood systems, public and private interests are deeply intertwined, leading to both complex challenges and significant opportunities. While the private sector plays the main role in producing, processing, distributing and selling agrifood products, the broader outcomes - such as food security, nutrition, public health, environmental sustainability and decent employment - are core responsibilities of governments. This overlap creates a complex political economy that must be carefully understood to drive meaningful and lasting transformation.

Financing agrifood systems transformation means grappling with tough trade-offs and conflicting interests. Building consensus and fostering collective solutions will be essential. Mobilizing capital alone is not enough — creating the right conditions for sustainable, healthy and equitable agrifood systems will demand major shifts in policies and incentives. These changes may not align with all stakeholders' short-term interests. That's why financial strategies must go hand-in-hand with honest dialogue and active management of conflicts of interest. Given the new and urgent reality of the rising cost of capital, public finance is critical to lower capital costs and de-risk long-term investments.

To turn this paradigm shift into reality, targeted and coordinated action is needed across several strategic fronts. **The following priority areas represent entry points where innovation, collaboration and policy reform can unlock investment, reduce systemic barriers and drive inclusive, resilient and sustainable agrifood systems.** Together, they outline a roadmap for aligning finance with the true complexity and potential of agrifood systems transformation.

5 Key priority areas

1. **Ensure** the global multilateral system remains the bedrock of a response capability for catalysing action on global public goods
2. **Accelerate** foundational reforms and policy shifts to unlock public and private investment in agrifood systems
3. **Expand and coordinate** innovative financing mechanisms to mobilize and de-risk private capital for agrifood transformation
4. **Harness** the power of innovations and new technologies through targeted solutions
5. **Measure what matters,** generating data and evidence to guide investment in agrifood systems transformation
6. **Broker** collaborative agrifood financing agreements to align actors and scale investment

5.1 Action area 1: Ensure the global multilateral system remains the bedrock of a response capability for catalysing action on global public goods

Call to action: Development organizations identify, articulate and advocate for the core global public goods and services that are essential for responding to agrifood system pressures and shocks.

Despite being under pressure, development assistance needs to **remain the bedrock instrument for catalysing global action on agrifood systems transformation**, supporting action in middle and lower-income countries, responding to crises and building resilience.

Development resources targeted towards agrifood systems must be maintained and increased. They must also be used in far more catalytic and coordinated ways to leverage other sources of financing and to drive reforms at global and national scales.

Recommendations, by actor:

Multilateral organizations should take strong leadership in ensuring that global public goods are available to respond to food systems related crises, particularly in low-income counries and fragile contexts, and for creating a resilient global agrifood system. Through their operations and strategies, they can achieve economies of scale at the global level that could enhance the efficiency of global public investments.

Bilateral donors and IFIs should strategically and collaboratively reorient their development assistance to leverage additional financing and drive systemic reforms, acting as both the foundation and catalyst for global development finance. In addition, they should:

- Shift from fragmented, short-term projects to long-term, systems-based programming;
- Reform institutional mandates to prioritize resilience, equity and sustainability in all investment decision-making; and
- Harmonize donor requirements and reporting to reduce transaction costs for recipient countries.

National governments should integrate agrifood systems resilience into national development plans and reform agricultural, trade and social policies to establish robust mechanisms for crisis response and long-term adaptation to climate change and economic shocks. In addition, they should:

- Strategically allocate public budgets to crowd in donor and private sector finance.

Private financial institutions and domestic banks should develop financial products that align with the realities of agrifood systems and SMEs, ensuring support for sustainable agriculture, food security and resilience initiatives.

5.2 Action area 2: Accelerate foundational reforms and policy shifts to unlock public and private investment in agrifood systems

Call to action: All actors take concerted, targeted and coordinated action to tackle the well-known constraints to agrifood sector investment.

Reform of national policies, regulations and expenditure, along with the global financial architecture, must be accelerated to create the necessary incentives for investment in the agrifood sector. This includes strengthening the role of rules-based multilateral trade institutions to ensure open, fair and transparent trade flows.

The need for and nature of such reforms is well documented – this includes infrastructure, improving the ease of doing business, repurposing agricultural support, creating the conditions for efficient and fair trade (including removing trade barriers and improving trade facilitation), addressing the debt crisis of low-income countries, increasing risk tolerance of IFIs and tackling disincentives and barriers to investment including currency fluctuation.

A dedicated stream of concessional and technical assistance financing should target institutional and state capability at the national and sub-national levels. This includes strengthening agricultural policy units, improving planning and coordination capacity within ministries of agriculture and finance and enabling local governments to engage with and absorb investments.

Recommendations:

National governments should commit to bold policy reforms, which support enabling investment environments that underpin the ambitions of national frameworks, such as the agrifood systems transformation pathways. In addition, they should:

- Support tax incentives and subsidy reforms which encourage sustainable agrifood systems;
- Strengthen land tenure security, governance frameworks, and rural infrastructure; and
- Promote financial inclusion through local financial institutions and capacity-building for underserved groups.

Bilateral donors should support the strategic dialogue and policy analysis necessary for driving reforms that foster an enabling environment for agrifood system investment. In addition, they should:

- Provide concessional finance and guarantees to catalyse private investment in agrifood systems;
- Fund technical assistance and capacity building initiatives and programmes for regulatory reforms, especially around land tenure, tax systems, and rural financial markets; and
- Support debt restructuring.

IFIs should integrate agrifood systems sustainability transformation into their dialogue with national governments within their country portfolios. In addition, they should:

- Reform their lending practices to improve incentives for investment in the agrifood sector;
- Expand direct lending to subnational governments and local financial institutions; and
- Continue to consider climate, nutrition and gender indicators in all financing criteria and project appraisals.

Private financial institutions and domestic banks should recognize the strategic importance of agrifood systems as a profitable sector that contributes to long-term stability, sustainability, and inclusive growth. In addition, they should:

- Expand tailored financial products to agrifood SMEs and other clients in rural areas; and
- Offer preferential lending for agrifood system investments meeting climate resilience, nutrition and sustainability standards.

5.3 Action area 3: Expand and coordinate innovative financing mechanisms to mobilize and de-risk private capital for agrifood transformation

Call to action: Development partners rapidly scale innovative financing mechanisms that optimize public-private collaboration, with an emphasis on risk mitigation, building on the lessons from existing innovative financing initiatives.

Leveraging investment for agrifood systems transformation requires an entire financing ecosystem. This must include the assembling of finance and the creation of funds, establishing effective intermediary financial services, value chain coordination and the provision of technical support. Innovative public-private (and philanthropy) partnerships are needed, along with increased engagement in blended finance and responsible financing relations between larger agrifood enterprises and smaller scale suppliers. Comprehensive, de-risking strategies are needed to enable the integration of multiple streams of financing (including climate financing) with much greater investment in the sector by national financial institutions and banks.

Recommendations:

Donors and IFI should substantially increase their support for blended financing and other collaborative funding mechanisms which de-risk private sector financing. In addition, they should:

- Support the business services, value chain coordination, and advisory services which enable small-scale producers and SMEs to be bankable; and

- Ensure that bilateral investments are aligned with the needs of scaling private investment and well-coordinated with other donors' in-country programmes

All actors should work to substantially increase the flow of climate finance to the agri-food sector and small-scale producers.

National governments should give more attention to agricultural and food-related public expenditure to put greater emphasis on public-private partnerships and innovative financing mechanisms that leverage private investment. National strategies should prioritize the aggregation and professionalization of local agribusinesses to reduce transaction costs for private capital.

In addition, they should:

- Support mechanisms that incentivise domestic banks to increase their loan portfolios to the agrifood sector;
- Prioritize mechanisms such as guarantee schemes for SME-focused banks, supplier development programmes and inclusive value chain alliances, with a focus on enterprises led by women and youth; and
- Establish national or regional guarantee facilities to crowd in private capital.

Private financial institutions and domestic banks should develop and adopt innovative financing instruments specifically for the agrifood sector. In addition, they should:

- Explore existing but underused financing tools (e.g., green bonds, revenue-based finance);
- Develop de-risking instruments in partnership with IFIs and donors to crowd in capital at scale;
- Adapt fund design to fit SMEs by using revenue-based lending, guarantees and technical assistance (TA) to unlock access; and
- Design SME financing tools around the needs of local entrepreneurs, with lower barriers to entry and faster disbursement timelines.

5.4 Action area 4: Harness the power of innovations and new technologies through targeted solutions

Call to action: Development and private sector actors should align efforts to drive a substantial increase in the development and application of new technologies for innovative inclusive financing, to enhance access to financial services for small-scale producers and entrepreneurs.

Innovations and technology of all forms can be huge enablers of investment. But their development and use must be inclusive and targeted. For instance, AI and other digital technologies have massive potential for increasing access to financial services and lowering the costs of dealing with large numbers of small enterprises. They also improve coordination and efficiency along value chains.

Meanwhile, a raft of production and processing technologies can reduce waste, create investable ecosystem services and improve nutrition, all of which can reduce the hidden costs of food, while creating new and higher value markets. However, coordinated packages of technology developments that specifically service the needs of small-scale producers and the SME sector are needed.

Recommendations:

All actors should focus on designing and implementing inclusive, coordinated technology initiatives and innovations that specifically address the needs of small-scale producers and SMEs. In addition, they should:

- Promote AI and digital solutions to improve financial access, reduce operational costs and enhance value chain coordination;
- Invest in technical assistance and digital capacity-building for inclusive agri-finance; and
- Support open digital platforms for market access, credit scoring and climate services.

Private financial institutions and domestic banks should prioritize the development and deployment of tailored financial products and services that leverage digital technologies to improve access to credit, insurance and payments for agrifood SMEs. In addition, they should:

- Scale inclusive financial services targeting underserved groups, especially women and youth; and
- Fund equity-centred initiatives such as Indigenous agrifood systems and women-led enterprises.

5.5 Action area 5: Measure what matters, generating data and evidence to guide investment in agrifood systems transformation

Call to action: Substantially expand collaborative efforts to generate the data and evidence required to guide investment in agrifood systems transformation.

Better data is needed to demonstrate potential investment returns, track trade-offs across the entire economy, assess investment risks and monitor investment flows by different actors. Such data is vital for generating the evidence to underpin investment decisions by governments and the private sector. This data should translate into clear, outcome-focused metrics that allow for clearer communication of return on investment in relation to social, environmental and economic outcomes, while avoiding the burden of overly complex monitoring and evaluation (M&E) systems.

Recommendations:

Bilateral donors should cooperate to ensure long-term support for the core monitoring, data gathering and analysis needed to assess and guide agrifood sector financing. In addition, they should:

- Review existing monitoring and data gathering initiatives and assess gaps that need to be filled;
- Work with UN agencies to clarify institutional roles and responsibilities for data gathering; and
- Support collaborative mechanisms with key private sector financing institutions for better monitoring of private financing in agrifood systems.

All actors should reinforce their commitment to building coordinated, outcome-oriented data and evidence systems that can inform more effective and strategic investments. In addition, they should:

- Enhance transparency and traceability in environmental, social and financial reporting across value chains;
- Support R&D, innovation platforms and knowledge exchange focused on sustainable agrifood systems; and
- Adopt a clear set of outcome-driven metrics for evaluating financing effectiveness. Examples include: cost-per-person-reached with healthy diets; jobs created in rural and agribusiness economies; and carbon/soil health improvements per dollar invested.

5.6 Action area 6: Broker collaborative agrifood financing agreements to align actors and scale investment

Call to action: Facilitate the development of collaborative agrifood financing agreements that align public, private and development finance around shared national investment priorities. These voluntary agreements clarify roles, leverage synergies and identify co-investment opportunities, leading to reduced duplication and accelerated impact.

A lack of collaboration and coordination between donors, development banks, governments, agrifood firms and private finance is a major barrier to scaling investment in agrifood systems. This fragmentation—especially at the national level—undermines efficiency, limits leverage and delays progress. Effective collaboration does not happen on its own; it must be actively brokered and institutionalized.

Collaborative agrifood financing agreements are voluntary frameworks that align public and private actors around shared investment goals. They clarify roles, identify financing targets and map how one actor's investment can unlock or de-risk others, creating a coordinated pathway to scale innovative financing solutions.

These agreements should be adaptive, and evolve based on experience, evidence and shifting priorities. Wherever possible, they should be embedded within existing national, regional and global mechanisms that already support food systems transformation, avoiding duplication and ensuring alignment.

In addition to national and global financing agreements, regional platforms anchored in continental institutions such as the African Union and Regional Economic Communities (RECs) should be leveraged to foster political alignment, policy coherence, and cross-border investment coordination. Regional mechanisms can also facilitate trade integration (e.g., AfCFTA-aligned initiatives), cross-border infrastructure investments, and regional public goods such as seed systems or digital platforms.

To enable the development of collaborative financing agreements, improved mechanisms for learning about and sharing lessons from innovative agrifood financing initiatives should be supported.

Recommendations:

All actors should proactively identify how they can support the scaling of agrifood systems financing and work towards the collaboration, partnerships and agreements necessary to play their part.

National governments should support the establishment of financing agreements as part of their national food systems transformation pathways.

Bilateral donors and IFIs should make the establishment of collaborative financing agreements a central part of their strategies and operations. In addition, they should:

- Resource the necessary brokering and facilitation requirements at national, region and global scales; and
- Resource ongoing learning platforms for innovative agrifood financing.

Core Functions of Collaborative Agrifood Financing Agreements

1. **Foster shared understanding**: Identify and communicate key innovations and actions needed to scale up agrifood financing.
2. **Enable complementarity**: Clarify how diverse stakeholders' contributions can be synergistic and mutually reinforcing.
3. **Establish frameworks for national agreements:** Identify specific country level frameworks for agreements between different actors on how to accelerate financing.
4. **Promote voluntary commitments**: Encourage stakeholders to pledge actionable steps to enhance food systems financing.
5. **Build a knowledge base**: Compile and disseminate insights on innovative and blended financing instruments.
6. **Facilitate peer learning**: Serve as a hub for sharing experiences and lessons from diverse financing models globally.

Private financial institutions, philanthropic foundations and agrifood firms should actively engage in national and global agreements to align efforts, clarify roles and scale collaborative financing initiatives.

6 Scalable solutions

Over the past two decades, the agrifood sector has witnessed an unprecedented proliferation of innovative financing mechanisms, multi-donor funds, value chain development programs, and public-private partnership models[28]. These diverse initiatives have created a rich menu of potential solutions for addressing the persistent financing challenges that constrain agricultural development and agrifood system transformation.

Many of these innovative approaches demonstrate significant potential for scalability, provided they receive adequate financing and operate within enabling investment environments. The evidence suggests that with proper support and conducive policy frameworks, these solutions could dramatically expand their reach and impact across global agrifood systems.

[28] The initiatives referenced intend to illustrate the range of innovative approaches in the agrifood sector, are predominantly focused on financing, and do not represent a comprehensive or exhaustive list.

A central insight from current initiatives is that integrated packages of solutions, carefully tailored to specific contexts and value chains, are essential for meaningful impact.

Donors and IFIs should consolidate and reform existing donor-established agrifood funds and avoid a proliferation of fragmented initiatives. Greater commitment is needed for harmonization, scale, and coordination across funds and initiatives that already exist.

Fragmented approaches that address only single aspects of the financing challenge prove insufficient. Instead, comprehensive solution packages must encompass:

- **Financial assembly**: Coordinated deployment of loans, equity investments, and insurance products
- **Financial intermediation**: Effective brokering and channeling of finance to end users
- **Business services**: Technical assistance, capacity building, and advisory support
- **Value chain coordination**: Facilitating linkages and partnerships across supply chains
- **Infrastructure and public services**: Ensuring foundational systems support private sector engagement

These integrated financing ecosystems are crucial for creating bankable projects, achieving economies of scale, and effectively mitigating investment risks.

IFIs and donors have recognized and responded to agrifood systems financing challenges through a range of financing initiatives:

- **World Bank Food Systems 2030**: A comprehensive multi-donor trust fund targeting systemic food systems transformation
- **IFC Food Crisis Response:** A fund specifically designed to strengthen private sector responses to global food crises
- **IFAD Private Sector Programmes:** Including the Private Sector Financing Programme (PSFP) and Agri-Business Capital (ABC) Fund
- **The Global Alliance Against Hunger and Poverty:** Mobilizes and enhances alignment between national and international support, including public and private financial resources as well as knowledge-sharing, to enable the large-scale implementation of evidence-based policy instruments and programmes
- **Global Agriculture and Food Security Programme (GAFSP)**: Supporting coordinated national-level responses while strengthening business engagement through its Private Sector Window
- **Regional Development Banks**: Systematically strengthening their food systems portfolios and investment approaches

- **AGRA Flagship Initiatives**: including the Africa Food Trade and Security Initiative, AGRA's Public-Private Partnership consortia for input systems, and the **Village-Based Advisor (VBA)** model.

A diversity of pioneering initiatives have successfully brokered significant private sector engagement in food systems transformation to improve sustainability, equity and nutrition:

- **The Hand-in-Hand (HIH) Initiative**: FAO initiative that supports nationally-led investments, to accelerate agrifood systems transformations with a private-public partnership-building approach
- **AgDevCo:** A specialist investor in African agriculture, making debt and equity investments that deliver impact at scale
- **IDH Sustainable Trade Initiative**: Originally funded by the Netherlands, driving sustainable and equitable value chain reforms
- **Grow Asia**: Initially supported by Australia and Canada, facilitating multi-stakeholder partnerships for agricultural transformation
- **Workforce Nutrition Alliance**: Mobilizing private sector commitment to workforce nutrition improvements
- **AgrInvest Initiative**: FAO initiative that aims at attracting private investments into agri-food systems aligned with the SDGs by leveraging public funds
- **Zero Hunger Private Sector Pledge**: Coordinating private sector commitments to end hunger and improve food security

A new generation of blended financing funds are emerging to serve the agrifood sector. These combine public and private, concessional and patient capital to de-risk investments and attract commercial funding:

- **Agri3Fund**: Focused on sustainable agriculture and deforestation-free supply chains
- **ACELI Africa**: Catalyzing lending to agricultural SMEs across Africa
- **ARCH Cold Chain Solutions**: Addressing post-harvest losses through cold storage infrastructure
- **Root Capital**: Providing credit and financial training to agricultural businesses
- **Africa Agriculture and Trade Investment Fund (AATIF)**: Supporting agricultural value chains and rural infrastructure
- **Nutritious Food Financing Facility (N3F)**: Targeting investments that improve access to nutritious foods
- **AgDevCo**: Providing long-term debt and equity investments to build farming and agri-processing companies

- **Africa Enterprise Challenge Fund (AECF)**: De-risking early-stage innovations and crowding in local investment in alignment with policy and technical support.

New regional and country-level blended finance vehicles should be structured with patient capital and catalytic instruments that reflect the realities of fragile and low-income countries.

To address the fundamental challenge of risk in smallholder agriculture financing, cutting-edge insurance schemes are leveraging advanced technologies to deliver cost-effective coverage:

- **Agriculture and Climate Risk Enterprise (ACRE Africa)**: Utilizing satellite technology and mobile platforms to provide weather index insurance to over 1.7 million farmers
- **Nepal Index-Based Insurance Pilot**: Demonstrating parametric insurance effectiveness in disaster-prone environments
- **Tanzania Agricultural Insurance Consortium**: Creating coordinated national approaches to agricultural risk management

For agrifood systems transformation, the need for better data on financial flows, tracking of change in key parameters, the setting of targets and for engaging stakeholders in agreeing on desired long-term outcomes has been recognised. Pilots and initiatives currently underway include:

- **The 3FS Tool**: Tracks financial flow from public and private sources to food systems at the national level
- **The Hesat2030 Food Security and Nutrition Aid Analyser:** A platform that enables donors to track, monitor, and analyse aid flows to food security and nutrition
- **Food Systems Dashboard**: Provides integrated data on food systems indicators to assess country progress
- **Countdown Initiative**: Brings together indicators that span food systems and provides annual analysis to inform policy, business, and NGO priorities and actions
- **Foresight4Food Initiative**: Provides participatory approaches for food systems foresight and scenario analysis to support long-term planning and resilience

While promising, these efforts need to be more deeply embedded in country decision making processes and scaled to support all countries.

Despite all these initiatives, the scale of private sector financing mobilized for agrifood systems transformation remains modest relative to public financing and overall needs.

The **critical challenge for the future** lies in systematically learning from both the successes and failures of these existing initiatives**.** This requires:

- **Rigorous impact assessment**: Evaluating which models deliver the greatest development outcomes under different conditions
- **Context-specific adaptation**: Understanding how different approaches can be integrated and tailored to specific country and value chain contexts
- **Knowledge sharing**: Facilitating cross-learning between initiatives and regions
- **Policy integration**: Ensuring that innovative financing approaches are supported by appropriate regulatory and policy frameworks

The next phase of development must focus on strategic integration, evidence-based scaling, and context-sensitive adaptation to unlock the full potential of these innovative financing solutions for global agrifood system transformation. This can only be delivered with a much higher degree of coordination and alignment between the actors involved in these emerging initiatives.

7 Conclusion

Now is the time to invest in agrifood systems. The potential future returns for governments and business are large. Not making these investments risks undermining the foundations for future prosperity, health, peace and stability.

The investment proposition for the agrifood sector is clear:

1. **High impact across sectors:** Investing in agrifood systems advances climate, health, jobs, gender, biodiversity and peace, simultaneously. No other sector offers this level of cross-cutting return and this level of progress towards the SDGs and future prosperity.
2. **A high return on investment:** At an investment cost of approximately US$1.3-1.4 trillion per year, transforming agrifood systems could deliver at least a tenfold economic, social and environmental return.
3. **Agrifood systems are engines of inclusive growth and employment:** Agrifood systems employ one in three workers globally, especially women and youth. They are the foundation of local economies and rural livelihoods.
4. **Investment in agrifood systems is a solution to critical global challenges:** The solutions to critical global challenges including tackling climate change, reducing inequality, protecting biodiversity, ensuring human health, all depend on transforming food systems.
5. **Agrifood systems are the foundation for stability and peace:** Hunger and food insecurity drive conflict and fragility. Agrifood systems are core to national security, especially in conflict-affected areas.