

# Food Finance Architecture

**FINANCING A  
HEALTHY,  
EQUITABLE &  
SUSTAINABLE  
FOOD SYSTEM**

EXECUTIVE  
SUMMARY



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## Financing a Healthy, Equitable and Sustainable Food System

### EXECUTIVE SUMMARY

Today's food systems generate \$12 trillion in hidden social, economic and environmental costs. Implementing five "food finance imperatives" would not only reduce these costs but help unlock \$4.5 trillion in new business opportunities every year. Mobilising smart capital for a more sustainable food system is key to COVID-19 recovery, job creation, eliminating hunger, protecting nature and tackling climate change. There is no time to lose.

A high-performing and inclusive food system is critical to achieving the Sustainable Development Goals (SDGs). It is the best way to tackle world hunger, accelerate COVID-19 recovery, create resilient jobs and reverse devastating climate change and nature loss – which disproportionately affect the world's most vulnerable and weakens economic and political systems.

We are running out of time to transform the food system to achieve these goals. Unlocking the capital needed to finance this transformation will be key, especially as COVID has exacerbated existing challenges – pushing another 150 million people into extreme poverty, increasing hunger and unemployment and adding to debt burdens.

In short: today's food system is failing us. It generates at least \$12 trillion in hidden social, economic & environmental costs each year. It prioritises volume over nutritional value, fails to pay a living wage while creating sizeable profits for a concentrated set of players, and treats the natural environment as an infinite resource – resulting in massive waste and undermining the stability of the entire food system and global economy.

The scale of the transformation is huge. But so is the size of the prize. **First, it can deliver huge gains for health and nutrition:** ending hunger for 800 million people (a number which is growing rapidly due to COVID) and halving the disease burden from unhealthy diets and over-consumption linked to \$6 trillion in public health costs.

**Second, it can drive economic recovery & prosperity:** creating over 120 million decent rural jobs; boosting the income for the bottom 20% to tackle primary drivers of poverty & hunger; and increasing productivity while eliminating food loss & waste which costs the world \$1 trillion each year.

**Third, it can reverse climate & regenerate nature:** keeping the world below 1.5 degree warming and protecting biodiversity which supports over half (\$44 trillion) of the world's GDP by: (i) reversing deforestation & degradation of carbon-rich ecosystems like peatland and mangroves; (ii) scaling consumption of sustainable aquatic protein; and (iii) restoring soil health. Any one of these individual outcomes would make a food system transformation worth it. Take them together, and the case is undeniable.

**But how much will it cost? The short answer is \$300-400 billion of additional investment per year – less than 0.5% of global GDP.** But when this investment is properly directed, the more accurate answer is that the transformation will pay for itself: (i) through doubling total system productivity over the next 20 years while halving the resource inputs; (ii) by repurposing at least a third of the \$500-700 billion of agricultural subsidies which have no public good benefit; (iii) by strengthening resilience and lowering risk, both physical & transition, especially for the most vulnerable; and (iii) by attracting high-quality capital to invest in \$4.5 trillion of new business opportunities by 2030.

**Despite the size of the prize, business as usual is still too easy** – especially when the handful of people and institutions that benefit from an unsustainable system often have the most political and financial power. A food system transformation therefore requires a coordinated reform agenda across countries, business, investors and consumers.

The UN Food System Summit has brought people together to develop the solutions we need. Through more than 140 National Dialogues, a Champions Network, a Private Sector Guiding Group, a Science Committee, Action Tracks and Levers of Change, people around the world have shared ideas to help transform food systems.

The Summit's "Finance Lever" (made up of the World Bank, IFPRI and SYSTEMIQ's Food & Land Use Coalition, working with Rabobank and the World Business Council for Sustainable Development) has developed a new Food Finance Architecture which lays out the building blocks for how banks, institutional investors, development finance institutions, food companies, farmers & fishers, governments and philanthropy can shift capital out of a high-carbon, unequal, extractive food assets and into nature-positive, inclusive, climate-smart, circular business models which create value for people, planet and the economy.

The Food Finance Architecture contains five core "imperatives" needed to optimise public spending and mobilise private capital for a global food system transformation:

- 1. Reshape public support and incentives** using subsidies and market mechanisms to redirect capital out of unhealthy, destructive assets to support public goods;
- 2. Integrate health, environmental and social risks into financial decision-making**, future-proofing portfolios by measuring & disclosing food system risks and redirecting investment into new business models to mitigate exposure;
- 3. Scale fit-for-purpose financial products and business models**, mobilising private capital by de-risking and mainstreaming innovative financial instruments & regenerative assets while improving access to finance & services for primary producers through new supply chain partnerships;
- 4. Secure equitable food systems** by rebalancing bargaining power, investing in rural infrastructure to drive sustainable production & development and implementing fair prices and living wages to ensure access to affordable, healthy diets; and
- 5. Strengthen food governance and stability** as the underpinning foundation of the entire food system to build physical and financial resilience to shocks.

## FOOD FINANCE ARCHITECTURE HELPS OPTIMISE PUBLIC CAPITAL AND MOBILISE PRIVATE CAPITAL THROUGH FIVE CORE IMPERATIVE



By laying out a roadmap of potential solutions and directing them at specific actors in the financial system, these imperatives should help accelerate the shifts in what and how we finance to ensure our food systems are more equitable, sustainable, resilient and healthier for both people and planet.

We now need all countries, especially in the developed world, to step up and put in place **food system transformation & investment pathways** together with policy reform and an integrated public investment programme to deliver these pathways. And we need strong public-private platforms to share these country food system pathways, add up the results (not just the targets), increase ambition and hold all countries to account for their commitments.

We need to take collective responsibility for building a better food system, both at country level and globally, for today and future generations. **A triennial review of country pathways** could provide a similar “upward ratchet” for food system transformation like the NDC climate pathway mechanism of the Paris Agreement. **A Food System Stability Board** could play a similar role to the Financial Stability Board in testing for weaknesses in the global food system, creating transparency and strengthening risk management. Innovative financial instruments such as guarantees (e.g. using a percentage of the new allocation of Special Drawing Rights (SDRs) for new type of bond, or debt relief, can support public investment in developing countries.

A high-performing and equitable food system is within reach. The UN Food Systems Summit can help everyone play their part. We have had much talk of food system reform over the past decade. Now is the time to act. The Food Finance Architecture provides specific ways to unlock capital for the transformation by “double clicking” on implementable solutions. There is an incredible global movement of food system entrepreneurs, activists and citizens ready to take action. If we can change the menu, then they can change the world.

## SPECIFIC ACTION AREAS WITHIN EACH IMPERATIVE HIGHLIGHT CRITICAL PRIORITIES TO FINANCE FOOD SYSTEM TRANSFORMATION

