



1.07 Create a partnership for investment in infrastructure for public procurement of nutritious foods

The Solution: Back to Basics: A Partnership for Investment in Infrastructure for Public Procurement of Nutritious Foods is an idea building on the recommendation of State of Food Security and Nutrition in the World (SOFI) 2020 to rebalance “incentives towards more nutrition-sensitive investment; and policy actions all along food supply chains” to make nutritious foods more affordable. The proposed solution is a mechanism to provide the investment and operational capacity needed to reduce costs and risks faced by small-scale producers and value chain entrepreneurs involved in growing, distributing, and selling perishable nutritious foods and further reducing risks by linking to public procurement for institutional markets.

Source of the Solution: This idea emerged from a discussion about repurposing agricultural subsidies, an idea that AT1 leadership reported came up regularly in conversations and has been proposed in recent reports. Group member Jessica Fanzo explored the idea, finding that a feasible mechanism for repurposing subsidies for dietary impact was unclear but the evidence for investing in infrastructure is far stronger. This led to a shift in focus to investment in infrastructure (with a potential link to using repurposed subsidies as an option for funding it); the idea was then discussed with various experts.

Problem addressed within food systems: While there has been much focus on reducing staple food costs, the cost of perishable, nutritious foods (e.g., fruit, vegetables, fish, seafood, dairy) reduces access and consumption. According to SOFI 2020, “low levels of productivity, high production risks and insufficient diversification towards the production of more nutritious foods are key drivers of the cost of healthy diets, especially in low-income countries.” Moreover, “inadequate food storage, poor road infrastructure and limited food preservation capacity, especially for highly perishable foods, lead to food losses and inefficiencies along the food supply chain that drive up the cost of nutritious foods.” Agriculture policies to support producers, including direct and indirect production subsidies, have also focused on starchy staples, making calories from these foods relatively cheap. At the same time, amid inadequate infrastructure and price information and power asymmetries, small-scale producers face significant challenges in getting perishable foods to market while maintaining food safety and quality and reasonable prices; this reduces incomes and threatens livelihoods, particularly for women.

These problems contribute to diets delivering minimum needed nutrients costing three times more than diets meeting only dietary energy needs through starchy staples.¹ Moreover, if consumption of these foods were to increase to recommended levels, prices would likely rise (since production is currently inadequate), making them even less affordable to low-income households. While more efficient, rules-based international trade will continue to play an important role, domestic production will be the main source of *perishable* foods in most countries. There is a need to invest in infrastructure and capacity to enable small-scale value chain actors to produce and profit from nutritious foods and reduce loss in transit to markets. This includes institutional markets, such as schools. For these markets, smallholders often have difficulty meeting the public procurement requirements (e.g., food safety, volume, regularity of delivery, quality). Evidence shows investments in credit, extension, price information, and infrastructure are necessary for producers to effectively link to these institutional markets. From a gender perspective, the UN World Food Programme P4P initiative found that women did not meet the smallholder criteria in most P4P countries because they did not have assets at their disposal, indicating the need to invest in infrastructure so they can benefit from market access.

¹ Healthy diets (with a greater diversity of food groups) are five times more expensive (SOFI, 2020)



Yet in most rural areas, food system infrastructure development is currently the responsibility of governments. Stretched budgets have led to chronic under-investment in supporting small-scale producers and value chain entrepreneurs. The private sector has deep experience investing in on-farm technologies to produce higher-quality food. Establishing a consortium of partners with different resources and skillsets will increase the likelihood of sustained and adequate investment.

How this solution will address that problem: This solution addresses this problem by reducing the direct costs, transaction costs, and risks and creating incentives for investment in infrastructure to improve the connectivity of smallholders/entrepreneurs to markets and procurement systems. Through an investment partnership and guaranteed markets (explained below), infrastructure would be improved, and the capacity of small-scale food producers and value chain entrepreneurs to sell perishable nutritious foods and institutional markets' ability to procure them would increase. This would improve access to nutritious foods among populations dependent on public institutions and programmes, and there could potentially be spill-over effects that would lead to greater affordability of nutritious foods for which there is market demand. The ultimate impact would be that low-income households eat more nutritious foods, leading to improved nutritional status, and that small-scale food producers and value chain entrepreneurs increase their incomes.

These outcomes and impact would be achieved through two interlinked inputs:

- *Back-to-Basics Investment Partnership.* Learning from existing prototypes (see below), a public-private investment partnership would incentivise investment in and direct support (e.g., provision and operation) to infrastructure, training, capacity, access to financing, and technology for small-scale farmers and SMEs involved in value chains for nutritious foods. The public-private partnership would link international finance and development assistance institutions (e.g., World Bank, UNDP, IFAD), companies (e.g., agri-food and non-food companies like telephone and power companies), and governments working together to pool investments to achieve the common objective of increasing the consumption of nutritious foods, with accountability mechanisms. The immediate shared goal would be to ensure that the diverse nutritious food found in small-scale production systems (including livestock and fish) reach markets at lower prices while ensuring decent incomes for producers. Investments could include roads, irrigation and water technologies, technical assistance (e.g., agricultural extension), cold storage systems and other post-harvest storage facilities, credit and finance, market and logistics information systems (e.g., price information), and R&D on climate-resilient, nutritious foods. With significant upfront investment in these public good “basics” by international finance organisations and complementary investments by the private sector, small-scale farms, ranchers, and fishers would supply more nutritious foods, driving down prices and, in turn, meeting demand for these foods. Finance organisations would be incentivised by the ability to spur development and help governments fulfil their goals by financing “last mile” public infrastructure. The incentive for the private sector would be an ability to provide other goods to farmers, like mobile phones, cold storage tools, and rural services, gaining new customers. The incentive for governments would be securing their constituencies’ support in future elections and spurring rural development.
- *Guaranteed Institutional Markets.* Many low-income people are increasingly reliant on public institutions and programmes to procure their food. They come to these programmes as nutritionally vulnerable (e.g., for social protection programmes, Solutions 3 and 11) or with high nutritional needs (e.g., school food programmes, Solution 12). The quality of foods available through such programmes, however, is often poor. At the same time, these institutional markets reduce investment risk by providing a guaranteed market. Thus, participating governments could create a strong market incentive to grow nutritious foods by set asides/contracts between farmers and public institutions and programmes or



outright purchasing of foods to supply public institutions. These purchases could be funded by repurposing a small percentage (e.g., 5%) of public subsidy funds currently supporting staple crops. The incentive for governments to create public procurement markets is driven by both supply and demand. On the supply side, more food system actors will participate in growing these foods if they know there is market waiting for them. On the demand side, incentives include nourishing the next generation (via schools), ensuring national security (via military meals), and lowering healthcare costs (via hospitals).

Solution's alignment to the 'game changing and systemic solution' criteria: This solution is game changing in that it is intended to change mindsets about the core purpose of investing in food systems: placing nutritious foods and co-benefits at the core rather than focusing on generating returns from starchy staples, oil crops, or sugar. It proposes food systems investment that purposefully focuses on positive nutrition-related outcomes by lowering the cost of nutritious foods for low-income households. It thus proposes to change the 'rules' for investment in infrastructure in the food system, aiming to prioritise infrastructure that supports small-scale producers and value chain entrepreneurs, with an explicit linkage to guaranteed markets to reduce risk.

Impact potential at scale: This aims to reach large numbers of small-scale producers: Small farms globally produce about 35% of food commodities on 24% of arable land (not counting fisherfolk and pastoralists). These small farms account for significant crop biodiversity and produce 53-81% of micronutrients in the global food supply. The solution will also reach large numbers of people through public institutions/programmes, leveraging significant government spending on public procurement (and thus market power). And it will generate spill-over impacts: as production increases, prices will fall, and better infrastructure will support open markets as well as other sectors (e.g., health).

Actionability: initiatives already exist in this area, indicating actionability. However, there are outstanding questions about different possible models and how they would ensure the private sector's willingness to invest; they would need to be confident of the potential to acquire new customers who would continue to utilise their products and services. While government can provide incentives, this should not lead to undue "subsidies" (making it cost-inefficient). Stakeholders would need to think creatively, engage with diverse partners in and out of the food system, involve brokers to ensure accountability, and learn from successful approaches from other sectors (including in infrastructure more widely). Governments would need to create incentives for the private sector and producers to positively engage, along with disincentives for contributing to negative outcomes.

Purposeful nutritious investment could be designed to have co-benefits across the system for: (1) livelihoods, as providing markets for small-scale producers can support poverty reduction; (2) the environment, as small-scale producers tend to have more diverse landscapes and farm in a way that promotes ecosystem services and sustainable practices; (3) resilience to vulnerabilities, shocks and stresses by building infrastructure including for water, storage, and processing; and (4) gender equity, as public procurement initiatives can give women competitive advantages by establishing quotas, award criteria, and bid price preferences for women or women-owned businesses.

Existing evidence: Gains in small-scale producers' productivity and poverty reduction are far greater when complementary interventions are made in infrastructure, education, and market access. Evidence indicates investment in infrastructure can lower food prices. For example, public investment in road networks in 14 African countries could help increase food affordability. Evidence also shows that strengthening markets and improving market access are key to optimising the benefits of the diverse production systems common on small-scale farms. There are several examples of government-led public procurement initiatives favouring small-scale producers (e.g., Brazil, Thailand, Uruguay); 'home-grown school feeding' programmes of WFP and FAO are also strong examples. There are several examples of



private-public investment in supply chains (e.g., seed and market linkages in Pakistan, fruit and vegetables for the workforce in Angola); while none have demonstratable impacts on nutrition, this may be simply because nutrition has not been a focus of such investment.

Current/likely political support: The idea has support from numerous constituencies consulted, including Germany (GIZ). More work is needed to establish what would make it more actionable.

Contexts for which this is well suited: This gamechanger is most relevant in low-income countries where infrastructure is weakest and regions that produce or have the potential to produce nutritious foods, including coastal areas. Emphasis should be on small-scale producers, particularly women.