

## S.10 Increasing Public and Private Financing for Inclusive and Sustainable Urban Food Systems

### 1. Idea for potential solution (required)

With rapidly growing rates of urbanization, especially in developing countries, the transformation of global food systems necessitates critical attention and increase in financing for Urban Food Systems (UFS) solutions. The Urban Food Systems working group has called for:

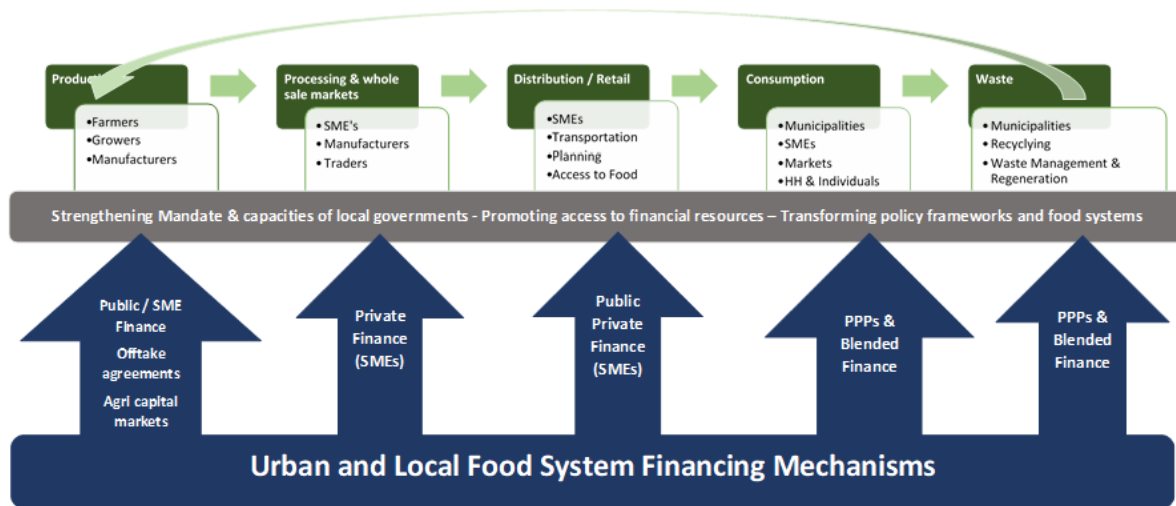
- increased financing by UN and multi donors that provides catalytic capital to promote territorial solutions towards sustainable food systems which will include comprehensive actions across all components of food systems/food value chains including promoting capacity building of local administrations and programmes to promote nutrition and sustainable food consumption and production patterns, and that
- National governments and resource partners support public and private sector towards a policy and incentives framework for and strategic planning of urban food systems to ensure making nutritious food, sustainably produced, is available and affordable for all.<sup>1</sup>

To achieve this requires significantly increasing both public and private finance and blended financing mechanisms to invest in catalytic food security and nutrition (FSN) projects/initiatives that increase food value, create impact in terms of sustainable production and consumption, and increase access to nutritional foods. Such UFS initiatives should also generate equitable livelihoods and promote employment and inclusive ownership structures for the poor, women, and youth, and promote energy efficient and circular economy solutions that minimize environmental impacts and waste. Incentives for and promotion of more local food production through urban and peri-urban agriculture initiatives (including urban gardens or vertical farming) that result in shorter food supply chains and greater resource efficiency should also be explored. The blending of financing instruments, that include private finance as well as the return streams from productive infrastructures and increased tax revenues will have the ability to provide the right mix of capital to finance transformative urban food systems, that also improve the linkages between urban, peri-urban and rural areas.

The implementation of the financing solutions aim to strengthen the mandate and capacities of cities/municipalities and local governments in the area of FSN, promoting access to financial resources along the food value chains for transformative urban and local food systems that lead to more innovative UFS circular economy and territorial models connecting urban areas with peri-urban and rural areas, which will benefit food security, nutrition and environmental outcomes simultaneously.

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<sup>1</sup> Urban Food Systems Working Group (UFS WG), Presentation outline, Meeting with Leaders of UNFSS Action Tracks, 24 March 2021



The financing solution requires the following key actions:

1. Finding the appropriate mix of public and private investments to improve and strengthen the food value chain in the urban food systems, specifically through:
  - Providing Public / SME Finance assorted with adequate offtake agreements and Agri capital markets to Farmers, Growers and Manufacturers to improve sustainable and diversified food production in the urban, peri-urban and rural areas
  - Providing SMEs, Manufacturers and Traders with Private Finance to ensure sustainable food processing & wholesale markets
  - Supporting food distribution / Retail by providing Public Private Finance (SMEs) for SMEs, Transportation, Planning for adequate access to Food
  - Promoting PPPs & Blended Finance for Municipalities, SMEs to improve Markets and enhance sustainable food Consumption at household and individuals through enhanced food producer-consumer connection
  - Promoting PPPs & Blended Finance for Municipalities to improve Waste Management & Regeneration and enhance circular economies
2. Increase access to transformative capital for local governments and municipalities by deploying affordable capital with debt financing instruments that carry extended tenures to expand their local fiscal space.
3. Leveraging domestic and international, public and private, financial resources from all possible sources (e.g. central budget transfers, ODA, remittances, FDI, Foundations and Global Funds, pooling of resources, etc.) and allocate them to local and urban FSN sensitive investments that enhance diverse and sustainable food production and consumption.

**2. What is the potential action that could be taken? (In one simple, clear phrase) \***

The development of innovative urban food security and nutrition financing models that link rural peri-urban and urban communities' and economies for inclusive growth and promote a circular green economy model connecting local territories.

### **3. Additional details on potential solution (Optional but preferred)**

The introduction of an innovative UFS financing model will have the capacity to rebuild and develop new domestic circular food systems and solutions for sustainable urban and peri-urban agriculture and improve urban-rural linkages. The innovative UFS financing model will add value at transboundary transitions and to attract capital market investments through bond instruments and credit guarantees and private sector investment partnerships (PPPs) and equity investments. These models will require a holistic three prong approach to be initiated that includes:

- (i) development of capacities and competences within local governments and communities in spatial planning, project management, partnerships, and innovation
- (ii) origination and the technical development of projects covering productive infrastructures, logistics and land reclamation especially within municipal boundaries, and
- (iii) the deployment of affordable capital with debt financing instruments that carry extended tenures.

### **4. Who are the main actors that would put this action into place?**

The actions will be implemented by Central Governments, local Governments/Municipalities and Private Sector, investors, and donors through mobilization of international and domestic capital and PPPs

### **5. Where are main areas in which this would make changes?**

The game changing solution for UFS is to develop innovative financial mechanisms and tools to boost public and private FSN sensitive investments by offering access to affordable medium-term finance for agricultural and connectedness infrastructure through value adding projects that aim at reducing environmental risks and ecological scarcities, promote green economy solutions, increase supply of and access to diverse and nutritious food, and improve circular economies and waste reduction. These projects will target the following food supply chains and environments as per the HLPE:

- Food supply chains - Inputs
- Food supply chains - Production
- Food supply chains - Storage & Distribution
- Food supply chains - Processing & Packaging
- Food supply chains - Retail & Marketing
- Food environments - availability
- Food environments – affordability

### **6. Within which category does this intervention most easily fall?**

- Nutrition-sensitive agriculture
- Sustainable food production
- Sustainable food consumption and behaviour change
- Business incentives
- Food research, processing, technology
- Supply Chain infrastructure
- Subsidies, transfers and taxes
- Public sector food policy and finance

**7. What would this change about food, in the eyes of consumers?**

- Availability
- Affordability
- Accessibility
- Convenience
- Desirability
- Safety
- Quality (other than Safety)

**8. Is this primarily about reducing hunger, making nutritious foods more available and affordable, or improving safety? (These are the three main areas of Action Track 1's work)**

- Reducing hunger
- Availability/affordability of nutritious foods
- Improving safety
- Promoting circularity and reducing environmental impacts

**9. Is this idea applicable to a particular geography or type of setting (e.g., semi-arid areas, higher- or lower-income countries)? If so, please specify.**

The target food supply chains can be funded in any environment based on the food production system and environmentally friendly alternative technology for food production and diversification. The following projects can be funded to improve the UFS

- Large scale rainfed intensive crop production
- Large and Small-scale irrigation systems
- Post-harvest handling equipment/technology
- Urban and peri-urban agriculture or community gardens
- Primary and Secondary processing and packaging equipment
- Technologies for effective storage chains, including mobile storage units, combined drying/storage systems
- Effective cold chain management systems
- Solar and other types of green energy for handling, processing and storage
- Digital technologies for handling, processing and storage

**10. Where is this idea coming from? (Please include a citation to a document, if applicable, or the name of a person or organisation)**

This concept is prepared by UNCDF on behalf of the Urban Food Systems (UFS) Working Group. It draws on the experience of the UNCDF Finance for Food (F4F) programme and the EU financed UNCDF START (Support to Agricultural Revitalisation and Transformation) Facility model has been tested in Uganda for a territorial approach to food security investments. This experience in deploying in blended finance, SME finance and local government finance for investments in FSN can be replicated across municipalities and local governments, especially in developing regions. In addition, the concept also draws upon experience of other UFS member initiatives, particularly SAFIN, FAO Feeding cities, C40, UNEP urban circular economy in food initiative, the International Municipal Investment Fund (IMIF) launched by UNCDF and UCLG.

**11. Any other comments, including evidence or arguments in support or against?**

With growing urbanization, a major challenge for municipalities and local governments is to ensure that nutritious food is secured for all people, while respecting nature. In many Least Developed Countries (LDCs), food expenditure in cities may be as high as two thirds of total household expenditure. Localizing more food production, and strengthening food systems across cities, regions and towns through shorter supplies and improved distribution schemes are key for the development of inclusive local economies that contribute to livelihoods and employment, rural transformation, and overall sustainable development. The trade between the rural, peri-urban, and urban territories can be improved whereby each transaction value adds as this inter-territorial trade is implemented.

The change of the nature of rural livelihoods, is often linked to relative changes and advancement of the domestic food and agricultural value chains on both the input and post-harvest sides. These changes which are occurring in many developing countries through disruptive technologies, economic transformations, and natural changes in climate often fuelling the rapid growth and expansion of cities and peri-urban areas. The overcrowding is placing immense strains on the rural urban food value chains with shortages and related price-hiking being normal practice, creating in some cases engines of perpetual poverty. The challenges are often greatest for the young and vulnerable urban populations, including new migrants to cities. This requires new social protection policies that address food insecurity and affordability especially amongst vulnerable groups and the informal workforce that commonly reside outside of any social security or social protection scheme.

The transformative infrastructure needs require partnership and capacities for public and private investment in all aspects of the UFS value chain. On a territorial level local government can develop horizontal planning linkages that drive the development of transboundary trade systems. Such harmonized planning solutions can attract investors through the development of holistic infrastructure portfolios whereby revenue streams are matched in part through the transboundary nature of the entire system. Such portfolios will include investments in the context of the production, processing and distribution of food and reinforcing the linkages between urban, peri-urban, and rural food production and supply chains.

The concentration of poor people in cities with limited access to the food supply, can create deep inequality and result in social instability in cities. Crisis situations, such as the Covid19 pandemic, can create disruptions in urban food systems and increase vulnerability unless crisis response and preparedness measures are identified and planned for and financed. However, cities and local governments have in most cases limited mandate on food security. They need adequate technical, and institutional capacities, financial resources and they face insufficient policy frameworks conducive to transformative food systems change.

The solution requires strengthening the mandate and capacities of cities/municipalities and local governments in the area of FSN, while promoting access to financial resources for investment in the food value chain for transformative urban and local food systems and circular economy.

#### **12. Additional details on submitting person (Optional but preferred)**

And, just for tracking purposes, are you (the submitting person/organisation) based

The UN Capital Development Fund (UNCDF) makes public and private finance work for the poor in the world's 47 least developed countries. With its capital mandate and instruments, UNCDF offers "last mile" finance models that unlock public and private resources, to reduce poverty and support local economic development. UNCDF's financing models work through two channels: financial inclusion that expands the opportunities for individuals, households, and small businesses to participate in the local economy; and by showing how localized investments—through fiscal decentralization, innovative municipal finance, and structured project finance—can drive public and private funding that underpins local economic expansion and sustainable development.