

145 Strengthen and Mainstream True Cost Accounting to Redefine Value in Food Systems

The Solution: This solution aims to strengthen and mainstream True Cost Accounting (TCA) so that policymakers, civil society, consumers, and businesses can redefine value and accelerate meaningful food systems transformations by making informed decisions. TCA is a tool for the systemic measurement and valuation of positive and negative environmental, social, health, and economic costs and benefits to facilitate sustainable choices by governments and market players. TCA is a holistic approach that allows decision-makers across the food system to have a complete picture. In particular, TCA makes the hidden costs and benefits of the food system visible in a qualitative, quantitative, and/or monetised way. TCA provides the understanding and information needed to internalise externalities, thereby enabling the transition to food systems that support planetary health and human well-being.

In the short term, governments and stakeholders of the UNFSS could greatly accelerate and mainstream TCA by fostering harmonised TCA principles, a global community of TCA practitioners, and a toolbox for policymakers and businesses interested in TCA.

Source(s) of the Solution: The true cost of food has received increasing attention over the past few years and has emerged as a central point in UNFSS discussions and is represented in several solutions across ATs, flagged as a core outcome in the integration process. Through the Scientific Group, a working group was established, guided by Sheryl Hendriks (co-lead of Scientific Group AT1) with three core analytical teams led by representatives of the Impact Institute, True Price, the Science Group, Tufts University, and WFP with a team of 16 international representatives covering aspects across the food system, including representatives from other ATs and FSS levers. The solution was discussed with the Global Alliance for the Future of Food, and participants agreed to contribute to developing the solution and form a taskforce to support this work through and beyond the Summit process.

This draws on various initiatives, reports, and publications on the topic and the experience of practitioners set out in [Scientific and Economic Foundations Report - The Economics of Ecosystems and Biodiversity \(teebweb.org\)](#), Natural and Social & Human Capital Protocols ([The Capitals Coalition](#)), [Growing Better, Food & Land Use Coalition](#), [The Dasgupta Review \(UK Treasury Department\)](#), [Applying the TEEBAgriFood Evaluation Framework](#), [Impact-Weighted Accounts \(Harvard Business School\)](#), [Principles of True pricing \(True Price Foundation\)](#), [Reconstructing the economy for the 21st century \(Impact Economy Foundation\)](#), [TCA Book](#) (advance embargoed copy available upon request), [TCA Accelerator Policy Landscape](#) (True Cost Accounting Accelerator), [TCA Inventory: A collection of methodologies, case studies, and valuation approaches](#) (True Cost Accounting Accelerator), [Prospects for the true cost accounting of food systems \(Baker, L. et al., Nature Food 2020\)](#).

Problem addressed within food systems: One major barrier to the transition to sustainable food systems is that the way food is valued in the economy currently ignores nature, health, and food security. This leads to unsustainable decisions by governments and market players. In particular, a fundamental reason why food systems are unsustainable is the fact that it is often in the best interests of actors in the food system to externalise environmental and social costs. The impacts of climate change, biodiversity loss, rising inequality, increases in mortality and morbidity, and the loss of food-cultures are typically borne not by private firms but rather by society at large. Due to these externalities, the prices of unsustainably produced food products are lower than those of sustainable food products, and businesses that externalise costs on society are typically more profitable than businesses that respect planetary and social boundaries. This leads to an erosion of the natural, social, and human capital that underpin society.

Hunger, malnutrition, and NCDs are costly externalities of the food system. Increasing the availability, affordability, safety, and accessibility of food requires a systemic approach that links health and

nourishment to planetary boundaries. Current pre-Summit attention to inequality raises another question of who bears the cost of these externalities, as the poor in society have a disproportionate dependence on well-functioning ecosystems. The implications for the poor of any price adjustment to cover these costs and how costs related to making future food systems more sustainable will be distributed across stakeholders in the system are centrally important. TCA approaches facilitate systems thinking by providing the framework to understand how food system policies and practices both impact and depend upon nature and people. This helps to ensure that siloed interventions, unintended consequences, and short-term solutions are avoided.

How this solution will address that problem: Applying TCA across food systems lays bare issues and priorities related to social justice and environmental sustainability that are currently invisible and therefore often ignored by decision-makers. [Baker et al \(2020\)](#) outlines a number of ways TCA can be used across the food system to make consumers aware of the environmental and social externalities embedded in the food they buy. Food companies can use these structured assessments to minimise negative impacts and enhance positive benefits across their value chains. Financial institutions use TCA for reporting, impact investment, and risk assessment. Farmers can use TCA to account for the costs and benefits of their agricultural practices. Governments can use TCA for policy, decision making, and policy impact assessments.

In addition, TCA enables specific system interventions such as true pricing, externality-weighted corporate taxation, or the incorporation of healthy diet baskets into living wages and poverty lines.

Solution's alignment to the 'game changing and systemic solution' criteria:

Impact potential at scale: TCA is about transforming food systems to internalise positive and negative externalities. Since this is about shifting the market, policies, and the broader institutional factors that shape food system outcomes, it is scalable. TCA has important implications for widening GDP, integrating true costs and benefits into national accounting, redefining value in markets and through integrated corporate reporting, changing price structure, impact assessments at the farm level and beyond, linking policy objectives such as environmental sustainability and equity, and broadening investment criteria.

Actionability: TCA is immediately actionable. There are country applications by TEEBAgriFood, the Worldbank WAVES initiative, and applications of SEEA. Scores of business applications are documented by TEEBAgriFood, the Capitals Coalition, Impact Economy Foundation, VBA, True Price, and Harvard Impact Weighted Accounts. The TCA Community of Practice and Accelerator have been working to harmonise TCA frameworks since 2017, develop application guidance and tools, identify policy opportunities, hone communications, and support 'proof of concept' studies.

Sustainability: A growing number of people and organisations are picking up TCA approaches to design food systems that address climate, biodiversity, health, and inequality crises.

Existing evidence: There are several examples from the [TEEBAgriFood initiative](#). In India, TEEB has contributed to the uptake of Zero Budget Natural Farming in Andhra Pradesh. Overviews of successful business TCA studies are collated by [WBCSD](#), [Oxford University](#), and the [TCA Inventory of case studies](#).

Current/likely political support:

Government support: In a historic session this year, the UN Statistical Committee adopted the [Ecosystem Accounting](#) in the [System of Environmental Economic Accounting](#) (SEEA). Explicit support from a dozen countries, including populous and diverse countries such as China, India, and Indonesia, exists for TEEBAgriFood applications. A policy landscape assessment identified a strong interest from policymakers in TCA. Country-level studies provide proof of concept, including the TEEBAgriFood analysis contributing to the inclusion of agroforestry in the Indonesian five-year mid-term development plan. Several countries could champion TCA. For example, TCA aligns with the EU's Farm to Fork strategy, emerging priorities for the US government, and Germany's goal to transition to 30%

organic production by 2030. The Netherlands has applied TCA to a typical 'plate' of food to provide guidance to consumers and co-funds a public-private partnership in True Pricing. Canada is developing an agri-food sustainability index. More broadly, TCA can support countries through their COVID-19 economic recovery, linking short-term investments to long-term social and environmental goals and targets ([IEF](#)).

Business support: Businesses are starting to implement TCA studies, with over 350 organisations now participating in the [Capitals Coalition](#) and 20 leading multinational businesses participating in WBCSDs [True Value of Food project](#). A series of interviews as part of the EU funded 'Transparent' project found businesses to have high expectations for the potential of natural capital accounting for decision-making. 227 banks have committed to steer their impact on people and planet as part of the [UNEP-FI Principles for Responsible Banking](#). A global coalition of banks, the Impact Institute, and the Harvard Impact Weighted Accounts Initiative are launching a TCA methodology for banks. A significant number of leading businesses also report their findings externally (e.g., SAM 2020). In Singapore, TCA-related disclosure requirements are being explored for companies to be listed on the Singapore Exchange.

TCA Accelerator and Community of Practice: A broad and diverse Community of Practice for TCA was formed in 2017 and created a TCA Accelerator in 2019 to strengthen and mainstream TCA. This represents an active and engaged coalition tackling frameworks, methodologies, and metrics, with broad reach, partners, linkages, and robust networks to carry this work forward. The Accelerator has developed a two-year work plan that includes a focus on communications, harmonisation, policy, and coalition building.

Contexts where this is well/not well suited: TCA is cross-cutting and adaptive; there is no particular context for which it is best suited. TCA assessments can focus on a specific product, practice, policy, or even an entire system or value chain. They may be looking forward or backwards or at changes over time, or comparing differences. They may focus on a business, a region, or even a country. They may be concerned with specific impacts like changes to farmer income or broad impacts like regional biodiversity. To realise the potential for systemic change, TCA information should be integrated in mainstream economic metrics at all levels: GDP, business profits, financial returns, and prices.