



ACTION TRACK 4: Action Area 4.3 Localising Food Systems

Promoting Sustainable Urban and Territorial Development

Action Area Summary

This Action Area brings together all local stakeholders (e.g., public institutions, private sector, civil society, research institutions, community organisations, etc.) to promote sustainable territorial food systems and healthy diets, make sustainable use of natural resources, stimulate local livelihoods and economic development (including off-farm and non-farm activities such as local food processing, logistics, marketing, distribution and catering, agritourism, community services, etc.) and enhance the quality of life of the local population, leaving no one behind. It includes localising food based dietary guidelines, improving food environment to reorient consumer demand and production systems, and giving priority to local and regional markets and short food chains with particular attention to the role of small and intermediary cities. At the same time, creating opportunities for a coordinated access of the territory to wider markets including international markets (e.g., through the creation of collection centres or agro-corridors) could create additional benefits to local consumers, small producers, and agri-food small and medium-sized enterprises (SMEs) that usually do not have the appropriate scale to benefit from links to wider markets. Supportive measures combine acknowledging the key role of city and local governments and providing them with the appropriate support; strengthening capacity of local communities, including indigenous peoples; revisiting regulations and procedures, organisation and training of small-scale producers and SMEs, particularly women small scale producers and entrepreneurs; provisioning advisory services to both producers and consumers; developing infrastructure (storage, processing, transport, as well as energy, soil and water infrastructure, and digitalisation for advisory services, market access and social services); accessing to finance for smallholders and SMEs, in particular women- and youth-led enterprises. Cities and local and sub-national food systems governance and policies are increasingly being acknowledged as key players in the transformation of food systems in the context of ongoing decentralisation.

Introduction

Promoting Sustainable Territorial Food Systems

Ultimately, it is the consumer that makes a food choice. However, food choices are always connected to the social, physical, and economical context where foods are produced, processed, and marketed. Few participants in the food system realise the complexity and dysfunctionality of food systems, with interconnected issues and outcomes from hunger to obesity to climate change to the livelihoods and working conditions of producers and other food workers, as well as the marginalisation of specific population groups (e.g., migrants/displaced populations, indigenous people, etc.). These problems cannot be solved by just one stakeholder or organisation, nor can standard solutions be applied, meaning context-specific integrated solutions are necessary.

Territorial approaches on governance, policy, planning, and development help to improve urban rural linkages, reframe value chains within a system perspective, and rebalance territorial food production and

distribution with global value chains. Territories include a network of cities and human settlements which interact with surrounding rural areas. Rural areas need to be better articulated since this is where supply (production, processing, distribution, catering, etc.) and demand (consumption) meet. This Action Area is working to ensure access to, and consumption of, sustainable healthy diets; make sustainable use of natural resources; stimulate local livelihoods and economic development (including off-farm and non-farm activities, whether formal or informal, such as food processing, marketing, catering, agritourism, etc.) and enhance the quality of life of local population groups. A territorial approach enhances the synergy and effectiveness of actions within the food system and in particular urban-rural linkages. Strengthening territorial governance to transform food systems through better coordination of policies, planning, and interventions is key. Adopting a food systems lens in urban and territorial planning is also crucial for integrating aspects such as land allocation and connection with other systems such as water, energy, and transport. Ensuring territorial resilience and social protection (leaving no one behind) are essential dimensions of territorial governance and require multi-level support and capacity building for territorial resilience.

It is important to recognise that *territorial* approaches are essential to ensure subsidiarity and should be seen in relation to *global* guidelines, standards, and frameworks (e.g., trade, food safety, and pesticide disposal, etc.) which may need to be revisited according to the local contexts. Food systems should not only aim to improve food security, nutrition, health, and incomes, but also to enable nature-positive systems, mitigate climate change, and ensure sustainable management of biodiversity (e.g., via agroecological practices, climate smart agriculture, agro-forestry production systems, etc.). They should build on local knowledge and experience, especially that of indigenous peoples.

A key element is to orient the attention of policy makers on territorial approaches for food systems development. This will involve bringing together several stakeholders at national and local levels (public institutions, private sector, civil society, research institutions, and communities) across several dimensions (biophysical, environmental, economic, and social) to raise their awareness of and elicit their support and participation in the development of good local practices. Such dimensions are easier to operationalise closer to specific environments, populations, and cultural contexts.

How Can We Make Territorial Approaches Work?

The role of cities, local, and sub-national governments in food systems in crisis situations, has become increasingly obvious and they have proven to be key players in the context of the COVID-19 pandemic. Recognising the potential of local stakeholders in reorienting the attention on their own local food systems towards sustainable solutions in their territories and the need to strengthen their capacity to do so within a multi-level coherent governance architecture, based on the principle of subsidiarity, could be a significant game-changer in the context of the UN Food Systems Summit. Clear governance mechanisms are needed to connect actors and activities located at different scales and maximise the impacts of instruments such as public procurement and the circular economy (which in most cases fall under the responsibilities of city governments).

This may entail, inter alia, the re-design of urban food environments and the articulation of different distribution channels (including the creation or strengthening of wholesale and retail markets, fresh food markets, farmers' markets and mobile food vendors), reducing food deserts, and implementing strategies that connect these spaces with one another, creating an exchange of experiences and synergies between the interests, needs, and priorities of population groups and actors in both urban and rural areas. Increasing availability of and access to healthy diets close to urban slums is an important aspect as well.

Integrating food systems into urban and territorial planning is a crucial instrument for addressing aspects such as land allocation, for the use of spaces and infrastructures, and for connecting with other systems

(water, transport, etc.). The development of urban and territorial food strategies and respective governance mechanisms is an important basis for identifying and prioritising integrated actions. The strengthening of existing interdisciplinary mechanisms (e.g., Local Development Committees, Local Planning Committees, etc.) and the creation of food system support positions or governance/consultative mechanisms such as Food Policy Councils have proven effective means to ensure the necessary multi-actor dialogue agree on strategies and monitor impact of agreed interventions.

What Would Be the Necessary Resources?

Opportunities for attracting public and private finance can be better targeted within a territorial perspective with the involvement of local governments, private sector, and community organisations. This can ensure that investments are green, inclusive, and leave no one behind; including women, youth, and small producers. The deployment of finance and the mobilisation of appropriate financial mechanisms (including by Public Development Banks) are crucial to allow local governments to make strategic investments in collective infrastructures (storage, processing, logistics, markets, digitalisation etc.) essential to local food systems. Increasing incentives and capacities of the various actors to take action towards sustainable territorial food systems transformation involves investments in strengthening the human and social capital of stakeholders, and their access to knowledge and innovations.

Who Should Be Stimulated?

Throughout every value chain there is room for improvement using territorial solutions. This includes:

- the diversification of food production based on local biodiversity;
- the small-scale processing that facilitates local access to convenient and safe food, and job creation;
- the revival of traditional markets that support products of geographic origin;
- the fresh food markets and supermarkets in the cities that preferably are buying locally;
- the urban consumers who support community agriculture and have the privilege to purchase and consume local, seasonal, organic, and fair foods;
- the smallholder farmers gaining improved access to consumers and (including through e-commerce) markets, crop insurances and certification, knowledge, technology, and innovation (e.g., labelling and origin linked certification); and,
- the urban administrations and local governments facilitating processes from food production to food loss and waste, and, more specifically, food procurement from local sources to support food distribution to needy groups through food social assistance programmes, school meals, prisons, and building local food reserves as appropriate.

Social dialogue and community-based decision-making mechanisms are needed to find common solutions to problems, advancing decent work and social justice. Dialogue with national food system actors and contribution to national policies aimed at the food system are an essential part of inclusive solutions. Budgeting and investing in multi-level participation and capacity development with special emphasis on women and youth and addressing farmer-centric digital, training, and financial solutions are essential.

What are the Opportunities?

Improved connections between rural, peri-urban, and urban areas can more effectively link producers to markets and consumers and create opportunities for transformative investments in food production, processing, storage, transport, and markets. Promoting sustainable tourism can support local economic development, create employment, and enhance the quality of life of the local population as well. E-

commerce provides new opportunities for short food supply chains, linking consumers and producers and facilitating distribution, while digital technology has the potential to connect markets and market participants through improved information flows. New business models are developed for smallholder farmers, such as agroforestry, sequestering carbon and generating carbon credits as a new way of increasing incomes. Inclusive local value-chains and redistribution of added-values can be promoted through labelling and certifications that highlight the important role those small-scale producers, including women, play in producing specific quality products. Digitalisation can also contribute to the revival of marginalised areas by ensuring communication, access to social services (such as education, health, and social protection), and through attracting people in search of alternative lifestyles which in turn contribute to local economic development to fulfil their needs (schools, health services, shops, restaurants, etc.).

How Can We Promote Inclusivity?

Social protection programmes, if well designed and implemented, can promote inclusiveness. Such programmes can become more effective in addressing poverty, hunger, food insecurity, and malnutrition. They can also promote economic inclusion within food systems and revitalise local economies by engaging in nature-based solutions or support services, especially when designed and/or implemented by local stakeholders who are close to local realities and articulated within the territorial food system framework. For instance, by promoting and creating a market for locally produced and or processed food (with contingency plans for crisis situations) social assistance programmes (cash or in kind) can promote local economic activity with broader implications and lead to more resilient school feeding in times of crises. Local public food procurement has therefore the potential to promote equitable livelihoods, with the national government engaging with sub-national government and multiple stakeholders.

Solution Clusters

Solution Cluster 4.3.1: Promoting Integrated Food Systems Policies, Planning, and Governance

1. What is the idea?

Solution Cluster 4.3.1 Promoting Integrated Food Systems Policies, Planning, and Governance

recognises the interdependence of the various components of food systems and the crucial role of actors at different levels of governance working in a coherent and coordinated way. In this context, urban, local, and sub-national governments have a major role to play in food systems transformation. **Promoting Integrated Food Systems Policies, Planning and Governance** within a territory that includes cities, towns and their rural catchment areas is a key component of a coherent, multi-level governance system to achieve the Sustainable Development Goals (SDGs). Such a system does not obviate the need for urban or planning in other administrative units and the integration of food systems in it. However, such planning must be consistent with broader territorial objectives and management.

Territorial approaches provide an effective framework to address the different aspects of food systems transformation at a scale where its social, environmental, economic, and health-related dimensions can be tackled with the active participation of all stakeholders. The promotion of integrated food systems policies, planning and governance requires a long-term commitment from all involved and a continuous engagement and dialogue among territorial actors (urban and rural) but also between territorial and national stakeholders. Territorial governance has the advantage of being place-based, people-centred, multi-actor and multi-sectoral. Social dialogue and community-based decision-making mechanisms are

exploited to find common solutions to strengthen complementarities and address trade-offs among elements of a sustainable food systems transformation (social, economic, and environmental).

2. Why is it needed?

Food policies are usually national, characterised by sectoral approaches, that fail to include sub-national governments and the potential of rural-urban linkages for food systems transformation. Despite their potential in transforming food systems, local and sub-national authorities are not empowered with meaningful autonomy and resources and are not embedded in effective accountability mechanisms. For instance, urban governments have a key role in the governance of food systems at territorial level. With 54 percent of the world's population now living in cities, with 85 percent of the world's population living in or within 3 hours of an urban centre, and with 70 percent of food consumption and waste taking place in areas classified as urban, cities become the epicentres of food systems transformation. But urban areas are also the epicentres of rapidly increasing overweight, obesity, and diet related non-communicable diseases. Too many cities and towns struggle to create food environments where the components of healthy and sustainable diets are available, accessible, and affordable. Lack of effective connections between urban food systems planning and governance with the ones in the “territory” that includes their agricultural catchment areas is a major obstacle in achieving win-win solutions to make progress in improving diets and urban and rural livelihoods. And yet, such linkages and a proper governance system that does not exploit them are largely missing. Such linkages can address the problem of food deserts in many cities and the underconsumption of nutritious foods (fruits, vegetables, pulses/legumes, whole grains, nuts, and seeds), while creating market outlets for local agriculture and small farmer participation. In the same vein, exploiting the potential of territorial planning can facilitate access to healthy diets which are unaffordable for many low-income families. Territorial planning may strengthen access to international markets for both imports of what cannot produced locally and exports through ensuring minimum quantity needed, coordination in logistics, food safety standards, etc. It could also substantially reduce rural urban inequality and leverage food systems development to create decent employment, poverty reduction and stem “push” urbanisation. Participatory territorial governance can better utilise the vast array of indigenous knowledge which has shown to make substantial contributions to food security, nutrition, and environmental sustainability.

3. Why will it work?

Inclusive urban and territorial food governance mechanisms (e.g., food policy councils or similar mechanisms) will bring the stakeholders together for better coordination of actions to deliver the benefits of the territorial approach described above. Territorial food governance will work on coordinated action across a twin-track approach: shifting urban (and local) diets towards healthier and more sustainable patterns while ensuring that food systems in the territory (production, processing, and distribution) deliver such diets in a way that are accessible to and affordable by all and in a way that improves rural livelihoods and supports more sustainable processes throughout the food supply chain. But such “territorial” governance and planning instruments are often lacking or are dysfunctional. Therefore, commitments by cities, local, and sub-national governments to prioritise food systems in their “jurisdictions” remain uncoordinated and food systems planning is constrained by administrative barriers. Essential links between components of food systems (spatial or sectoral) are therefore nor considered or exploited through a participatory and coordinated planning process. Critical economies of agglomeration and learning and experience exchanging opportunities are lost.

4. How will it work?

Some of the concrete solutions and activities envisaged within this cluster include:

- Conducting food systems participatory assessment, which is crucial for starting the integrated planning process.
- Engaging multi-stakeholders in priority setting, food action planning, policies, and monitoring and evaluation mechanisms. Urban, local, and sub-national food governance mechanisms could become a result of initial planning and a key entry point for initiating the process of coordination between various administrative entities and sectoral policies.
- Integrating food systems in urban and territorial planning, developing holistic strategies for strengthening the role of urban, local, and subnational stakeholders in food systems transformation, and fostering inter-connection with other systems (such as transport, health, and infrastructure).
- Promoting decentralisation processes, to ensure further legitimisation of local authorities and the devolution of some responsibilities for planning, financing, managing, and supporting economic and social development.
- Integrating urban and territorial priorities and perspectives into the overall management of food systems transformation (e.g., incorporating territorial approaches (including rights-based) into revised national food security and nutrition strategies).
- Establishing local food environments where healthy, culturally appropriate, and sustainably produced food become the default by strengthening incentives and capacities of consumers and producers alike (through zoning regulations, local taxes, public procurement, etc.). Local food councils can play a crucial role in this effort.
- Using public food procurement as an important tool and a driver to demand systemic changes by incorporating the SDGs into the contracts in a measurable way, so that it is possible to report on progress. Getting the full effect of public procurement depends on the existence of a coherent and coordinated multi-level governance architecture to integrate existing efforts and to build institutional capacity for territorial approaches at all levels (e.g., a food procurement officer network coordinated by regional procurement ambassadors as in Denmark).
- Identifying ongoing territorial processes in different contexts to broaden and build upon existing experiences and resources. This will also require strengthening knowledge and raising awareness to harmonise existing activities, discuss local challenges and set up ad hoc networks/working group(s)/communities of practice on sustainable food systems to enhance synergies and share lessons learned.
- Strengthening and articulating relevant horizontal networks in similar agroecological and socioeconomic contexts to identify guiding principles for adaptation at local level in similar territories. Transversal exchanges of knowledge, experience and data through inclusive processes and innovative tools across contexts are key for good governance from territorial to global level and can inform sectoral policies and programmes within a common framework.
- Offering low/subsidised rents to young farmers or market holders and providing/leasing public or market locations in and around the city to support local food production and consumption.

Solution Cluster 4.3.2: Promoting Inclusive Financial Investments in Food Systems

1. What is the idea?

Finance, business models and investments are critical enablers of transformation in food systems, but they can have both positive and negative impact depending on where, how, and to whom they primarily flow. The key idea behind this cluster is that social and economic inclusion and environmental sustainability all need to be integrated in any financing strategy and solution for food system transformation. This integration comes alive most tangibly around national and local food systems, where food system actors, policymakers and regulators can come together as right holders and duty bearers to shape their desired visions for their food systems and to realise them. Accordingly, the solutions featured in this cluster, while

very diverse, all respond to the need to support inclusive and sustainable financial and investment flows across as well as into national and local financial systems. This includes mobilising new financial flows, strengthening the capacity of national and local financial institutions, facilitating access to finance and investment for economic actors operating in these systems (notably small-scale producers and agri-SMEs), and supporting inclusive markets for these actors. Strengthening financial institutions that operate with a development mandate and/or an impact orientation as well as other financial intermediaries and investors working with local food system actors and harnessing digital technology to facilitate access to finance and the development of inclusive markets and new living income opportunities are at the heart of this cluster. Strengthening the capacity of local governance actors to plan and deploy public investment and to engage and mobilise private investment around this agenda is also critical for the solutions in this cluster to have optimal impact and sustainability.

2. Why is it needed?

Food system transformation at national and local level needs to be underpinned by financial systems and investment flows that make the right type of capital, financial services, and investment opportunities available to the actors that have a direct stake in this transformation – local producers, other value chain actors and enterprises (notably SMEs), governments, and local financial institutions. Currently, access to finance represents one of the main challenges (if not the top one) mentioned by SMEs in particular across countries and regions, especially for women entrepreneurs and small-scale producers. Poor or no access to financial services results in economic disempowerment, marginalisation, vulnerability to shocks, and limited investment capacity among hundreds of millions of people, particularly those living in rural areas, women and youth, and people living in poverty. Inclusive rural finance is thus key not only for transformative agricultural investments but also to address poverty and food insecurity. Small-scale producers, agricultural cooperatives and SMEs also need finance to adopt “greener” and more climate resilient practices. Moreover, climate smart agricultural practices can provide new business models, e.g., with regenerative agriculture, agroforestry, or carbon sequestration. As for the financial institutions serving them, these also often struggle to raise enough capital and on the right terms to allow them to continue working with small-scale, particularly rural clients, and this is also true in different ways for public development banks (PDBs). Public investments in and for agriculture have fallen considerably since the 1980s. Meanwhile, with a view to the traditional risk-reward-duration ecosystem, larger enterprises mostly oriented at agro-exports have so far been favoured by the financial institutions, while the smallholder sector, mainly (although far from exclusively) producing for the domestic market, has been neglected. Another key challenge is to provide the right type and mix of capital to finance the reorientation of food systems and to improve linkages between urban, peri-urban and rural areas. Finally, the finance structuring of the whole agri-value chain is ready for new, modern, inclusive, and rights-based approaches in data access and ownership, transparency, and traceability that empower local food system actors in the investment space.

3. Why will it work?

The proposed solutions address different parts of the challenge of making finance and investment movements in local food systems function in ways that are both inclusive and sustainable. As such, they are complementary and can be mutually reinforcing. However, each solution can also be taken forward in its own right and some (e.g., the PDB platform) are based on existing initiatives that can be scaled and/or expanded in scope while leveraging existing implementation mechanisms. Most importantly, the cluster includes solutions for which there is strong demand and propose clear and logical ways to address such demand, which is critical for feasibility. Finally, finance solutions applied in local food systems first (given their relatively good overview of stakeholders and finance flows) may provide highly valuable insights for regional, national, or even global scaling of best practices and lessons learned.

4. How will it work?

Public development bank (PDB) initiative to catalyse green and inclusive food system investments.

The solution is a global platform of national, regional, and international PDBs designed to strengthen capacity across this diverse community of financial institutions to invest and catalyse green and inclusive investments in agriculture and across food systems. The platform has three main components, namely: a forum of PDBs (including the agriculture cluster of PDBs formed at the 2020 Finance in Common Summit), a global multi-donor facility for technical assistance to PDBs and other financial institutions, and a digital platform for knowledge sharing and for impact assessment and mapping of PDBs' own and associated investments.

Global Trust Fund to provide demand-driven matching grants for initial capital/quick of investments by cooperatives, SMEs and other smallholders business-oriented groups who are seeking for investment to grow or expand productivity and quality. The Fund will define financial envelopes for different countries in the Global South and will provide matching grants for capital investments by agriculture cooperatives, SMEs and other business-oriented small-scale farmers' groups. A matching grant is a one-off, non-reimbursable transfer to project beneficiaries. It is based on a specific project rationale for purposes and on condition that the recipient makes a specified contribution for the same project. The investments will be focused on underserved segments of agribusiness value chains focusing on farmer organisations, financial intermediaries, and agribusiness SMEs. It particularly targets commercially viable ventures that can help create employment, for youth and women, and improve rural livelihoods. The fund also prioritises climate-smart projects that promote sustainable production.

A global platform for digital rural finance: digital products and services, along with digital delivery systems for finance, have become increasingly widespread across sectors in the past several years. This experience shows that digital finance can solve several factors that make traditional financial products and services too costly to manage for many financial service providers, and the process of accessing finance also less costly and burdensome for rural populations. The platform would consist of an Innovation Fund with catalytic capital to support the development of new digital finance products, services, and business models designed for inclusive access among rural people; a Technical Assistance Hub providing capital and expert support to build the capacity of rural financial service providers shifting to digital solutions and to technology providers with new business models to test for inclusion and sustainability; and a Global Knowledge Hub offering a repository of good practices and convening learning events around enabling policy and regulations, digital financial literacy, consumer protection, and partnerships. Digital products and services, along with digital delivery systems for finance, have become increasingly widespread across sectors in the past several years.

Increasing public and private financing for inclusive and sustainable urban food systems. With rapidly growing rates of urbanisation, especially in developing countries, the transformation of global food systems necessitates critical attention and increase in financing for urban food systems solutions. To achieve this requires significantly increasing both public and private finance and blended financing mechanisms to invest in catalytic food security and nutrition projects and initiatives that increase food value, create impact in terms of sustainable production and consumption, and increase access to nutritional foods. The implementation of the financing solutions aims to strengthen the mandate and capacities of cities/municipalities and local governments in food security and nutrition, promoting access to financial resources along the food value chains for transformative urban and local food systems.

Solution Cluster 4.3.3: Supporting Local Food Actors

1. What is the idea?

Solution Cluster 4.3.3 Supporting Local Food Actors is related to the recommendations emanating from the Committee on World Food Security (CFS) High-Level Forum on Connecting Smallholders to Markets. However, a territorial perspective gives more substance and strengthens the value of the CFS recommendations (such as recommendations #18: “promote short food supply chains that enable smallholders to obtain a better income from their production” and #24: “facilitate smallholders’ capacity to increase their bargaining power and control over their economic environment, and participation in food value chains by acting collectively”). The direct objective of the cluster is to facilitate alignment, high-impact, and cost-efficient collaborations, and accelerate learning loops among different actors and initiatives working with smallholder farmers, SMEs, and other actors in the local food value chains. Given the embeddedness of markets in a territory, supporting these local food actors has the potential to reduce distances (both geographical and socio-cultural) among supply chain actors, allowing for shorter distribution channels which enable smallholders to acquire information more easily (thus reducing the information asymmetries), and to negotiate better terms of participation into these markets. Similarly, the embeddedness of these markets in territories makes them crucial to ensuring food security and access to healthy diets for local consumers, especially for the most vulnerable ones for whom these markets are the main retail outlet for purchasing fresh and unprocessed foods. Finally, local food actors can play a crucial role in preserving specific quality of their food linked to the place of production, to contribute to preserving local biodiversity, cultural identity, and food heritage, while improving market access and local redistribution of added values. This is enhanced with the development of specific labelling and place-based specifications such as geographical indications. Local food actors should be recognised and supported as they can be the key channels for contributing to healthier local food environments.

Improved connections between rural, peri-urban, and urban areas can more effectively link producers to markets and consumers, and create opportunities for transformative investments in food production, processing, storage, transport, and markets that can support local economic development and enhance the quality of life of the local population. Priority should be given to strengthening local markets and short food supply chains, particularly in small cities. Localising food based dietary guidelines for sustainable and healthy diets can inform consumers and reorient demand towards culturally acceptable, locally produced foods in season.

This is particularly the case for small cities and towns and their rural hinterland. The rural-small city continuum/interface is expected to account for around 4.9 billion people, or 57 percent of the world’s total population with a large part of them being poor and food insecure. Development of sustainable food systems in those territories holds the potential for sustainably reducing poverty and food insecurity.

2. Why is it needed?

Local food actors are the most important to ending hunger and poverty but are the most overlooked in global food systems. There is a growing recognition of the need for action and investment by governments, international agencies, the research community and civil society and indigenous peoples’ organisations for greater and better support to developing the agency of farmers in seed system management. SMEs are the economic backbone of virtually all food systems. They generate most of the new jobs created, help diversify a country’s economic base, promote innovation, deliver goods and services to the bottom of the pyramid, and can be a powerful force for integrating women and young people into the economic mainstream. Some SMEs are embedded in the supply chains of larger agribusinesses and critical to a stable and transparent supply. **Territorial markets are currently absent from the policy radars** of many governments and their potential is not yet well and widely understood.

Territories can act as hubs of innovation and, thus, incentivise small and medium-sized agricultural and non-agricultural enterprise creation and promote employment. Public-private partnerships will result in the

creation of technological and entrepreneurial ecosystems which will meet, inter alia, increasing demands for including organic and agro-ecological products and services.

3. Why will it work?

The solutions in this cluster will work because they are based on the evidence that livelihoods are more equitable and secure where informal transfer, shorter supply chain and local market trade and small-scale commercial business enterprise can thrive. For instance, if farmer networks are strengthened with support for information and knowledge transfer then their individual and collective agency is strengthened. In the last few years, several initiatives by public and private sectors – including smallholder organisations – have accumulated lessons learned from a variety of interventions across the smallholder ecosystems. This has also further highlighted the various weak points that need to be addressed to deliver on a holistic smallholder ecosystem approach. All the solutions grouped in this cluster are based on published learning and evidence and on the need for more solutions that address the agency of individuals and collectives in territorial food systems, regardless of macro-economics. This strength can then lead to increased bargaining power, market engagement and connection with higher level governance structures. Consumers' interest in authentic, origin-linked quality and local food is also an important driver for the actions to work, while the promotion of the food products also benefits from the reputation of the territory and vice-versa, paving the way for rural tourism and local gastronomy.

4. How will it work?

This cluster brings together an ample range of solutions that can touch all actors, from fresh food markets and supermarket chains committing to buying more local food, to smallholder farmers gaining improved access to education, resources, and ownership abilities.

- **Aligning efforts in the smallholder farmers support ecosystem.** A digital knowledge system would be established with a curated, geo-referenced data interface tracking key ongoing or planned initiatives; a digital directory of service providers for different countries; non-confidential data on impact tracking and lessons learned from different programmatic models; and a marketplace function for participating actors with interest in seeking collaborations. The system could be complemented by periodic forums gathering smallholder organisations and service providers designed to refine existing models, ensure that services are strongly anchored into smallholders' demand and responsive to it, and accelerate the pace of innovation and mutual learning through peer discussion.
- **Promoting inclusive seed systems for equitable livelihoods,** via the establishment of inclusive networks, so that farmers can engage with each other in the interests of local food security and sovereignty and of equitable livelihoods. The production of seed by farmer-owned SMEs will also promote entrepreneurship and create productive employment and decent work.
- **Considering school feeding,** as it can address all the SDGs, create a systemic intervention, and help boost the local food economy. Implementing school feeding is a low hanging fruit educating children in what is healthy food by giving a daily essential meal to all children, that ensures that no child is left behind, and, with that educational meal, building a stronger sustainable food culture for generations to come. School feeding and other food procurement programmes can be leveraged to strengthen local economies and promote sustainable local food systems.
- **Promoting local sourcing by large retailer,** via a global voluntary commitment by large supermarket chains globally, especially those operating in the Global South (Africa, Latin America, and Asia), to exercise preferential sourcing of at least one third of the net value of its fresh products supplies (fruits, vegetables, etc.) from local small producers by 2030, and to commit to pay fair prices for the value added. The supermarkets themselves would put forward the means to reach the target, including helping organising cooperatives and/or other forms of effective

associations to be able to meet the scale and volume needed to supply the supermarket, establishing credit schemes for the farmers to obtain the technology to meet standards, facilitating knowledge dissemination, etc.

- **Establishing agri-SME Business Development Platforms (BDPs)** to connect diverse cross-sector actors engaged in strengthening agri-SMEs and provide multiple services that better leverage and align their collective resources – to maximise collective impact. Building on existing initiatives and a wealth of experience and insights generated by well-placed but disparate stakeholder groups, some of the key functions of this BDP will be: a toolbox of resources for agri-SMEs to enhance their investment-readiness and bankability; a suite of assessment and training resources and material for entrepreneur and business development services; and a network of local businesses that can help implement and a learning community for agri-SME finance, with an active learning and outreach program.
- **Establishing Farm to Market Alliances (FtMAs)** engaging farmers with service centres and serving as a one-stop shop through which farmers interact with service providers, based on the model already developed in eastern African countries. This includes promoting a broader partnership between private and public sector to better engage private sector companies procuring locally.
- **Improving infrastructure and other policies and programmes** to connect cities and towns and their agricultural “catchment areas” within a territory and to connect producers, agro-industrial processors and ancillary services, and other segments of the food value chain. An example of the approach includes agro-corridors, which connect production areas to small urban hubs.
- **Creating Public-private partnerships** will result in the creation of technological and entrepreneurial innovation ecosystems which will meet, inter alia, increasing demands for including organic and agro-ecological products and services.
- **Developing geographical indication systems (GIs)** to preserve their specific-quality product linked to the origin and differentiate it on the market. A GI is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin, including natural and human factors (World Intellectual Property Organisation definition). It represents an opportunity for a group of smallholders to collectively protect the intellectual property attached to their product name and the reputation of their related production system. The added value can then be better redistributed locally to local primary producers and processors, because of their specific practices valued in the specifications.
- **Supporting territorial markets** through investment, policy, and capacity development to make these markets more inclusive, revitalise the local economy, enable access to healthy and diversified diets to consumers, and catalyse the transition toward sustainable food systems.
- **Strengthening food safety and quality standards and control mechanisms.**
- **Promoting the establishment of local trading platforms** (e-commerce) or infrastructure (improved local markets).
- **Strengthening local processing** (including local fortification) capacity and promoting the adoption of long-term and fair contracts across value chain actors to reduce asymmetries in bargaining power and build trust.

Solution Cluster 4.3.4: Promoting Economic Diversification and Economic and Social Inclusion

1. What is the idea?

If countries are to promote equitable livelihoods for the smallholders and other, often marginalised, stakeholders in the food system, ensuring access to social protection and promoting gainful employment by leveraging the potential for diversifying into non-agricultural activities in value chains and peripheral

sectors must be key objectives. Doing so will require, along with other possible activities, **strengthening the economic inclusion of the rural populations**, supporting the rural informal sector, fostering sustainable natural resource management practices, promoting women entrepreneurship in rural areas, and promoting off-farm economic activities, such as agritourism. In addition, direct support to poor and marginalised populations' livelihoods will be necessary. Economic inclusion programmes play an important role in mitigating the social marginalisation of extreme poor and marginalised groups such as women, youth, migrants, and indigenous populations. This is true particularly for women where such programmes have transformative potential towards women's economic empowerment, building agency, skills, and bargaining power as well as mitigating stressors induced by social, political, and market systems, which reinforce inequalities.

Implementing such an approach must take place in the framework of territorial policies aimed at strengthening rural-urban linkages through the promotion and development of the service functions of small cities and country towns, often neglected in favour of larger metropolitan cities. At the same time, direct support to livelihoods (urban or rural) in the territory and support to productive sectors feed into each other. Transfers or school feeding programmes supplied by local producers or processors will have ripple effects on the productive sectors. Likewise, cash transfers alleviate liquidity constraints and can be ploughed into productive investments.

2. Why is it needed?

The transformation of food systems will not be effective and its full potential contribution to the achievement of key SDGs will not be fulfilled if not inclusive of the rural poor and vulnerable groups such as gender, youth, and the elderly. Eighty percent of the extreme poor live in rural areas, and around 4.5 billion people depend on food systems for their jobs and livelihoods. The rural economy encompasses a diversity of livelihoods; it is not limited to the agricultural sector and production of primary goods. Thus, non-farm sector activities are highly heterogeneous, including manufacturing, utilities, construction, commerce, tourism, transport, as well as financial, personal, and government services.

While pro-poor growth starts in agriculture, reducing rural poverty also requires creating off-farm jobs, fostering economic diversification, and investing in human capital, health, education, access to social protection, and infrastructure. Agricultural upgrading and rural economic diversification are interdependent and reinforce each other. As well as helping to absorb surplus labour displaced by agricultural upgrading, increasing non-agricultural production creates employment and incomes and the demand for food. It translates into a virtuous cycle. It also gives farming households opportunities to generate off-farm income to pay for agricultural inputs and equipment. For instance, agritourism, which is now a popular source for farmers' livelihoods diversification in developed countries, and in some middle-income countries, is not yet widely promoted or supported in many other countries where it would have the potential to help advance equitable livelihoods amongst small-scale food producers.

However, generation of productive employment and incomes through diversification is not enough: direct support is needed in the form of transfers (conditional and unconditional cash transfers, pensions, and assistance to vulnerable groups) and is an essential component of an inclusive transformation. Ensuring that social protection programmes, including social insurance, reach rural areas, small cities, and towns is key. Such programmes can be linked to agri-food systems in the territory such as the procurement of nutritious food from local farmers and processors and create a positive feedback loop by increasing demand and incomes of local producers of goods and services. Securing sustainable, resilient, and universal school feeding programmes and procurement to promote equitable livelihoods will then have multiple benefits. Similarly, cash transfers of all sorts will translate into increased demand but also increased investments as they alleviate credit constraints. Making social protection programmes more resilient to shocks and nutrition-sensitive, which achieves both short- and long-term objectives.

3. Why will it work?

A great deal of analytical and policy work by the Food and Agriculture Organisation of the UN (FAO) and World Bank advances compelling evidence that demonstrates the impacts of economic inclusion and diversification policies in advancing equitable livelihoods in rural areas. It also demonstrates the power of social transfers in catalysing income diversification and positive multiplier effects when linked to agricultural policies and/or livelihoods interventions and financial inclusion programmes. There is clearly increasing political support for scaling up economic inclusion programmes where social protection programmes are the entry point. The diversification of the rural economy has become an important, recurrent theme of integrated territorial development strategies in the EU (especially in the context of LEADER¹, one of the EU's most important rural development strategies). There are countless examples of proven positive outcomes of rural economy diversification linked to tourism, ranging from the adoption of agritourism in Georgia in the context of ENPARD², to trekking tourism in Nepal, to the tours to coffee plantations in Guatemala or Costa Rica. In all these contexts, agritourism has proven profitable, improving the lives of the rural families. FAO work has demonstrated the power of cash transfer programmes in supporting and increasing investments in productive agri-food related assets, both farm and off-farm.

4. How will it work?

Strengthening the economic inclusion of the rural populations, particularly the rural poor, to advance equitable livelihoods. Economic inclusion is one key pillar of poverty eradication, but it is central to fostering more equal societies and to reducing disparities between urban and rural areas. Social protection programmes (including school feeding), when coupled with livelihoods interventions or local and inclusive food procurement policies, for example, can promote the economic inclusion of local smallholder farmers through improved market access, as well as benefit vulnerable groups including schoolchildren and their families. The programmes can have economic and social (such as health and nutrition) outcomes for those who supply the food, those who receive and consume the food, and the wider community. To ensure these programmes achieve these multiple outcomes, they need to be embedded in food systems-related policies, moving away from standalone and sectoral interventions towards a more integrated approach, which also ensures access to basic services, direct income support and infrastructure. Economic inclusion programmes support, specifically, a greater access to markets through two key interventions:

- Linking extremely poor and vulnerable populations, especially women, to cooperatives and producer networks. In Argentina, for example, the Socio- Economic Inclusion in Rural Areas Project promotes strong linkages between small family producers and larger cooperatives and producer networks to form strong and long-term cooperative arrangements.
- Developing value chains by promoting purchase from smallholder farmers. In Cote d'Ivoire, a pilot to integrate economic inclusion into a rice value chain applies an explicit jobs lens by contracting buyers to purchase from small holder farmers. This aims to achieve sustainability, cost-effectiveness, and scalability while improving employment for the most vulnerable.

Supporting the rural informal sector: Informal household enterprises are central to both household income and to risk management in rural areas and functionally linked small towns; yet to date, this sector has been virtually invisible to policy makers and development agencies in many least developed countries. Governments must focus on removing obstacles to household enterprises, support their effort to meet standards and rules, and simplify procedures. There is a need to recognise and value household enterprises as a central part of the local economy; understand and remove barriers to their operation; and understand

¹ Liaison entre actions de développement de l'économie rurale (Links between actions for the development of the rural economy)

² European Neighbourhood Programme for Agriculture and Rural Development

and support the links between the formal and informal enterprise sectors operating in rural areas and functionally linked small towns and secondary cities.

Promoting agritourism to advance small-scale food producers' equitable livelihoods: Agritourism can transform a farmer into a price-maker rather than a price-taker and has the potential of adding value to farmers especially during off-season. Agritourism also adds value to local products, due to the increase in demand for natural or handcrafted regional agricultural products. Its development can increase farm revenue, reduce farmers' economic dependence on their agricultural activities, and provide them with a risk reduction tool. Agritourism can also create opportunities for employment for women in areas once dominated by male employment, reduce female outmigration, and raise women's incomes. Promoting agritourism will require implementing specific policies to monitor agritourism activities, developing agritourism resource centres, assisting farmers and farmer associations to source financial and technical support towards developing agritourism investments, and providing capacity building for agritourism.

Promoting women entrepreneurship in rural areas: women in rural areas, often with limited opportunities for economic activity due to their traditional role in unpaid household and care work, are a potentially important force for diversifying rural economies. Translating women's increased productive potential into higher incomes is essential to complete a virtuous circle of economic and human development, because increased time in work and productive potential can generate additional income, further improving nutrition, health, and education. Sectors likely to merit support can include food processing for the local market, food preservation and packaging, clothing, tailoring to meet increasing local demand as incomes rise, wood- and metalworking, ceramics, and commercial and marketing activities.

Conclusion

The core principles of territorial development and food system governance - place-based, people-centred, participatory, multi-actor, multi-level and cross-sectoral – are essential for reorienting the attention of policy makers on these territorial food systems. A focus on the diverse types of stakeholders, new and innovative business models, innovation and technology, and an inclusive social framework, can help create improvements in food systems *locally and beyond*.

However, political will and long-term commitments, particularly by governments and other stakeholders and partners, are essential to build sustainable territorial food systems. Local and subnational governments, civil society and the private sector that feeds cities and the world today desperately need this commitment.

The Food Systems Summit is the perfect occasion to deliver it.