Financing Sustainable and Resilient Food Systems in Asia and the Pacific

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Sustainable and Resilient Food Systems as an instrument to address ADB’s operational priorities

Poverty  Gender  Climate Resilience and Environment  Livable Cities  Food Security and Rural Development  Governance  Regional cooperation

Food Supply Chain
- Food production & input supply
- Processing and packaging
- Retail and marketing
- Consumers

Food System
- Employment
- Ecosystem services
- Water pollution
- GHG emissions
- Nutrition and health
- Food safety
- Trade

Sustainable and Resilient Transformation
- Sustainable production practice
- Regenerative Farming
- Integration of smallholders with value chains
- Use of renewable biological resource
- Sustainable protein solution
- Resilient logistic and food reserve system
- Strengthening biosecurity to prevent zoonotic disease
- Access to healthy and nutritious diet
- Consumption choice based on environmental and climate footprint

Requires whole supply chain approach
Hidden cost in global food systems

Trillions USD, 2018 prices

Food system transformation requires public and private finance, but barriers exist

Annual investment requirement for transformation of food and land use systems is between $300 billion to $350 billion by 2030 (Blended Finance Task force)

- Little incentive for farmers
- Lack of valuation system and environmental footprint
- High transaction costs of SMEs
- High investment risk but lack risk mitigation measure
- Budgetary pressure
- Maturity mismatch

Barriers to scaling up financing for food system transformation
Publication provide a guidance to operationalize sustainable and resilient food system transformation in Asia and the Pacific

- Publication was developed through dialogue between diverse stakeholders through ADB Sustainable Food Webinar Series in 2021

- Designed to provide inputs to the milestone events: UN Food Systems Summit 2021 and Tokyo Nutrition for Growth Summit 2021
Action 1: Provide innovative financial instruments to unlock private investment

Blended finance

- Public capital can take more risk to catalyze investments faster.
  - $5.30 of private financing for every $1 of public or donor capital invested in Global Agriculture and Food Security Program

Transitional finance

- Use of loans wherein repayment terms are pushed back to accommodate multi-year return gaps.
  - Three-year operating loans to farmers transitioning to organic production, with market off-take support and repayment over 8 to 10 years through a 10-50% revenue share.

Structuring financial instruments to connect different pools of capital

- Use of financing tools & special public funds to support SMEs that suffer from lack of access to long term financing
  - Innovative a dual pooled fund arrangement for SMEs in ADB’s Anhui Huangshan Project

Channeling green finance

- Financial flow from the public, private and not-for-profit sectors to sustainable development priorities
  - Valuation of natural capital and simpler and standardized products
Digital technologies are offering new financial models to support food system transformation

- **Climate change mitigation and adaptation.** Sensor technologies, big data analytics, automated early warning systems for crop or livestock health, precision agriculture technologies.
- **Sustainable use of natural resources.** Labeling and traceability system reflecting implicit value, IT-based, farm- or estate-level natural capital accounts showing farming externalities.
- **Reduce food loss and waste.** E-extension for farmers/AI and machine learning to motivate consumers to buy near expiry foods.

Digital technologies can improve the productivity of entire food supply chains

- **At the production stage,** big data analytics, Internet of Things (IoT), and sensors help farmers’ decision-making through accurate, timely, and location-specific price, weather, and agronomic data and information.
- **At the distribution stage,** digital technologies can reduce the transaction costs including wholesalers and intermediaries for commodities, equipment, and processed goods, and improve product traceability and integrity.
Of the USD 536 billion provided annually in public support to farmers:
- about two-thirds is provided through measures that distort farm business decisions.

Reallocating the distortive form of support to sustainability policy objective:
- **EU policy reforms**: 30% of payments to farmers conditional upon additional conservation measures.

- **Environmental taxes** for forestry, fisheries, and water that provide incentives for more sustainable extraction and effective tax collection.
- **Payments for environmental services** such as PRC's eco-compensation experiments.
- ** Tradable permits** for regulating environmental externalities such as carbon credit trading.
- **Traceability and eco-labelling** for market prices to integrate the true costs of producing and distributing food.
Report proposes ADB to play a catalytic role in supporting food system transformation.

**Policy and Institutional Support**
- Payments for ecosystem services
- Reforms in farm subsidy
- Environmental markets
- Eco-labelling and certification

**Financial instruments**
- Project preparation and financial structuring facility (Innovative Natural Capital Financing Facility)
- Valuation of natural capital and ecosystem services
- Support financial disclosure

**Digital technologies**
- Traceability system
- Monitoring and evaluation of sustainability performance
- Digital infrastructure and skill development

**Platform of collaboration**
- Governments, international organizations, universities
- International financial institutions, private banks, institutional investors
- Agri-tech companies, e-commerce platforms
Thank you!

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