

OFFICIAL FEEDBACK FORM

DIALOGUE DATE	Friday, 12 February 2021 09:30 GMT -06:00
DIALOGUE TITLE	Financing Food Systems & Nutrition Transformation
CONVENED BY	Food Systems for the Future, The Eleanor Crook Foundation, Rabobank, Global Alliance for Improved Nutrition, Partnership for a Healthier America, The International Fund for Agricultural Development, Scaling up Nutrition, and The Annenberg Foundation Trust
DIALOGUE EVENT PAGE	https://summitdialogues.org/dialogue/2119/
DIALOGUE TYPE	Independent
GEOGRAPHICAL FOCUS	No borders

The outcomes from a Food Systems Summit Dialogue will be of use in developing the pathway to sustainable food systems within the locality in which they take place. They will be a valuable contribution to the national pathways and also of interest to the different workstreams preparing for the Summit: the Action Tracks, Scientific Groups and Champions as well as for other Dialogues.

1. PARTICIPATION

TOTAL NUMBER OF PARTICIPANTS

118

PARTICIPATION BY AGE RANGE

0-18

19-30

31-50

51-65

66-80

80+

PARTICIPATION BY GENDER

Male

Female

Prefer not to say or Other

NUMBER OF PARTICIPANTS IN EACH SECTOR

Agriculture/crops

Fish and aquaculture

Livestock

Agro-forestry

Environment and ecology

Trade and commerce

Education

Communication

Food processing

Food retail, markets

Food industry

Financial Services

Health care

Nutrition

National or local government

Utilities

Industrial

Other

NUMBER OF PARTICIPANTS FROM EACH STAKEHOLDER GROUP

Small/medium enterprise/artisan

Large national business

Multi-national corporation

0 Small-scale farmer

0 Medium-scale farmer

0 Large-scale farmer

Local Non-Governmental Organization

International Non-Governmental Organization

0 Indigenous People

Science and academia

Workers and trade union

Member of Parliament

Local authority

Government and national institution

Regional economic community

United Nations

International financial institution

Private Foundation / Partnership / Alliance

Consumer group

Other

2. PRINCIPLES OF ENGAGEMENT

HOW DID YOU ORGANIZE THE DIALOGUE SO THAT THE PRINCIPLES WERE INCORPORATED, REINFORCED AND ENHANCED?

The dialogue was organized with urgency, as contributions to the Food Systems Summit and to the elaboration of pathways to food systems transformation contributing to the 2030 Agenda for Sustainable Development. It took place in the form of discussions between a diversity of stakeholders to explore convergences and divergent views on the guiding questions under discussions. We had an open and safe space for every to feel comfortable engaging with one another. Each participant was listened to, ideas and points were collectively welcomed. We emphasized the importance of respect throughout all processes and chose prominent leaders to be the facilitators at each breakout room. We used the principles available online here as guiding principles in the design of this event as it was described in the handbook for Convenors of Independent Dialogues and in the link below: <https://summitdialogues.org/overview/un-food-systems-summit-principles-for-engagement/>

HOW DID YOUR DIALOGUE REFLECT SPECIFIC ASPECTS OF THE PRINCIPLES?

The dialogue made sure to embrace the rich diverse group of people from financial institutions, foundations, investors, and entrepreneurs to identify and discuss the barriers to private capital investments in nutrition, as well as explore and develop new solutions for increasing these investments across the food system, including innovative financial products, prioritizing nutrition impact as well as an adequate financial and social return on investment. Building a comprehensive and inclusive dialogue also calls for morally dictated principles, and that was where we factored every aspect of the Principles of Engagement. We demonstrate the importance of inclusivity in building food system partnerships. We also highlighted trust as a key element of effective multi-stakeholder partnerships. This manifested in the feedback we received during and after the dialogue, which was very positive, and a wish to continue the dialogues and implement the solutions.

DO YOU HAVE ADVICE FOR OTHER DIALOGUE CONVENORS ABOUT APPRECIATING THE PRINCIPLES OF ENGAGEMENT?

The Principles of Engagement are a critical component that serves as the guiding moral metrics for an engaging dialogue, we would advise other dialogue convenors to follow them.

3. METHOD

The outcomes of a Dialogue are influenced by the method that is used.

DID YOU USE THE SAME METHOD AS RECOMMENDED BY THE CONVENORS REFERENCE MANUAL?

Yes

No

4. DIALOGUE FOCUS & OUTCOMES

MAJOR FOCUS

The event was organized as a multi-stakeholder dialogue focused on identifying barriers to entry for financiers and developing innovative solutions to address the needs of SMEs at all phases of development seeking to impact health and wellness by increasing access to healthy, affordable food will require engagement from different sectors and stakeholders such as:

- Public institutions
- Financial institutions and other development banks and funds
- Foundations and other philanthropic organizations
- Entrepreneurs in the food sector
- Social impact investors
- Nutrition experts
- Policy makers with focus on agriculture, nutrition and public health
- Private sector and food industry

Central themes and discussion topics included:

1. Key challenges and possible game-changers for access to finance for agri-SMEs operating within food value chains.
2. The role of blended capital structures in de-risking and enhancing investments in the food and agri-SME space.
3. Challenges, trends, and promising solutions in smallholder finance.
4. Generating investable asset classes around nutritious foods.
5. The role of nutrition impact metrics as facilitators of alignment among investors, nutrition professionals, and agri-SMEs.
6. Connecting ideas, capital, and place: overcoming barriers for entrepreneurs to catalyze healthy, sustainable food access in economically disadvantaged communities.

ACTION TRACKS

- ✓ Action Track 1: Ensure access to safe and nutritious food for all
- ✓ Action Track 2: Shift to sustainable consumption patterns
- Action Track 3: Boost nature-positive production
- ✓ Action Track 4: Advance equitable livelihoods
- Action Track 5: Build resilience to vulnerabilities, shocks and stress

KEYWORDS

- ✓ Finance
- ✓ Innovation
- Human rights
- ✓ Women & Youth Empowerment
- ✓ Policy
- ✓ Data & Evidence
- ✓ Governance
- Trade-offs
- Environment and Climate

MAIN FINDINGS

Investment in 'nutritional food' is likely to have a significant positive impact on government health spending globally. For instance, US federal spending on health is expected to be over 20% of the GDP. A study carried out by Cleveland Clinic suggests it can drop down to 7% with healthy habits and healthy eating. Some of the savings can be allocated to funding:

- o Research for alternative sources for protein in animal feed to reduce the feed cost. This will contribute towards affordability.
- a) Infrastructure for logistics and cold storage to reduce food wastage
- b) Subsidies for finance cost for SMEs
- o Campaign to create awareness and encouraging consumption of healthy food. This is likely to create demand and increase capacity utilization.
- o Tax exemption for foreign investments and capital investments on Education for SMEs on policies and how to deal with government bureaucracies.

There is a need to build good credible investment pipelines: establishing and funding of independent platforms with the required industry-specific know-how, finance, legal, investment, and policy-specific expertise along the entire value chain of investing in the nutritional food asset class to identify, structure, and match attractive sustainable and scalable investment opportunities with potential investors.

There is also a need for:

- Bundling finance with inputs, knowledge, marketing partnerships
- Better define the benefits across all outcomes of investments in nutrition-sensitive agriculture – also environment, social, etc.
- Innovation at serving lower-income consumers – rather than just medium and higher-income consumers
- Linking nutrition goal to poverty alleviation role
- Designing blended structures with a deliberate agenda of data generation, financing innovation, learning, and informing policy, rather than just with an agenda of mobilizing capital on a time-bound basis.
- Aligning metrics to make new investment products for food system capital (e.g. for nutrition and other areas of impact) both impact-meaningful and investor-meaningful, and not too complex.
- Integration of value chains to the smallholders' benefit with the right technology: digitizing value chains, enabling digital wallets on smartphones, monitoring individual plots enabling farmers to access pre-harvest advances when the need for finance is at its peak. Creating more traceability/transparency throughout the value chain.
- Data infrastructure for metrics and standardized metrics, perhaps through the ESG lens, applying success from other sectors for a pathway to impact - we open ourselves to women's empowerment, access to healthy foods and nutritious foods, etc.
- Agreement on standards we use for healthy/unhealthy diets and how to identify gaps
- Consensus on healthy/non-healthy diets and what guidance is used; then determine is there a viable business opportunity for investments in stimulating certain productions of foods
- Identifying and credentialing new metrics that privilege nutrition and purpose, alongside profit, to uplift social enterprises and entrepreneurs who are creating solutions specifically for poor communities.
- Developing and funding financing vehicles focused on financial return and nutrition impact, specifically serving underserved people and communities.
- Creating networks to link SMEs to investors, including pathways for NGOs to support for-profit solutions, mitigate risk and develop effective proof of concepts.

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OUTCOMES FOR EACH DISCUSSION TOPIC - 1/6

Discussion topic #1: Key challenges and possible game-changers for access to finance for agri-SMEs operating within food value chains:

Direct tools and finance instruments should include:

- Digital innovation a.o. to reduce transaction costs, filter deals, and link them to finance
- Bundling finance with inputs, knowledge, marketing partnerships
- Risk management – how to change the equation
- Micro-loans
- Smallholder financing through coops
- An “Uber” for farm implements and TA
- Size and cost of the investment case
- Small ticket financing – ready for SMEs
- Eligibility for incentives from governments
- Nutrition-positive accelerator

Other action improving finance for nutrition include:

- Role of SME in improving nutrition – support, pilots, financing
- Better define the benefits across all outcomes of investments in nutrition-sensitive agriculture – also environment, social, etc.
- Clearer investment policies and tools – including subsidies
- Link nutrition goal to poverty alleviation role
- Poultry, eggs in SSA
- Long term investment, due to pay-back time of investments
- Grains industry is very competitive and political
- Partnerships: who is going to join us?
- Innovation at serving lower-income consumers – rather than just medium and higher-income consumers
- Technical support to build our business plan – and help us to deal with bureaucracy
- Have both women and men have access
- Adapt technology developed in Western countries
- Working through cities
- Follow the Food Systems Dialogues at the national level and find country-owned solutions, including demand-driven research
- Network formation, peer benchmarking, access to resources
- Food Systems Leadership approach
- Making staple crops more nutritious

To tell if these actions are being successful:

- Nutrition Key Performance Indicators
- Income of farmers
- Sustainability of the business (“are they still alive after 5 years?”)
- Social returns: reduction of chronic diseases
- Benefits for the entrepreneur
- Benefits for the enterprise
- Benefits on systems-level
- Country-level metrics
- Metrics on finance:
 - o Cost of finance
 - o Maturity available
 - o Volume
- Gender-equity
- Need for “localized” metrics

What contributions will our organizations make?

- Nutrition Accelerator
- Networks connecting SMEs
- Developing metrics that measure the impact of investment in nutrition
- Food Systems Innovation Hubs (also with WEF amongst others)
- Digital Finance Service Innovations and Platforms

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OUTCOMES FOR EACH DISCUSSION TOPIC - 2/6

Discussion topic #2: The role of blended capital structures in de-risking and enhancing investments in the food and agri-SME space.

What actions in next 3 years will have greatest impact on the Discussion topic?

- Disaggregating the investors' market and the areas of investment needs/recipients of finance in food systems and develop a clear mapping of what types of needs or investments are best suited to specific investors or types of capital.
- Innovate in the product offering space, e.g. in designing and issuing large bonds that combine nutrition and other dimensions of sustainable food system impact.
- Design blended structures with a deliberate agenda of data generation, financing innovation, learning, and informing policy, rather than just with an agenda of mobilizing capital on a time-bound basis.
- Aligning metrics to make new investment products for food system capital (e.g. for nutrition and other areas of impact) both impact-meaningful and investor-meaningful, and not too complex.

How will it be possible to tell if these actions are being successful?

- Cost of capital for agri-SMEs and smallholder farmers should be less than it is today
- More capacity to invest in this space among national and local financial institutions
- Company-level impacts for agri-SMEs in particular

ACTION TRACKS

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OUTCOMES FOR EACH DISCUSSION TOPIC - 3/6

Discussion topic #3: Challenges, trends, and promising solutions in smallholder finance
WB / FAO estimate 95% of farmers can be classified as smallholders (500 mln) producing 45% world's food, 70% of the food deriving from Africa, SE Asia, and Latin America. Despite constraints (training, logistics, cheap imports, climate change effects), they obviously put food at tables worldwide. Still: 700 mln people are hungry, 3 bln people lack access to healthy food, particularly in developing countries, and due to scarce resources, food needs to be produced much more sustainably. So, there are opportunities, but what's hampering smallholders to take them?

In this session, we moved into a natural flow by discussing:

It's not about smallholders only (self-subsistence or emerging or exporting), but it's about the ECOSYSTEM with and around them, including SMEs, the mom and pop stores, producer organizations, and cooperatives.

- The Profit we need with business models and business cases, and the need to address this ECOSYSTEM with technology, leapfrog smallholders to the innovation potential with digitization and new financial solutions such as carbon credits as the new currency
- The Planet we need to have benefit from new nature impact solutions by connecting the smallholder ECOSYSTEM to agroforestry projects or nutritious production such as fruit trees or cold chain solutions in the ecosystem with less food loss & waste.

How will it be possible to tell if these actions are being successful?

- If smallholder farmers can organize themselves (more cooperatives, producer organizations): enables financing that is usually hardly possible -> increases rural livelihood enables cooperation to improve market position -> increases equitable livelihoods
- If farmers have a voice themselves: where are they in the FSS dialogues? We hardly hear their voice.
- If we see successful, scalable new and innovative business models: such as the project ACORN that was showcased as a Firestarter (see: <https://channels.ft.com/foodrevolution/marketplace-for-change/>) combining agroforestry with nutritious fruit trees, technical data and GPS monitoring (provided by Microsoft to smallholders) and carbon sequestration with new ways of income for smallholders.

Integration of value chains to the smallholders' benefit with the right technology: digitizing value chains, enabling digital wallets on smartphones, monitoring individual plots enabling farmers to access pre-harvest advances when the need for finance is at its peak. Creating more traceability/transparency throughout the value chain.

Via Partnerships: such as the project Seed NL that was showcased (see annexed presentation): public-private money spent on seed and propagation materials as a catalyst for transformational change

Blended Finance models: de-risking the new partnerships and innovative business models such as the Global Agriculture and Food Security Programme (GAFSP).

ACTION TRACKS

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OUTCOMES FOR EACH DISCUSSION TOPIC - 4/6

Discussion topic #4: Generating investable asset classes around nutritious foods,

Investing in nutritional food must be one of the new investment themes for the next decade. The ageing population, increasing urbanization, excessive build-up debts, fiscal deficits, climate change commitments, and innovation all make a compelling case for governments globally to create a separate line asset class for Sovereign Wealth Funds and Development Funds. The aim must be not just an increase in life span but the quality-of-life span with a significant reduction in health costs and enhanced productivity.

The following are the key game-changing ideas proposed for the UN Food Summit for creating nutritional food as an asset class:

1. Financing

- Creating an asset class for 'nutritional food' will attract significant capital from institutional investors and funding agencies.

- Investment in 'nutritional food' is likely to have a significant positive impact on government health spending globally. For instance, US federal spending on health is expected to be over 20% of the GDP. A study carried out by Cleveland Clinic suggests it can drop down to 7% with healthy habits and healthy eating. Some of the savings can be allocated to funding:
 - o Research for alternative sources for protein in animal feed to reduce the feed cost. This will contribute towards affordability.
 - o Infrastructure for logistics and cold storage to reduce food wastage
 - o Subsidies for finance cost for SMEs
 - o Campaign to create awareness and encouraging consumption of healthy food. This is likely to create demand and increase capacity utilization.

- o Tax exemption for foreign investments and capital investments on Education for SMEs on policies and how to deal with government bureaucracies.

- Forestry and growing fruit and vegetables offer the cheapest & long-term option for earning carbon credits for fossil fuel and heavy energy-intensive industrial production. This is critical when globally CO2 emission will need to be reduced by 23 Gigatons by 2030 if the Paris Climate change aspirations are to be realized by 2050. This has a great potential to generate new and cheap capital for farmland.

- Compared to conventional asset classes investing in farmland:
 - o Has generated excess returns
 - o is relatively less volatile
 - o is uncorrelated
 - o Is resilient to economic cycles
 - o Represents a good hedge against inflation

This is likely to encourage institutional investors to invest in farmland as a yielding asset. This should provide fresh capital for investing in nutritional food.

2. Building Good Credible Investment Pipelines

Establishing and funding of independent platforms with the required industry-specific know-how, finance, legal, investment, and policy-specific expertise along the entire value chain of investing in the nutritional food asset class to identify, structure, and match attractive sustainable and scalable investment opportunities with potential investors.

ACTION TRACKS

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OUTCOMES FOR EACH DISCUSSION TOPIC - 5/6

Discussion topic #5: The role of nutrition impact metrics as facilitators of alignment among investors, nutrition professionals, and agri-SMEs.

We need:

- Facilitated dialogues to create alignment -- we need to bring government, private sector, nonprofit, scientists, researchers, regulatory altogether and determine how to use the information we have to facilitate dialogue to figure out how to match gaps with solutions
- Data infrastructure for metrics and standardized metrics, perhaps through the ESG lens, applying success from other sectors for a pathway to impact - we open ourselves to women's empowerment, access to healthy foods and nutritious foods, etc.
- Agreement on standards we use for healthy/unhealthy diets and how to identify gaps
- Consensus on healthy/non-healthy diets and what guidance is used; then determine is there a viable business opportunity for investments in stimulating certain productions of foods
- A clear roadmap of products that investors can go to invest in
- Global theory of change for investing in nutrition SMEs to identify pathways to impact: along the lines of Lancet series that sets out best practices/ pathways across contexts (which will require very rigorous pilot level M&E), which would then allow us to use more process level/ intermediary indicators for larger-scale ongoing investments that are made according to that evidence-based roadmap.

What are the lighter touch ways we can get more of a sense of what works?

- Pick a few investments to spend a lot of money on M&E

We need a global theory of change for investing in nutrition SMEs to identify pathways to impact: along the lines of Lancet series that sets out best practices/ pathways across contexts (which will require very rigorous pilot level M&E), which would then allow us to use more process level/ intermediary indicators for larger-scale ongoing investments that are made according to that evidence-based roadmap.

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KEYWORDS

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|---|---------------------------|---|-------------------------|
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OUTCOMES FOR EACH DISCUSSION TOPIC - 6/6

Discussion topic #6: Connecting ideas, capital, and place: Overcoming barriers for entrepreneurs to catalyze healthy, sustainable food access in economically disadvantaged communities.

Game-changer solutions include:

- Identifying and credentialing new metrics that privilege nutrition and purpose, alongside profit, to uplift social enterprises and entrepreneurs who are creating solutions specifically for poor communities.
- Developing and funding financing vehicles focused on financial return and nutrition impact, specifically serving underserved people and communities.
- Create networks to link SMEs to investors, including pathways for NGOs to support for-profit solutions, mitigate risk and develop effective proof of concepts.

How will it be possible to tell if these actions are being successful?

- Entrepreneurs will have an understanding of how to access multiple pathways to capital at all stages of the development process.
- More models that create nutrition access in underserved communities will be piloted, evaluated, and scaled through traditional investment and NGO/SME partnerships.
- The number of financing vehicles focused on financial return and nutrition impact will grow.

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AREAS OF DIVERGENCE

- Challenges in data quality, data integration
- Issues around the demand side are also important – progress requires also developing more absorptive demand for the capital that blending can mobilize among local financial institutions and investors. It also requires more capacity to absorb finance among agri-SMEs – who very often need a lot of TA investment not only to be bankable but also to deliver fully the positive food system impact they can potentially deliver- and more demand for nutritious foods.
- Challenges in the incentive frameworks governing most blended vehicles and the time frame in which they typically operate, which does not encourage data generation, building local financial capacity, learning, or transparency in reporting.
- Decisions about nutrition happen in complex environments at the household and individual level; we should not assume that fixing finance is going to solve that.
- Local currency lending is another challenging area.
- Market-level challenges affecting the capacity of nutritious foods that are not fully “up to standards” in terms of size or appearance to reach the markets where consumers who need these foods are located, with resulting losses in terms of nutrition but also of incomes for farmers/aggregators/transporters etc.

- There are many different types of metrics -- metrics for donor-driven nutrition measurement -- anthropometry, mortality outcomes, height for age, development outcomes
- There is a lag in terms of metrics that have evidence-based that have been invested in and where programs and projects have been defined to test those metrics
- There is no silver bullet to incentivize or a single indicator to measure
- We need enough data to make linkages between dietary quality and health outcomes - it then becomes easier to identify indicators for success
- Healthy, unhealthy - green, yellow, red measurement systems are not effective because who defines this?
- Determine whether investors are going to invest because of a positive impact on nutrition or because there is an economic incentive for investments to make a positive impact on nutrition -- if the latter, who makes decisions on incentives?
- Reduce uncertainty around investments; build consumer value around food (what is nutritious); explore how ESG metrics were originally designed to manage risk and how they can be applied on a pathway to impact

- SMEs providing nutritional, perishable food at low cost to communities are challenged to create economies of scale-need to create shared learnings around supply chain management.
- Technology is critical to reducing costs, but adoption by businesses and by consumer base is challenging-need to create proof points around adoption/test hybrid solutions that respond to all levels of technological competency.
- A lot of capital available in developing markets is restricted, time-bound, philanthropic aid – need to work with donors to create an understanding of the impact on business, provide funding in a way that enables SMEs to thrive while not undercutting traditional charitable efforts.
- Perception of “social enterprises” among investors as less profitable than traditional for-profit counterparts need to create a set of metrics that privilege social impact, especially related to nutrition.

- Access to data and data ownership (we need a global framework, maybe the FSS can provide guidance): how can we boost data collection and ensure data design with smallholders’ interest at heart?
- More transparency and traceability in the value chain: by coalitions of corporates and connections between the key players in the agri value chain
- Metrics / framework for real True Pricing and True Cost Accounting (via the Science Group of the FSS?)

- Information asymmetry
- Poor infrastructure
- Risks – production, yield, weather
- Market infrastructure
- Internal SME issues: Financial controls, accounting etc.
- Expectations of returns and duration of the financing
- Micro-financing shows good repayments when based on proper support
- Women secure good repayment track records
- Connection between policymakers and SMEs is crucial □ national FSD
- Assume more risk with development programs and learn of the failures
- Small tickets to overcome minimum amount for investment
- Lack of collateral, missing land rights or ownership structures
- Market dynamics require more flexible financing structures
- Knowledge with financiers
- Finance combined with capacity building – business case, how to deal with the market, how to work in a demand-driven way, how to deal with the public structure
- If you’re not “the best”, you won’t get finance – you have to be the winner – especially also when age counts
- Aid skewing the marketplace

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ATTACHMENTS AND RELEVANT LINKS

ATTACHMENTS

- **FINANCING FOOD SYSTEMS & NUTRITION TRANSFORMATION**
<https://summitdialogues.org/wp-content/uploads/2021/03/UN-FSS-Dialogue-Report-Feb-2021.pdf>