

## Innovative financing for agriculture, food security and nutrition

Discussion No. 81 from 19 June to 9 July 2012

Dear Forum Members,

Reaching the goal to feed a growing world population is threatened by an important lack of investment and a decreasing Official Development Assistance (ODA) in agriculture.

To tackle this issue, Innovative Financing Mechanisms (IFMs) are being discussed as a means to complement ODA without replacing it to provide reliable and predictable financing for development and specifically for agriculture and food security and nutrition, especially by catalyzing and encouraging new projects.

At its 9<sup>th</sup> plenary session in Bamako in June 2011, the [Leading Group on Innovative financing for Development](#) considered that **innovative financing has the potential to contribute to increase funding for agriculture, food security and nutrition. An International Task Force was established.**

The Task Force, supported by an Expert Committee, is expected to produce a report by the end of 2012 which will be presented to the 11<sup>th</sup> plenary session of the Leading Group on innovative financing for Development.

The objectives of exploring Innovative financing for Agriculture, Food Security and Nutrition, are two:

***(1) Extension of solidarity taxes to agricultural development and food security.***

In July 2010, the report of the Leading Group on the tax on financial transactions proposed the introduction of a 0.005% levy on **currencies transactions** that could generate some US\$ 50 billion per year to be used for development purposes. Nowadays, the debate is on a possible tax on financial transactions to face the credit crunch. The objective of the present exercise is to advocate the use of a fraction of the resources raised in such a manner for agriculture and food security. For this reason, innovative uses of funds need to be identified.

***(2) Identify/Expand mechanisms that catalyze private investment across the agricultural value chain.***

Given the significance of private actors in the agricultural value chain, the combined use of resources from solidarity taxes, particularly the tax on currency/financial transactions, together with the use of

traditional ODA funding, may achieve significantly greater impact by catalyzing banks and other investors, for example diasporas, to invest in smallholders and Small and Medium Enterprises (SMEs) and to support development of national financial markets (such as local bond markets that raise funds for agricultural infrastructure).

This online discussion should promote an exchange experiences and opinions within the largest possible audience in the area of agriculture and food security. Inputs received will be used in the preparation of the report that will be submitted to the 11<sup>th</sup> Plenary Session of the Leading Group on innovative financing for Development.

The literature and debate on Innovative Financing Mechanisms has by now become impressive and some of the proposals are listed in the [Annotated List](#) for ease of reference.

**Questions submitted to the FSN members:**

1. **What would be innovative sources (public and private) of financing for agriculture, food security and nutrition?** New taxes are normally suggested, as can be seen in the [annex](#). Without excluding them, we would like to explore other options.
2. **What would be innovative uses of funding generated by mechanisms of innovative financing ? What should be their core target(s)?**
3. **What could be new and suitable innovative financing tools for leveraging private investments for agriculture, food security and nutrition? And what could be their advantages/drawbacks?**
4. **How could these identified tools or mechanisms be used for innovative areas of agriculture, food security and nutrition (e.g. climate smart agricultural practices, research, migration)?**
5. **Which actors/stakeholders - at the various levels - would be relevant to mobilize and implement such instruments? What would be their roles and interactions with each other?**

Please feel free to share with us any relevant material and/or publications to feed the on-going reflection on this topic.

We thank you in advance for your time and contributions as they will contribute to refining our assessment and prospective work.

We hope this discussion will facilitate knowledge sharing, communication and effective learning from your experiences on innovating financing mechanisms and relevant uses for enhancing financing for agriculture, food security and nutrition.

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