



Data for decision-making Strengthening governments' capacity to invest in food and agriculture with socio-economic cost-effectiveness for post-COVID-19 recovery

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The issue

Governments are currently mostly focusing on the emergency response to the COVID-19 pandemic. Every day, however, governments are realizing that their country's economy must recover from the unprecedented recession, given the serious impacts on the livelihoods of the most vulnerable populations and their food security. Considering only hunger as an example, FAO scenarios suggest that the number of undernourished people will vary according to the severity of gross domestic product (GDP) growth contractions, ranging from 83 to 132 million globally in 2020 ([see http://www.fao.org/3/ca9692en/CA9692EN.pdf](http://www.fao.org/3/ca9692en/CA9692EN.pdf)).

Some governments are, in fact, rolling out fiscal and monetary stimulus to conserve economic growth and support safety nets for the newly unemployed. However, many low- and middle-income countries lack the tools to deploy liquidity injections and public spending commitments. The international community must facilitate their capacity to act, but also they will have to exert fiscal responsibility and objectivity in reallocating their own resources toward the economic recovery. It is critical that governments consider options to stimulate the economy towards its full recovery in order to keep all scenarios pointing to rising hunger and poverty from materializing. Policies for recovery will have to consider, among others, those sectors that are important for employment generation and the livelihoods of millions of people, particularly the poor and most vulnerable. Agri-food sectors are particularly important in this regard, especially in the context of low- and middle-income countries.

Investment in agri-food sectors is urgently needed to trigger economic stimulus. Nonetheless, in the context of recession, as the current one, lack of confidence, significant uncertainty, growing capital and financial losses, lack of credit, and so forth, result in significant risk aversion in the private sector. It is unrealistic to expect that the private sector will take the lead and invest in food and agriculture at this time, at least not to the extent needed for a full economic recovery. Governments will then have to take the lead in investing, in order to send the right signals and enable the environment for recovery.

The action

This programme aims to support governments in assessing options to reactivate agri-food sectors for the era post-COVID-19, particularly in low- and middle-income countries. Given the binding fiscal and borrowing constraints that most of these countries are nowadays facing, due to the unprecedented economic recession, the programme will develop ex-ante assessments to provide evidence of what are options to support economic recovery through cost-effective investments in food and agriculture, with both economic and social payoffs, under said constraints.

Budget

USD 1 million
(USD 100 000 per country)

Time frame

July 2020–December 2022

SDGs



Related FAO policy notes on COVID-19

- ▶ [COVID-19 global economic recession: Avoiding hunger must be at the centre of the economic stimulus](#)



The evidence generated through the ex-ante assessments of this programme will inform governments, particularly the Ministries of Agriculture as well as Finance and the Economy, to make informed decisions about investments in food and agriculture that can boost the economy and spur income generation.

Moreover, the evidence will also provide governments with technical ground to request and negotiate access to the stimulus facilities and borrowing from the International Financial Organizations (IFIs).

Expected results

Overall, the programme will strengthen governments' capacity to, informed by quantitative evidence, allocate public resources in investments in agri-food sectors with the highest cost-effectiveness possible, in order to help kick start the economy post-COVID-19, and avoid the adverse effects of the pandemic on poverty, food security, and nutrition.

- 1 Prospective country analyses of public investments** with potential not only to boost productivity in agri-food value chains, but also to spur employment as labour is needed for building new infrastructures, under existing fiscal constraints, and considering alternative financing mechanisms (i.e., public spending reallocations, tax revenues, domestic debt, or foreign debt or aid) and their macroeconomic impacts.
- 2 An economy-wide modelling framework** for the country, which is appropriate for a number of reasons. First, investing in agri-food value chains may have important dynamic effects in the whole economic system through backward and forward linkages with other sectors. Second, agri-food value chains in some countries employ vast amounts of people, or support their livelihoods, such that new productive investments may create a demand stimulus for the rest of the economy. Third, it is important to consider the fiscal restrictions and the different impacts that each financing mechanism will have on the economy.
- 3 A number of forward-looking scenarios** will be provided, whereby public investment in productive infrastructure (for example, feeder roads, bridges, irrigation, storage, and so on) will trigger not only macroeconomic effects (for instance, on GDP), but also sectoral effects (for example, across agri-food value chains), and distributive effects (for example, on consumption, income, food security and poverty of different households groups), for both the short- and the long-term.
- 4 Policy dialogue will unfold as the scenarios will be designed and their results will subsequently be validated with government authorities.** It will be critical to understand policy makers' economic expectations, whether current policies will continue

more or less unchanged, their budgets, fiscal targets and potential indebtedness going forward, and the fact that they may already have put in place policy responses in the face of the COVID-19 pandemic.

- 5 A ranking of agri-food value chains** will be provided to the government to support their capacity for decision making in how to recover post-COVID-19. This ranking will list the most cost-effective potential investments in agri-food chains, in terms of their economic and social impacts.
- 6 Evidence-based policy recommendations** are the ultimate goal of this programme to provide the basis for decision making on where is most effective and macroeconomically feasible for the government to invest to enable an economic recovery with social payoffs in food and agriculture. The evidence will also help governments negotiate with more technical ground, potential financing from IFIs to facilitate their economic stimulus in food and agriculture. It is also the seed towards – in a potential subsequent phase – developing more granular analysis of the “top value chains” (as per the aforementioned ranking) on where exactly to invest (what phase of the change, and which regions within the country, and so forth) and in what exactly to invest (seeds, irrigation, mechanization, extension, rural roads, storage, cold chains, and so forth).

Partnerships

The International Fund for Agricultural Development, Inter-American Development Bank, African Development Bank, Asian Development Bank, the World Bank, governments, the private sector, South-South Cooperation partnerships.

Programme links

The programme will tie in with the FAO's Monitoring and Analysing Food and Agricultural Policies Programme (MAFAP); the European Union-FAO Food and Nutrition Security Impact, Resilience, Sustainability and Transformation (FIRST) programme; and, the Hand-in-Hand initiative. It will also contribute to achieving the Sustainable Development Goals.

Country focus

Africa: Burkina Faso, Ethiopia, Senegal and Uganda.

Asia and the Pacific: The Philippines.

Europe and Central Asia: Kyrgyzstan.

Latin America and the Caribbean: Cuba, Costa Rica, Ecuador, Jamaica, Mexico, Nicaragua, and Paraguay.



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