The issue
Investing in agricultural and food-systems transformation is vital, especially to mitigate the short- and long-term economic impacts of the COVID-19 crisis. It is crucial to ensure a sustainable and inclusive recovery from COVID-19 to safeguard and accelerate countries’ progress on the Sustainable Development Goals (SDGs) and to strengthen the sector’s resilience to future shocks and crises. Underinvestment in food and agriculture has long been a bottleneck to value chain development, and the pandemic-induced slowdown has further slashed both public and private investment. This is all the more reason to focus on investments that are responsible and make food systems more inclusive, resilient and sustainable. Responsible investment in agriculture should strengthen primary producers and connect them to the upstream and downstream operators along the food value chain.

Most food systems in the emerging economies of Europe and Central Asia are typified by a predominance of smallholders, low productivity and weak vertical connectivity. As a result, most farmers receive little income from their agriculture-based economic activities and struggle with logistics, such as inadequate storage facilities and transportation. Supply-chain operators, including food processors, have very poor understanding of these issues. Their economic decisions are thus based on limited choices and often suboptimal. To improve connectivity, governments first need to invest in information sharing, as it is essential to value addition and efficiency gains along the food chain, also for consumers. Second, resource partners and public and private investors must prioritize initiatives that build back better, with greater resources and longer timeframes, to maximize targeted socio-economic and environmental outcomes and strengthen food systems. Responsible investments that enhance connections along value chains spur institutional (market, cooperative, contractual arrangements and infrastructure) and technological solutions (digital technologies and novel financial mechanisms).

The action
This programme will focus on food value chains that have the potential to make a significant contribution to the desired food-systems outcomes in target countries. In Tajikistan, for example, these include onions, dried fruits, honey for export and crop production for domestic markets. In Kyrgyzstan, priority value chains include grains, vegetables, fruits and berries, meat and dairy. The programme aims to support institutional arrangements that strengthen cooperation by value-chain operators. Such ‘coopetition’ can reduce transaction costs, breach market thresholds, facilitate access to production inputs and extension services, and help supply-chain operators to specialize or diversify to reduce risk. Target countries and international partners should build on existing producer dynamics and initiatives and limit their role to facilitation, by providing an enabling environment in which responsible investment and institutional innovation can evolve and grow. Giving ownership of storage or processing facilities to a producers’ organization, for example, increases the likelihood of finding appropriate and sustainable solutions to market failures. The programme will also incorporate

Budget: USD 4 million

Time frame: 2020–2024

SDGs

Related FAO policy briefs
- Responding to the impact of COVID-19 on food value chains through efficient logistics
- Agrifood markets and trade policy in the time of COVID-19
- Food systems and COVID-19 in Latin America and the Caribbean: The opportunity for digital transformation

Partnerships
In Europe and Central Asia, the Food and Agriculture Organization of the United Nations (FAO) is working to promote investments for resilient and sustainable food systems in strategic alliances with the European Union and the Russian Federation.

To implement the programme, FAO will continue to build on its existing partnerships in the region and seek to engage with new partners in government, bilateral and multilateral agencies, international financial institutions, development banks, the private sector and academia.
data-collection and knowledge-sharing tools, including on market prices. Collaboration between food supply chains and policymakers, the research community, civil society and consumers opens up the possibility of not just the changing the “rules of the game” of a specific value chain, but the wider process of food-systems transformation.

The programme will also support technological solutions, notably digital technologies, necessary infrastructure and novel financing mechanisms. Digital solutions should strengthen value chains by improving logistics, traceability, production management, knowledge sharing, information and support services. Digital technologies can also facilitate access to finance through better risk management and low-cost service and delivery models, as upgrading of food supply chains requires investment in physical assets and infrastructure such as irrigation, (cold) storage, transport and distribution. Innovative value-chain and financing mechanisms can be applied, such as blended finance or crowdfunding. Matching grants may be used in certain cases to incentivize the uptake of green technologies or other innovations with clear environmental and social benefits. These may foster linkages within value chains, for example, for the delivery of goods and services that strengthen coopetition. By complementing this support with tailored technological solutions, the programme will enhance national capacities to build nutrition-sensitive value chains and manage animal and plant health and food-safety risks.

The overarching principle that will guide interventions is responsible investment in agriculture and food systems, in accordance with the Principles for Responsible Investment in Agriculture and Food Systems of the Committee on World Food Security. Responsible investments are critical to building sustainable livelihoods, especially for smallholders and small- and medium-sized enterprises, as well as members of marginalized and vulnerable groups, by integrating them into competitive value chains and creating decent work opportunities for all. As more inclusive value chains are developed, it is imperative to protect the planet’s natural resources and the environment and mitigate climate change. Ultimately, the programme will contribute towards eradicating poverty, fostering social and gender equality, eliminating the worst forms of child labour, and promoting social participation for just, inclusive and sustainable green economic growth.

**Expected results**

- **More efficient and inclusive food value chains** thanks to greater coordination, also through advanced technological solutions (contractual arrangements, voluntary standards, logistics, storage hubs and processing facilities).
- **Increased access to domestic and export markets** for food producers and processors, resulting in a more diverse range of foods for consumers.
- **Greater uptake of biosecurity and food safety measures** to manage food chain risks, preventing threats from animal and plant diseases, pests and food-safety hazards.
- **Increased public investment, including blended finance mechanisms, in the food and agriculture sector** supporting to enhance an enabling environment and access to public services, including data, information and market intelligence.
- **Improved access to affordable credit for smallholders** through innovative financial mechanisms that tackle constraints related to a lack of collateral (guarantee mechanisms and value-chain finance), alongside appropriate insurance tools (digital innovations that enhance market transparency and weather forecasting).
- **Enhanced capacity of farmer associations and producer organizations through skills development** in agrifood and business management, access to finance and the digital transformation of agriculture.

**Programme links**

The programme is implemented under the FAO Regional Initiative on Transforming food systems and facilitating market access and integration. It ties in with FAO’s work with the Organisation for Economic Co-operation and Development on Guidance on Responsible Supply Chains, the Committee on World Food Security’s Responsible Investment in Agriculture and the United Nations Decade of Action on Nutrition, in addition to efforts to achieve the SDGs.

**Country focus**

Kyrgyzstan, Tajikistan and Uzbekistan

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1 The list of the recipient countries may be expanded to other programme countries in the region based on the evolving situation and FAO’s ongoing country and regional assessments in the context of COVID-19.