

Key Messages ● ●



The agrifood sector faces a significant climate finance gap, receiving only 0.8 percent of total climate finance. There is an urgent need to increase climate finance.



Clear definitions and concessional funding mechanisms are critical for effective financial flows, especially for vulnerable sectors like the agrifood sector.



Outcome-based goals for climate finance: The New Collective Quantified Goal (NCQG) must establish outcome-based targets, including for the agrifood sector, reflecting its centrality in Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs).

The challenge: climate finance gaps in the agrifood sector

In 2020, [the agrifood sector employed over 866 million people](#) globally, representing a turnover of US\$3.6 trillion. Yet agrifood systems are vulnerable to climate change, and their pivotal role in livelihoods and sustainable development is at risk due to the climate crisis. Whilst the cost to transform the global agrifood systems is [estimated at about US\\$500 billion per year](#) for the next decade, the allocation of climate-related development finance to agrifood systems

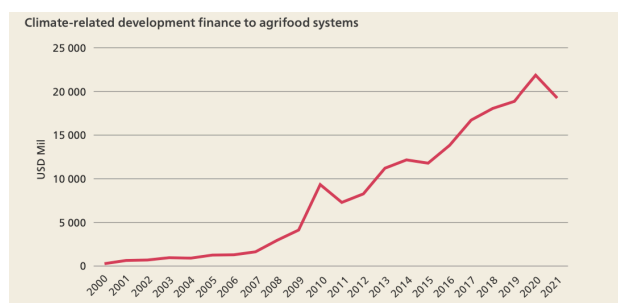


Figure source: [Climate-related development finance to agrifood systems](#)



was [US\\$19 billion in 2021](#). There is an immense funding gap for transformational change in the sector.

The [New Collective Quantified Goal \(NCQG\)](#) is set on the principle of mobilization and provision of climate finance from developed to developing countries. It builds on commitments made during COP15 in 2009: to mobilize US\$100 billion annually until 2020 for developing countries, with this goal [to be updated to a base above the US\\$100 billion by 2025](#). In accordance with article 9.4 of the Paris agreement, the goal should be designed to address gaps in climate finance, achieving a balance between adaptation and mitigation.

The US\$100 billion goal was only reached in 2022, with questions related to the objectives achieved and how these funds were deployed. The effectiveness of these funds to drive climate-resilient development and efforts to eradicate poverty is unclear – especially when looking at the quality of finance and predominance of non-concessional loans. Ambiguous classifications, and the absence of a clear, agreed-upon definition of climate finance, makes access to climate finance for agrifood systems a challenge. In 2019/2020 these accounted for 4.3 percent of total global climate finance. The agrifood sector receives only [0.8 percent of total climate finance tracked](#) across all sectors.

The share of adaptation finance within dedicated climate finance also remains small, with an adaptation finance gap of between US\$194 billion and US\$366 billion annually. Although there has been some progress in adaptation, agricultural losses due to climate events have been substantial, with drought alone accounting for over 65 percent of losses in the sector, [translating to an estimated US\\$3.8 trillion loss](#) in crop and livestock production over the last 30 years. These losses potentially erase gains made in the long term on adaptation, hindering efforts towards achieving climate resilient development by 2030. Loss and Damage finance is crucial for safeguarding these gains, but not at the expense of ongoing adaptation and mitigation efforts.

The opportunity: ensuring accessible, predictable financial resources for agrifood systems



The [NCQG must establish](#) a framework that clearly defines climate finance in a way that encompasses the unique needs of the agriculture sector. This will ensure that funds are directed to where they are most needed for food systems transformation.

Financial resources must not only be made available, but also accessible and predictable, allowing developing countries to implement adaptation strategies effectively. The NCQG should be designed to provide clarity and structure to climate finance, and should encompass mechanisms like grants, highly concessional loans, equity, and guarantees. A robust, transformative financial framework aligned with the escalating needs of developing countries is required, with the [inclusion of global sub-targets](#).

According to the Standing Committee on Finance, a significant number of Nationally Determined Contributions (NDC) prioritize agriculture, with specific investments outlined to [transform their agrifood sectors](#). NDCs guide countries to meet the Paris Agreement goals, in terms of commitment to mitigation and climate finance. The importance of agriculture and food systems in NDCs



must be mirrored in the NCQG to ensure that developing countries can access the necessary funds to implement their adaptation strategies effectively. Also, it is critical to note that the NDCs highlighted priorities for adaptation and mitigation alone.

In line with [the Sharm el-Sheikh joint work](#) on the implementation of climate action on agriculture and food security, it is crucial to ensure that countries receive adequate support to implement their adaptation and mitigation strategies within the sector. As per discussions on the NCQG, the emphasis on quality climate finance—ensuring that funds are provided in forms that do not lead

to unsustainable debt—is crucial for successfully implementing NDCs in areas that relate to the agrifood sector.

The [COP28 UAE Declaration on Sustainable Agriculture](#) calls for enhanced ambition on agrifood systems by countries in the next round of NDC updates. Countries must ask for dedicated finance for agri-food transformations in their NDCs and National Adaptation Plans (NAPs). Support from developed countries is required to boost developing countries unconditional commitments, and for this, a robust level of grant or grant equivalent funding is critical to respond urgently to the negative impact that climate has on food and security.

Recommendations for action



The NCQG must have specific allocations for the agrifood sector: as new goals for international climate finance are being set, reflecting the dominance of the sector in the NDCs and NAPs of

countries is crucial to safeguard decreases in allocation, especially since a very small part of climate finance comes to the agri-food sector. Without this, there are no guarantees that governments will make funds available for small-scale agriculture or food chain actors if climate finance increases. [In fact, climate finance is going up, while the allocation to agrifood sector is falling.](#)



The NCQG should have clear outcomes: These should directly reflect the pathway to limit temperature increase as per the Paris Agreement and Agenda 2030, linking this to the tracking of greenhouse gas emission reductions and Global Goal on Adaptation.



Developed countries should provide grant-based funding: At COP28, the [CGIAR identified a pressing need for non-repayable](#), grant-based funding, particularly for adaptation activities in food, land and water systems in developing countries.



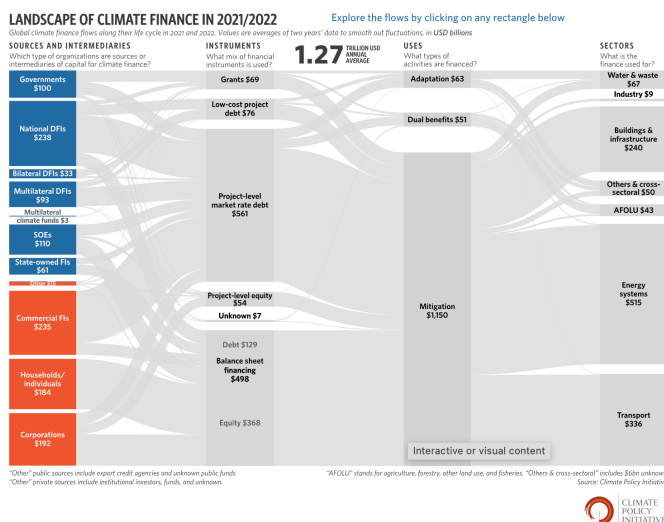
Parties should agree on measures to make climate finance more accessible: Countries often grapple with complex and bureaucratic hurdles when accessing funds, hindering

climate action. Reforming how climate finance is managed and disbursed is urgent. Governments should focus on securing and streamlining access to climate finance, particularly from funds like the Green Climate Fund (GCF), Green Environment Facility (GEF), and Adaptation Fund (AF), facilitating direct access and providing needed technical assistance.



Developed country parties should lead mobilization of public and private finance: As the Climate Policy Initiative outlines in its [Global landscape of climate finance](#) for 2023, funding for

Agriculture, Forestry and Other Land Use (AFOLU) remains minimal. Reformed access for funds from International Financial Institutions and Multilateral Development Banks can enhance public climate finance availability. Tapping private finance, especially in adaptation and resilience, remains complex but can have significant impact in scaling up the agri-food system approach. Innovative financing mechanisms like green bonds, debt-for-nature swaps, climate risk insurance, and blended finance models can provide resources for sustainable food systems and increase the value of mobilized funds from developed country parties.



Source: Climate Policy Initiative: [Global landscape of climate finance](#), 2023.



Parties should recognize that Loss and Damage needs were not costed in the Standing Committee on Finances report and allocate additional funding: Future NDCs are expected

to give more attention to Loss and Damage, including building necessary finance and capacity, as these have not been well captured in current NDCs. Finance for Loss and Damage should be additional to captured needs for adaptation and mitigation.



Leveraging other capital: Philanthropic capital can offer first-loss capital to spur investments, exemplified by initiatives like the Gates Foundation's support for farmers and the CGIAR

gene bank in Colombia, backed by the Bezos Earth Fund, to bolster agricultural resilience and biodiversity.



Sweeping subsidy reform: [Sweeping subsidy reform](#) outlined at UN CBD COP15 considers the wider economic, social, and environmental ramifications. Reform must avoid penalizing

the vulnerable and shift funds from nature-negative to nature and climate-positive investment.



Further Reading

- Chilambe, P., Kinyua, I., Ouedraogo, I., & Girvetz, E. (2023). Climate finance and charting a resilient future: Insights from CGIAR at COP 28 (19 p.). Retrieved from <https://hdl.handle.net/10568/139085>
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- FAO. (2023). Loss and damage and agrifood systems – Addressing gaps and challenges. Rome. <https://doi.org/10.4060/cc8810en>

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<https://hdl.handle.net/10568/158412>

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