

34th Session of the Regional Conference for Europe (ERC 34)

14-17 May 2024

Concept Note

Side Event – Unleashing the power of true cost accounting to transform agrifood systems: True cost accounting in Europe and Central Asia at a glance

Thursday, 16 May 2024, 15.30–17.00 hours (CEST/UTC +2),

Rome, Italy

Background

Agrifood systems are invaluable to society. They generate significant benefits, including the food that nourishes us and the jobs and livelihoods they provide for more than a billion people. However, their negative impacts due to unsustainable business-as-usual activities and practices are contributing to climate change, natural resource degradation and the unaffordability of healthy diets. Addressing these negative impacts is challenging because people, businesses, governments and other stakeholders lack a complete picture of how their activities affect economic, social and environmental sustainability when they make decisions on a day-to-day basis.

The State of Food and Agriculture 2023 looked into the true cost of food for sustainable agrifood systems. The report introduced the concept of hidden environmental, health and social costs and benefits of agrifood systems and proposed an approach – true-cost accounting (TCA) – to assess them. TCA allows for estimating the hidden costs and benefits of agrifood systems, providing decision-makers with the evidence needed to transform our food systems in a more sustainable manner to deliver food security and nutrition in the present without compromising the well-being of future generations.

To operationalize the TCA approach, *the State of Food and Agriculture 2023* proposed a two-phase assessment process: first, relying on national-level TCA assessments to raise awareness; and second, moving towards in-depth and targeted evaluations to prioritize solutions and guide transformative actions. The report provided input into the first phase by providing a first attempt at national-level assessments of agrifood systems' hidden costs for 154 countries. These estimates, which are very preliminary, rely on national-level data on impact quantities, combined with monetary estimates to value (monetize) the hidden costs. Despite being preliminary, these estimates present an unprecedented opportunity to raise awareness about the magnitude of the challenges at global, regional and national levels. Agrifood systems' hidden cost estimates are provided at the national level for many countries for the first time, enabling aggregation and comparison on various dimensions and geographical scales. These estimates can be (and are being) used as a foundation for dialogue with relevant stakeholders in different countries.

These estimates are preliminary because: i) they cover only part of the agrifood systems' hidden impacts (greenhouse gas emissions, nitrogen emissions, blue water use, land-use transitions and poverty, as well as losses in productivity caused by unhealthy dietary patterns and undernourishment) due to data limitations and the need to provide global coverage; and ii) there is uncertainty in the estimates due to missing data points on impact quantities. The report presented the results with confidence intervals to shed light on the uncertainties. Even accounting for the uncertainties, the results revealed that agrifood systems' hidden costs amount to at least USD 10 trillion in 2020 Purchasing Power Parity (PPP) dollars – almost 10 percent of the global gross domestic product (GDP) – underlining the need for urgent action.

Given the relevance of the topic, FAO has dedicated, for the first time since the launch of *the State of Food and Agriculture* publication in 1947, two consecutive editions to TCA. Thus, the 2024 edition of *the State of Food and Agriculture* will build on the results of the 2023 edition to highlight the importance of TCA for setting and prioritizing policies for a sustainable and inclusive agrifood systems transformation. It will showcase the flexibility of TCA through a wide range of cases with different

scopes, from entire national agrifood systems down to specific value chains. It will demonstrate the importance and challenges of incorporating hidden costs into decision-making to evaluate policy and management options to transform agrifood systems for the better.

With the purpose of further assisting Members in unlocking the potential of TCA to drive the sustainable and inclusive transformation of agrifood systems – in a way that ensures that no one is left behind – FAO has prepared a number of country briefs based on the results of the 2023 report in order to feed into dialogue with experts and stakeholders from several Members (including from within the Europe and Central Asia region, such as Georgia, Switzerland, United Kingdom of Great Britain and Northern Ireland and Uzbekistan). FAO has also commissioned a number of case studies to validate the results of *the State of Food and Agriculture 2023*, fill knowledge gaps and identify entry points for transformative actions. These examples of countrywide case studies can be a critical accelerator for agrifood systems transformation. They can contribute to national visions by shedding light on the main challenges, opportunities and trade-offs that policymakers and other stakeholders face. They can contribute to improving “agrifood systems thinking” and influence decision-making processes by acting as facilitators in translating TCA results into policy actions or regulatory frameworks of Members.

Objective

The objective of this special event is to provide a platform for FAO Members and other stakeholders to build momentum and inspire all to undertake meaningful actions to scale up TCA to inform the transformation of agrifood systems towards sustainability.

The session aims to present and discuss the results of *the State of Food and Agriculture 2023*, with a focus on Europe and Central Asia, with illustrations from different country groups within the region and from specific countries. To enhance discussion about practical aspects of achieving sustainability and facilitating agriculture and food systems transformation, the session will invite policymakers, experts and other stakeholders to discuss the results of *the State of Food and Agriculture 2023* for the Europe and Central Asia region, highlighting the gaps that may need to be filled through phase-two assessments led by countries based on their policy priorities and commitments. An open discussion with the audience and participating country representatives will focus on sharing views on how national data can be leveraged to conduct the phase-two assessments. The session aims at engaging government representatives in dialogue and collecting their feedback to inform the momentum FAO has been building on the use of TCA to support country-level dialogues and decision-making processes on agrifood systems transformation.

Guiding questions

- How can we link FAO’s work on TCA and the case studies with broader national and regional strategies for agrifood systems transformation?
- How can we leverage TCA in data scarcity contexts? How can data gaps be filled?
- How can we foster the interministerial collaboration essential for a holistic approach to agrifood systems transformation?
- What are the best policy entry points to promote behavioural change towards dietary patterns that are healthy and environmentally friendly?

Key messages and expected outcomes

- Agrifood systems are invaluable to society, but one must also consider their hidden impacts. TCA allows for estimating the hidden costs and benefits of agrifood systems, providing decision-makers with the evidence needed for transformation.
- According to the national-level TCA assessment for 154 countries in *the State of Food and Agriculture 2023*, global quantified hidden costs from agrifood systems are expected at USD 12.3 trillion in 2020 PPP dollars. This figure exceeds USD 3.2 trillion for Europe and

Central Asia (10 percent of the region's GDP), unveiling the urgent need to factor these costs into decision-making.

- These new estimates are the first step in raising awareness and should be followed by the targeted TCA assessments needed to inform decision makers on how to employ levers in the transition towards sustainable agrifood systems.
- The application of TCA assessments is a critical accelerator to support public dialogue and decision makers in choosing effective levers that are locally relevant to transform Members' agrifood systems in a sustainable way, leaving no one behind.

Details

- Format: Hybrid (virtual and in-person attendance)
- Length: 90 minutes
- The event will be organized as a panel discussion. During the session, the floor will be opened to the audience for questions.

Panel members

- Economist, Agrifood Economics and Policy Division (ESA): On the quantification of agrifood systems hidden using TCA, focusing on Europe and Central Asia, with illustrations on specific countries.
Economist, International School of Economics at Tbilisi State University, Georgia: On the plausibility of TCA assessments for the Caucasus region and their potential policy implications.
- Economist, Westminster International University, Uzbekistan: On the plausibility of TCA assessments for Central Asia and their potential policy implications.
- Panel discussion with the government representatives from Georgia, Switzerland, United Kingdom of Great Britain and Northern Ireland and Uzbekistan: On how TCA assessments can support national policy dialogues.

Moderator: Mr Dmitry Zvyagintsev, Policy Officer, FAO Regional Office for Europe and Central Asia

Agenda of the event

Time	Details
15.30–15.45	<i>Opening Remarks</i> Mr Raimund Jehle, Regional Programme Leader, FAO Regional Office for Europe and Central Asia Mr Máximo Torero Cullen, Chief Economist, FAO headquarters
15.45–16.00	<i>Keynote speaker</i> Mr Ahmad Sadiddin, Economist, FAO Agrifood Economics and Policy Division
16.00–16.30	<i>Discussants</i> Economist, International School of Economics at Tbilisi State University, Georgia Economist, Westminster International University, Uzbekistan

16.30–16.55 Panel discussion with government representatives

16.55–17.00 *Closing remarks*

Languages

Interpretation will be provided for the side event in English, French, Russian and Spanish.