



The Financing for Shock-Driven Food Crisis Facility

CONCEPT NOTE

BACKGROUND

The Financing for Shock-Driven Food Crisis (FSFC) Facility is an FAO-led initiative which was designed under the Italian G7 Presidency in 2024, in close collaboration with WFP and United Nations Office for the Coordination of Humanitarian Affairs (OCHA). This Financing Facility aims to bridge the increasing gap between required funding for food crises and early actions needed to prevent them. By focusing on anticipatory financing and actions, the FSFC enables a faster response using scientific triggers and pre-established action plans. The facility seeks to shift from costly emergency funding to a cost-effective, proactive approach by leveraging insurance companies and blended financing to mitigate extreme shocks and crises before they escalate into severe food insecurity.

*The Financing for Shock-Driven Food Crisis (FSFC) Facility is a **global effort aimed at providing anticipatory action and rapid-response financing in anticipation of high levels of acute food insecurity in countries**, designed with the explicit goal of preventing escalation to **save lives and donor resources**.*

To enhance its effectiveness, the FSFC uses insurance and blended financing to address extreme shocks before they escalate, by integrating early warning systems with real-time data and advanced forecasting, ensuring funds are quickly disbursed when risks are detected. Covering 12 major risks, including climatic events, pandemics, locust outbreaks, economic shocks, and conflict, the facility mobilizes public and private resources to finance Anticipatory Action (AA) and Rapid Response (RR) programmes. It also provides financial coverage for previously uninsurable shocks and complements existing frameworks like OCHA's Central Emergency Response Fund, addressing gaps in hazard and geographic coverage.

The Facility is using FAO's robust analytics to forecast spikes in acute food insecurity that will result from extreme events (either in isolation or in combination) and responds with financing, triggered by both forecast products and real-time products tailored to exposure and financial needs. By developing in-depth knowledge of where and how much a single or set of extreme events have the potential to increase acute food insecurity, the FSFC can strategically organize and allocate financing for AA and RR programmes.

The Financing for Shock-Driven Food Crisis Facility was officially endorsed by G7 Leaders in June 2024, indicated in the Leaders' declaration, and further supported by G7 Development Ministers in October 2024.



Food and Agriculture Organization of the United Nations

The Financing for Shock-Driven Food Crisis Facility represents a sustainable, commercially driven initiative designed to protect vulnerable populations and enhance global food security and nutrition efforts.

Integrated Situation Room

A key component of the FCFC initiative is establishing the first integrated Situation Room housed at FAO headquarters that will offer real-time monitoring of food insecurity risks, facilitating early detection, warning and response. The FAO Situation Room will provide an open and transparent platform for Members and partners displaying data to support effective decision-making, anticipatory actions and rapid response.

By connecting anticipatory action and rapid response systems with the humanitarian and development communities and public systems, the situation room aims to facilitate the rapid disbursement of resources to suitable responders, preventing food crises and mitigating the impact of simultaneous shocks and crises on affected populations.

Governance and Financing

The FSFC is seeking an initial US\$100 million for its setup and activation. Around 50 percent of this amount will be used as a cash reserve to address frequent events, filling gaps in Anticipatory Actions. The other half will be allocated to purchasing reinsurance, providing leverage and surge financing for escalating food crises.

By leveraging public and private capital, this funding could generate benefits nearing US\$1 billion, though it only partially addresses the current critical gap of US\$20 to US\$30 billion. Research indicates that Anticipatory Action yields benefit at a 7 to 1 ratio, while rapid response can achieve a 5 to 1 ratio. FSFC's blended financing approach and solutions, combining catastrophic insurance with accelerated AA and RR, aims to reach benefit-cost ratios of 10 to 1 or higher.

To meet its goals, the FCFC will establish a proactive and transparent governance system designed to make informed decisions and quickly activate necessary channels. The governance structure will feature a steering committee and an expert committee. The steering committee will include both voting and non-voting members. The expert committee will comprise reputable and independent experts, responsible for managing cash resources to enable rapid and early action. This dual-committee system ensures that the FCFC can efficiently provide surge financing through the insurance and reinsurance markets while maintaining accountability and transparency in its operations.



Agenda – 1 July 2025 at 12.30 hours

90'	Session	Speakers (to be confirmed)
7'	High-Level Opening Remarks	Mr QU Dongyu, Director-General, FAO
30'	FSFC Technical Presentation	<ul style="list-style-type: none">• Mr Máximo Torero, Chief Economist, FAO• Mr Jerry Skees, Director, Global Centre on Disaster Risk and Poverty• Mr Michael Roth, Public Sector Practice Lead, Munich Re
30'	Ministerial Panel Discussion	➤ High-Level Panel Discussion by FAO Members and Partners
15'	Presentation of the FAO Situation Room	<ul style="list-style-type: none">• Mr Karl Morteo, Senior Information Technology Officer, FAO
8'	High-Level Closing	By the Republic of Italy