

AID FOR NUTRITION

Mobilizing Innovative Financing for the fight against undernutrition



KEY MESSAGES

- The countries actively involved in the fight against undernutrition, donors and SUN countries, should further investigate innovative solutions to raise funds. The SUN movement's current work on increasing resource mobilization could be an ideal occasion to integrate innovative financing mechanisms for nutrition as a strategic objective.
- The UK Presidency of G8 2013 and all actors committed to make nutrition a priority should develop innovative financing solutions to provide the scale of funding required to support nutrition, with a specific focus on acute malnutrition interventions.
- The terms of reference of the new "*Innovative Facility for Agriculture, Food Security and Nutrition*" should take into account nutrition issues and create the conditions for the design and operationalization of innovative financing mechanisms for specific nutrition interventions.
- Governments that are planning to set up FTTs in 2013 must increase their contribution to development and integrate nutrition as a priority sector.

I. MAKING THE CASE FOR INNOVATIVE FINANCING FOR NUTRITION

1. WHY ARE INNOVATIVE FINANCING MECHANISMS REQUIRED FOR NUTRITION ?

• **Undernutrition keeps killing children**

Undernutrition is a major public health challenge in developing countries. In 2011, 165 million children under the age of five in the world were suffering from chronic undernutrition (over 90% in Africa and Asia) and 52 million from acute malnutrition (or wasting, the most severe form of undernutrition) with an increased risk of mortality¹. Undernutrition² can lead to the onset of many illnesses (diarrhea, pneumonia ...) and increases their severity³. Severe acute malnutrition is directly responsible for the death of one million children every year and undernutrition as a whole is the underlying cause of more than 35% of deaths of children under the age of five⁴.

• **Effective solutions are well-known as well as their cost**

Effective interventions for combating undernutrition are well-known. In 2008 the medical journal of reference *The Lancet* identified 13 key direct nutritional interventions that would yield significant results if implemented⁵. These specific nutritional interventions promote practices to improve nutrition (breastfeeding, progressive and appropriate complementary feeding, hand washing), to reduce deficiencies in essential micronutrients in high risk populations (vitamin A supplements, therapeutic zinc, iron and folic acid, iron fortification of staple foods, etc.) or to prevent and treat moderately malnourished children from the age of 6 to 23 months with the help of complementary feeding and treat severe acute malnutrition through therapeutic feeding (children between the ages of 6 and 59 months). According to the World Bank, implementing these direct interventions in the 36 countries most severely affected by undernutrition requires an additional annual investment of USD 11.8 billion⁶.

These direct interventions were the basis for the launch of the Scaling-up Nutrition Movement (SUN) in September 2010. To date, the SUN brings together approximately 30 countries determined to increase their efforts in the fight against the undernutrition affecting their populations. These countries are supported by about 100 partners (donors, United Nations organizations, international NGOs, civil society, private sector). SUN members aim to scale up specific nutritional interventions with proven effectiveness, implement sector-specific strategies contributing to nutrition (that is to say, meeting the nutritional needs of individuals, households and communities) and improving the effectiveness of existing programs to serve national priorities.

• **Investing in the fight against undernutrition is efficient and cost-effective**

In addition to its human cost, undernutrition has a considerable economic cost, both individual and collective. Undernutrition damages physical and cognitive development, which has negative consequences for an individual's education, employment and income level.⁷ At the national level, it is estimated that some countries may lose up to 3% of gross domestic product per year from the effects of undernutrition on productivity.⁸

1 - UNICEF-WHO-World Bank (2012) "Joint Child Malnutrition Estimates"

2 - It includes underweight (weight / age), stunting (chronic undernutrition - height / age), acute malnutrition (wasting - low weight / height) and deficiencies in vitamins and minerals.

3 - DFID (2012) An update of 'The Neglected Crisis of Undernutrition: Evidence for Action'

4 - European commission (2011) "Addressing Undernutrition in External Assistance"

5 - The Lancet (2008), "The Lancet's Series on Maternal and Child Under-nutrition"

6 - World Bank (2012), Horton et al. "What will it cost?"

7 - Hoddinott, J., J. Maluccio, J. Behrman, R. Martorell, P. Melgar, A. Quisumbing, M. Ramirez Zea, A. Stein, and K. Yount (2011), "The consequences of early childhood growth failure over the life course", Mimeo, International Food Policy Research Institute, Washington, DC.

8 - Ibid

Conversely, investing in nutrition generates gains: even in very poor countries and based on conservative assumptions, every dollar spent to reduce chronic malnutrition saves at least 30 dollars.⁹ Thus, interventions aiming at directly combating child undernutrition have been recognized as the most effective and efficient development actions by the 'Copenhagen Consensus' in 2008 and in 2012¹⁰, which stressed the importance of these measures in the areas of health and education.

- **Current funding for undernutrition is insufficient**

Despite the demonstrated effectiveness and economic efficiency of nutritional interventions, the funds currently mobilized to implement them are insignificant. Action Against Hunger (ACF) and the Institute of Development Studies (IDS) carried out an initial study in 2012 analyzing not only the volume but also the transparency, quality and effectiveness of nutrition funding ("Aid for Nutrition - Can investments to scale up nutrition actions be accurately tracked?")¹¹, which emphasized the weakness of these flows and very serious deficiencies in the reports of several donors, making it almost impossible to monitor nutrition aid flows.

The research estimated that, between 2005 and 2009, the total share of official development assistance (ODA) for nutrition amounted to 0.6% (or USD 438 million on average per year between 2005 and 2009, of which only 73 million to fund direct interventions and 365 million for indirect interventions). In addition, 11% of the amounts have been pledged but not actually disbursed.¹² The increasing budgetary constraints in most donor states do not bode well for future ODA flows. Finally, the recently published 2012-2015 SUN strategy stresses the need to raise additional funds to ensure that the movement achieves its objectives and can meet the needs of the countries.¹³

The funding currently available for the fight against undernutrition (Official Development Assistance-ODA and national resources) is too low. The States most affected by undernutrition will not be able to bear the burden of the required investment alone, since their national resources are often too small to face the challenge. Indeed, the second phase of the research conducted by ACF and the Institute of Development Studies (IDS) demonstrated that the poorest countries are also those with the highest rates of undernutrition and would therefore bear the highest costs to scale-up nutrition interventions.¹⁴

- **Innovative financing mechanisms for nutrition will raise new resources and improve aid effectiveness**

Considering these challenges, new sources of funding must be urgently mobilized for the fight against undernutrition. Innovative financing is inherently stable and predictable, complementary to traditional ODA and must ensure that sectors and activities which have benefited the most from globalization participate in building international solidarity.¹⁵ They give rise to new partnerships (between North and South, between States, NGOs and international organizations, between the public and private sectors) with the support of civil society. These mechanisms and partnerships enhance requirements for aid effectiveness and results-based management, as illustrated by the example of nutritional impact bonds described below, where the volume of funds invested in a program is proportional to the effectiveness of the program. Finally, innovative financing mechanisms optimize transparency and visibility, which ensures their sustainability.

9 - IFPRI (2012), Hoddinott J., Rosegrant M. et Torero M. "Investments to reduce hunger and undernutrition", Paper prepared for 2012 Global Copenhagen Consensus. According to the authors' calculations and using the most conservative assumptions, an investment of one dollar in reducing chronic malnutrition yields a return of 29.5 dollars in Ethiopia and up to 87.5 dollars in India (taking into account the initial differences between income levels and growth forecasts).

10 - Vitamin A and zinc supplements for children were ranked as the most efficient interventions in 2008. In 2012, combined nutritional interventions (specifically the provision of micronutrient food supplements, treatment for worms and diarrheal diseases and behavioral change programs)

11 - http://www.actioncontrelafaim.org/sites/default/files/articles/fichier/publication_advocacy_aidfornutrition.pdf

12 - Ibid

13 - SUN (2012), "Scaling Up Nutrition (SUN) Movement Strategy [2012-2015]"

14 - Action against Hunger and IDS (2012), "Aid for Nutrition Phase 2- Using innovative financing to end undernutrition" http://www.actioncontrelafaim.org/sites/default/files/publications/fichiers/acf_phase2_online_version.pdf (en anglais)

15 - Leading Group on Innovative Financing for Development, "6th Plenary Meeting - Final Conclusions of the French Presidency" mai 2009, sur http://www.leadinggroup.org/IMG/pdf_VERSION_DEF_FR.pdf

2. INTEGRATING NUTRITION AS A CRITICAL ELEMENT IN INNOVATIVE FINANCING DISCUSSIONS

• The recent development of innovative financing initiatives

Since the Monterrey Conference in 2002 where the concept of “innovative financing” first became part of the international debate, the idea has quickly gained in popularity. In 2006, plane ticket contributions for UNITAID were implemented by Brazil, Chile, France, Norway and the United Kingdom, creating an exemplary precedent. Two new financing mechanisms were initiated a few months later. First, the International Finance Facility for Immunization (IFFIm) enabled, through the GAVI funds, four billion dollars to be borrowed in the financial markets to fund immunization programs in the 70 poorest countries in the world between 2006 and 2015. The second was the “future purchases guarantees” (or Advanced Market Commitments - AMC) for antipneumococcal vaccine, based on prior commitments, legally binding, to purchase vaccines according to predefined conditions and to encourage suppliers to develop and manufacture suitable products.

In 2006, the Leading Group on Innovative Financing for Development was created, which is a valuable platform for discussion, exchange of information and promotion of innovative financing. In 2008, the Doha Declaration on Financing for Development urged the international community to strengthen existing initiatives and explore new ways for innovative financing.¹⁶ At the G20 Summit in Cannes in November 2011, Bill Gates gave the leaders a report presenting several mechanisms and their potential for development.¹⁷ This report was optimistic: “The group of countries able to contribute resources to development is larger than ever before. The number of people who can spur innovations is much greater than in the past. For these reasons, I am convinced we can create a new era in development.”¹⁸ In the final declaration, the G20 recognized that new sources of funding could be found to address development needs.¹⁹

A large number of studies has been devoted to innovative financing initiatives to identify existing initiatives and possible mechanisms, study their feasibility and estimate their collection potential.²⁰ The health and environment sectors are the two areas which have benefited the most from innovative financing. The 2008 food crisis highlighted the urgent need to invest in food security and agriculture²¹. However, nutrition is a forgotten sector: despite the magnitude of the needs, very few efforts have focused on nutrition and no innovative financing mechanisms have been found yet.

• The Task Force on Innovative Financing for Agriculture, Food Security and Nutrition

Established at the 9th plenary session of the Leading Group on Innovative Financing in June 2011 in Bamako, the Task Force on Agriculture, Food Security and Nutrition was intended to address the missing subject of nutrition in the debate on innovative financing as well and to “propose innovative financing for increasing resources for food security, nutrition and the sustainable development of agriculture, in other words, to substantially reduce the number of people suffering from hunger and malnutrition, in accordance with the Millennium Development Goals.”²² With the support of an international committee of high-level experts, this Task Force was supposed to tackle possible innovative mechanisms for financing agriculture, food security and nutrition. However, the group’s work and final report mainly focused on the agricultural sector with few ideas on financing nutrition interventions. The working group’s main recommendation was to create a catalytic fund to stimulate private investment in agriculture, targeting small producers and food crops to improve food security for households and populations. Nutrition was, once again, left out of the process.

16 - http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf

17 - Bill Gates (2011), “Innovation With Impact : Financing 21st Century Development”, rapport au G20

18 - <http://www.thegatesnotes.com/Topics/Development/G20-Report-Innovation-with-Impact/>

19 - <http://www.g20-g8.com/g8-g20/g20/francais/pour-la-presse/communiqués-de-presse/declaration-finale-du-sommet-de-cannes.1561.html>

20 - Nations-Unies (2010), The I-8 Group Leading Innovative Financing for Equity [L.I.F.E.], “Innovative Financing for Development”; Nations-Unies (2012), “World Economic and Social Survey 2012 - In Search of New Development Finance”; World Bank (2012), “Innovative Finance For Development Solutions - Initiatives Of The World Bank Group”; etc.

21 - The report from Bill Gates at the G20 (2011) proposes, for example, that funding mechanisms finance research and development efforts in agriculture at up to 5 billion U.S. dollars

22 - Terms of reference of the Working Group on Agriculture, Food Security and Nutrition

- **Innovative approaches involving the private sector**

Several recent initiatives have involved the private sector to develop agricultural and food products with nutritional supplements. These include for example the HarvestPlus initiative for biofortification of seeds²³ and the Global Alliance for Improved Nutrition (GAIN) for food fortification.²⁴ These initiatives rely on public-private partnerships that aim to develop biofortified seeds, fortified foods and supplements. However, these initiatives do not guarantee economic access of the most vulnerable populations to a more nutritious diet.

- **Would the UK Presidency of G8 2013 be an opportunity to innovative financing for nutrition?**

The Hunger Summit held in London concurrently to the Olympic Games in August 2012 was an opportunity for the United Kingdom and several other countries to highlight the fight against undernutrition and their willingness to make quick and significant progress in this area. The British commitment to assist 20 million children and pregnant women at risk of undernutrition between 2011 and 2015 was quickly followed by the involvement of the European Commission in directly supporting 7 million children affected by undernutrition by 2015²⁵, thus demonstrating the political will to make progress on this issue. The next G8 summit in the United Kingdom in 2013 must mobilize all countries involved in the fight against undernutrition in order to achieve real progress and actually identify and support the development of innovative financing mechanisms for nutrition. This is one of the specific objective of the work recently undertaken within the SUN donor Network.

II. SELECTING UNDERNUTRITION INNOVATIVE FINANCING OPTIONS

1. ASSESSMENT EXERCISE OF FIVE INNOVATIVE FINANCING MECHANISMS FOR NUTRITION

Donors and governments mobilized within the SUN movement²⁶ have committed to increase their funding for direct interventions in nutrition.

ACF and the Institute of Development Studies (IDS) have published a second study to quantify the investments needed over the next ten years and meet the goals of the SUN movement. The research looked at several scenarios to assess the extent to which these investments can be supported by the countries affected by undernutrition and by the donors. However, the scale of investment required and the current global economic crisis make the use of new sources of funding critical.

Faced with the urgent need to fight undernutrition, designing and implementing innovative financing mechanisms specifically dedicated to the struggle against this scourge should be promoted. Identifying these mechanisms not only requires innovation or even creativity, but also a real political will.

ACF and IDS explored different innovative financing mechanisms for collecting the additional resources needed for nutrition.²⁷ Some are very promising but still need to be further developed. Indeed, in order to assess whether mechanisms are worth implementing, it is critical to evaluate their potential and added value. ACF has selected the following four criteria to analyze various financing mechanisms which are worth to be considered to bridge the gap between what is currently available for the fight against undernutrition and what is needed.


23 - <http://www.harvestplus.org/>

24 - <http://www.gainhealth.org/>

25 - Or 10% of the overall objective of the World Health Organization (WHO).

26 - For a total of 30 states : Bangladesh, Benin, Burkina Faso, Burundi, Ethiopia, Gambia, Ghana, Guatamala, Haiti, , Kenya, Kirghizstan, Laos, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Nepal, Niger, Nigeria, Peru, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, a, Zimbabwe.

27 - http://www.actionagainsthunger.org.uk/fileadmin/contribution/pdf/ACF_Aid%20for%20Nutrition_Using%20Innovative%20Financing%20to%20End%20Undernutrition.pdf



Additionality: This criterion refers to the mechanism ability to collect additional resources, compared to traditional ODA.

Predictability: The resources allocated to nutrition programmes must be predictable and stable to ensure the sustainability and continuity of interventions.

Feasibility: This criterion refers to the political feasibility of implementing mechanisms, both at national and international levels. It is assessed in relation to any legal, economic, institutional or other hurdles...

Economic efficiency: The mechanism efficiency is estimated through its effect on the collection system and aims at mitigating potential economic crises.

Nutrition results-oriented: This criterion is about linking funds to results with three dimensions. First, it refers to a mechanism which allow to focus on nutrition from the conception to the implementation and then maximize the impact. Secondly, it will ensure that a direct and visible link exists between the new sources of finance and the programmes to which they are allocated. Thirdly, this criterion also promotes mechanisms that do not compete with other sectors in the use of resources for nutrition.

For this analysis, we would refer to two broad categories of mechanisms: innovative mechanisms based on ODA and mechanisms that are based on markets and voluntary contributions. Our objective here is not to choose or identify a mechanism, but rather to assess the following five mechanisms by using a set of criteria, in order to foster further research and finally decision making for nutrition investment.

- Nutritional impact bonds
- Matched funds
- Financial transactions tax
- HFSS (high fat, sugar, salt content) tax
- Lottery

• **Nutritional impact bonds**

Principle: Nutritional impact bonds are a variation of “Development Impact Bonds” (DIBs), a results-based mechanism through which private investors participate (partially or totally) in financing certain services that have a high social impact. The principle is as follows: a government wants to achieve a specific quantifiable objective (i.e. reduction of the rate of acute malnutrition or micronutrient deficiency in a population) through the implementation of interventions that are known to be efficient. The government issues bonds, which are purchased by private investors. The money collected will be invested to implement the program by a service provider. Investors make the upfront investment and are paid according to the results obtained by the program. Payment is made by the government benefitting from the program and/or the donor states, international organizations or foundations involved in the initiative.

The main advantage of the mechanism is to combine payment and results, which provides a strong incentive to maximize impact of the programs and improve cost-effectiveness.

Application: This instrument is based on the “Social Impact Bonds” (SIBs), developed by Social Finance²⁸ and the UK Ministry of Justice to fund various social programs targeting former prisoners. Launched in September 2010, “Social Impact Bonds” have collected 5 million pounds from 17 social investors for programs benefitting 3000 people.

Social Finance and the Center for Global Development have also studied how SIBs can be used to finance family planning services in developing countries, based on the fact that funding in this area has decreased over the past twenty years and the gap between needs and available resources continues to grow.²⁹ The inadequacy and unpredictability of funding, lack of attention to the quality of services and marginalized communities, as well as the lack of coordination and flexibility in implementation are the problems that SIBs could solve.

Canada promotes the use of SIBs to finance innovation and the scaling-up of solutions to deal with major

28 - <http://www.socialfinance.org.uk/>

29 - Social Finance et center for Global development (18 May 2012), “Family planning development impact bond - Initial scoping report to DFID” <http://www.dfid.gov.uk/Documents/publications1/Family-Planning-Dev-Impact-Bonds-Scoping.pdf>

problems in developing countries, particularly in the field of health (“Grand Challenges Canada” initiative³⁰). Several other development finance institutions, including the Inter American Development Bank and the Asian Development Bank, are also interested in the mechanism.

Applied to the field of nutrition, the bonds may be used, for example, to finance the implementation of Vitamin A supplementation programs (research has shown that when a population is at risk of vitamin A deficiency, supplements reduced the mortality of children aged six months to five years on average by 23% and the risk of blindness by 70%³¹) with the objective of reducing the deficiency rate in a given population. The design and implementation of the program are entrusted to a service provider who is encouraged to develop an innovative and effective approach. Programs could also consist of setting up school cafeterias, providing therapeutic zinc, iron and folic acid supplements for pregnant women, removing parasites from children, promoting good hygiene and health practices such as hand washing, or providing iron fortification of staple foods and iodized salt.

Estimated collection potential: The collection potential is high and will depend on the willingness of donors’ commitment. The mechanism is attractive for private investors as the bond yields are comparable to the market and guaranteed by donors.³²

Criteria:

ADDITIONALITY	No. Aid-concentration mechanism ("up-front loading") which can mobilize funds faster and generates leverage.
PREDICTABILITY	Optimal because the mechanism is based on long-term donor commitment
FEASIBILITY	The mechanism can easily be developed at the national level but requires a long-term donor commitment.
ECONOMIC EFFICIENCY	High: donors (States, international organizations, foundations) pay only for successful interventions, as the risk is transferred to investors. It is also a mechanism that improves coordination between governments, donors, service providers and private investors.
NUTRITION RESULTS-ORIENTED	Nutritional Impact Bonds improve the effectiveness of funds invested and promotes results-based approaches: high impact if the results are well defined. There is no competition with other uses because the DIBs are issued to finance a program with fixed objectives.

• Matched funds

Principle: “Matched funds” are used to double the sums committed to a given objective by others who wish to support this commitment. They can be created by donor states, foundations, etc.

Application: “Matched funds” for nutrition may be created by donors and other actors involved in the fight against undernutrition in order to support the implementation of the action plans developed by SUN countries. Every dollar spent by a country would be matched by the donors. This would encourage countries to increase their investments and would be consistent with the SUN strategy requiring partners to align themselves with the countries’ plans and to commit to increasing investment in nutrition³³. For governments involved, compliance with the principles of financial transparency and good governance of public funds is a prerequisite, as it determines the efficient use of the resources and thus the success of the mechanism.

Estimated collection potential: It depends on the commitment of the matched fund contributors and the capacity of the SUN countries. As outlined in the 2012-2015 strategy of the SUN Movement: “The capacity of the SUN States to make significant investments and demonstrate the effectiveness of these investments will have a very positive effect on the mobilization of external financing.”³⁴

30 - <http://www.grandchallenges.ca/>

31 - Beaton GH et al (1993), “Effectiveness of vitamin A supplementation in the control of young child morbidity and mortality in developing countries”, United Nations Administrative Committee on Coordination, Sub-committee on Nutrition State-of-the-Art Series: Nutrition Policy Discussion Paper No. 13. Geneva, United Nations, 1993.

32 - In Great Britain, the Social Impact Bonds mechanism helped raise five million pounds.

The World Bank also developed a similar mechanism by issuing green bonds for investors wishing to integrate social and environmental concerns in their investments. Since 2008, these bonds have collected about USD 3 billion (UNDP, 2012, “Innovative Financing for Development: A New Model for Development Finance?” Discussion paper).

33 - http://scalingupnutrition.org/wp-content/uploads/2012/10/SUN-Information-Note-September-2012_FR.pdf

34 - <http://scalingupnutrition.org/wp-content/uploads/2012/10/SUN-MOVEMENT-STRATEGY-FRENCH.pdf>

Criteria:

ADDITIONALITY	Depends on who contributes to the matched funds (states and / or private partners)
PREDICTABILITY	The initial level of collection depends on the commitment of the SUN countries but contributors to the matched funds commit to predefined scales and operating rules, which ensures some predictability
FEASIBILITY	SUN countries have already developed a nutrition action plan and are committed to act, which sets the framework and objectives of the matched funds. The mechanism is flexible: the number of participants (SUN countries and donors) and scales can be freely defined
ECONOMIC EFFICIENCY	Incentive mechanism, which reinforces the strategy and the efforts of the SUN countries (ownership). It helps create new partnerships
NUTRITION RESULTS-ORIENTED	Very high because the funds collected are invested in the implementation of national strategies to fight undernutrition, developed from the analysis of the situation and needs at the country level

• Financial transactions tax

Principle: The financial transactions tax (FTT) is a very small tax levied on the purchase, sale or transfer of the four major categories of financial assets: stocks and bonds, foreign exchange transactions and derivatives. The economic justification for such a tax is recognized. According to the OECD, the measured increase in transaction costs generated by a tax would dampen speculative activities and thus align capital flows with real economic fundamentals, while freeing up new sources of funding for global public goods.³⁵ The idea of an FTT for development has been widely accepted by the international fora (G8, G20, UN, etc.) but has had no effect so far.

Application: Many FTT schemes exist in the world (among G20 members, eleven countries are concerned³⁶). At the European level, in addition to France, which adopted it in August 2012, ten states have expressed interest in the introduction of an FTT (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain, which together represent about 90% of gross domestic product in the Eurozone).³⁷

For now, only France has decided to dedicate a portion of the proceeds from the tax to development. The European Parliament, in a resolution approved on 23 May 2012, is in favor of a European FTT and recommends that the revenues be allocated to the general budget as well as development policies and the fight against climate change.³⁸

It is crucial that the FTTs apply to derivatives markets, given the large volume of trade and the consequences of these transactions. Indeed since the 1990s, the “financialization” of agricultural markets has greatly contributed to increasing price volatility and uncertainty, which derivative contracts on commodities were however supposed to reduce, at the expense of the producers and the consumers, and especially the poorest consumers. In recent years, agricultural commodity markets have become financial investment markets that are particularly vulnerable to high-frequency trading, as two economists from UNCTAD demonstrated.³⁹ The allocation of the FTT proceeds to nutritional programs would raise considerable resources to significantly improve the scaling-up of nutritional interventions in the SUN countries, and to make investments whose effectiveness and efficiency have been established. This would also make those sectors that have benefited the most from globalization contribute to international solidarity.

It is essential that the European states and G20 member states (which in 2011 recognized the need to

35 - OECD (2010), “The parameters of a financial transactions tax and the funding deficit of global public goods by OECD countries, 2010 - 2020”

36 - Including the United Kingdom, South Korea, France, Hong Kong, India, Taiwan, Switzerland and Brazil.

37 - European Parliament, 12 December 2012

<http://www.europarl.europa.eu/news/fr/pressroom/content/20121207IPR04408/html/TTF-le-Parlement-europ%C3%A9en-donne-son-feu-vert-%C3%A0-11-%C3%89tats-membres>

38 - Senate (France), 13 December 2012 : <http://www.senat.fr/rap/a12-150-4/a12-150-444.html>

39 - Munich Personal RePEc Archive (MPRA), David Bicchetti et Nicolas Maystre, United Nations Conference on Trade and Development (UNCTAD), 20 March 2012 “The synchronized and long-lasting structural change on commodity markets: evidence from high frequency data”

find new sources of funding to meet development needs, including a financial transactions tax⁴⁰) mobilize around the adoption of a FTT, applicable to all financial instruments trading on the secondary capital market, including commodities derivatives, to fight undernutrition. By including all categories of financial markets, transactions and products and all players in the market, this tax is economically and legally neutral and has a substantial potential.

Collection potential: Highly variable depending on the base and the rate used for the calculation. To illustrate, a FTT with a broad base (including derivatives markets) and a low rate could help raise nearly 200 billion Euros per year in Europe and 650 billion dollars globally (UNDP, 2012)⁴¹.

Criteria:

ADDITIONALITY	Yes, if tax revenues are extra-budgetary
PREDICTABILITY	Good (possible to define a range of variation)
FEASIBILITY	It already exists in several countries, including the United Kingdom, Taiwan and France. Very high acceptance by the public and a large number of international organizations. Can be adopted in the volunteer states, free to determine the taxation model independently
ECONOMIC EFFICIENCY	For the IMF, the FTTs do not automatically restrict financial activity to an unacceptable level (IMF, 2011) ⁴² ; the success of their implementation depends on the quality of their design (Stamp Out Poverty, 2012). ⁴³ It should also take into account the positive economic effects of the FTT if the proceeds are reinvested in improving nutrition (see the economic yield of investments in nutrition)
NUTRITION RESULTS-ORIENTED	Can be very high given the collection potential of the FTT. However, there is strong competition in the use of resources

• **HFSS (high fat, sugar, salt content) tax**

Principle: A tax on food and beverages high in fat (fat or saturated fat), salt and sugar (“HFSS” products) would raise resources for the fight against undernutrition. The tax serves as a reminder to the citizens of Northern countries about the negative consequences of an overly rich diet on their health.

Application: Various taxes on HFSS products exist in several OECD countries (Hungary, Finland, France, several U.S. states), and others are under consideration in Belgium, Ireland, Romania, Great Britain and Italy.⁴⁴ They concern various products (sweet and salty crackers, prepackaged cakes, soda) and are charged to manufacturers, importers and retailers that provide these products. Taxed products must be carefully targeted (HFSS products that have healthier alternatives) in order to avoid penalizing basic foodstuffs and the poorest of the population. Last November 2012, the phase out of the tax on high-fat products in Denmark just over a year after its introduction proves the importance of limiting the range of products covered by the tax (in this case, all products containing more 2.3% fatty acids were concerned).

The simplest model would be for each volunteer State to select a taxation scheme (targeted products and rates), collect the tax at the national level and allocate the proceeds to programs aiming at fighting malnutrition (both undernutrition in developing countries and over-nutrition in Northern countries). Countries where a tax on HFSS products already exists could decide whether to extend this tax (broadening the tax base and/or increasing the rate) and to reallocate part of the proceeds to nutrition programs in developing countries.

Collection potential: The potential of this type of tax is significant: in Hungary, the tax on certain manufactured products containing a lot of sugar, salt or caffeine (sweet and salty crackers, sodas, prepackaged cakes) introduced in 2011 should bring in 70 million Euros per year. In France, the tax on soft drinks (two cents

40 - Final Declaration of the G20, Paragraph 82, 4 November 2011

<http://www.g20-g8.com/g8-g20/g20/francais/pour-la-presse/communiqués-de-presse/declaration-finale-du-sommet-de-cannes.1561.html>

41 - United Nations Programme for Development / UNDP (2012), “Innovative Financing for Development: A New Model for Development Finance?”, Discussion paper

42 - IMF (2011), “Taxing Financial Transactions: Issues and Evidence”. IMF Working Paper. <http://www.imf.org/external/pubs/ft/wp/2011/wp1154.pdf>

43 - Stamp Out Poverty (2012), “The Financial Transactions Tax: Dispelling Misconceptions”

44 - OECD, 2012, “Obesity update 2012”

per can of 33 cl) came into force in January 2012 and is expected to generate 280 million Euros in annual revenue.

Criteria:

ADDITIONALITY	Yes
PREDICTABILITY	Good (possible to define a range of variation)
FEASIBILITY	Different taxes on HFSS products already exist in several countries Uniform system (within the G20 for example) or coexistence of different national taxes, the proceeds of which are allocated to the fight against undernutrition. Supported by the WHO, the OECD, the Special Rapporteur on the Right to Food at the United Nations.
ECONOMIC EFFICIENCY	Depending on the products targeted
NUTRITION RESULTS-ORIENTED	Positive impact on both forms of mal-nutrition: undernutrition and over-nutrition (overweight and obesity)

• **Lottery**

Principle: A solidarity lottery created in one or more volunteer countries, whose profits would be allocated to the implementation of programs to fight against undernutrition. Players would thus become stakeholders in international solidarity.

Application: According to the Landau Report (2004), the creation of a global lottery can be considered in two different ways: either by passing through the operators already in place in each country (that is to say, organizing the global lottery by coordinating the national lotteries) or by creating a single global operator to which each country would grant an operating license. The first option is easier to set up and it would be easier to adapt the levels of bets and winnings to each country's national purchasing power.

This lottery could first be developed at the European level, on the same model as the transnational lottery, launched in 2004, offered in eleven European countries, with pooling of bets. Winnings could help increase the European budget devoted to funding direct nutrition interventions in humanitarian and non-humanitarian settings, in a more sustainable and predictable way. Other volunteer countries could also set it up to finance projects in nutrition.

Collection potential: The collection capacity of such a mechanism would be considerable. According to estimates by the European Commission⁴⁵, a European lottery alone could bring in 10 billion Euros per year, and a global lottery would bring in 400 billion Euros per year according to the WFP.⁴⁶

Criteria:

ADDITIONALITY	Yes
PREDICTABILITY	Good once the lottery is well-established
FEASIBILITY	Maximum flexibility because the lottery can be established at the national level, through existing operators. The only foreseeable obstacle is the opposition of existing lottery operators, but several examples of solidarity lotteries demonstrate the feasibility of the mechanism.
ECONOMIC EFFICIENCY	No negative effect on the economies of countries introducing the lottery. Maybe a shortfall for existing lottery systems (if extended), but it is also possible that a lottery dedicated to a great cause will attract new players.
NUTRITIONAL IMPACT	Depends on how resources are invested but the mechanism encourages a method of resource management that is focused on results (quantitative and/or qualitative) since the results obtained and their visibility will contribute to the success of the lottery with players

45 - Commission staff working document, avril 2010, "Innovative financing at a global level"

46 - Rapport du Groupe de travail sur les financements innovants pour l'agriculture, la sécurité alimentaire et la nutrition (novembre 2012) Report of the Working Group on Innovative Financing for Agriculture, Food Security and Nutrition (November 2012)

LOTTERY : EXAMPLES

Solidarity lotteries already exist for national causes (in the United Kingdom and the United States⁴⁷) or for international humanitarian causes, such as in Belgium, Switzerland and the Netherlands.

In Belgium, the National Lottery supports humanitarian causes by providing annual grants to the General Directorate of Development Cooperation - the federal administration that manages a large part of official Belgian development aid - and the Belgian fund for food security which aims to ensure food security in sub-Saharan Africa currently suffering from chronic food shortages.⁴⁸

The “Postcode Lotteries”, in the Netherlands and Switzerland, have collected more than 3 billion Euros since their inception in 1989. In partnership with the World Food Program (WFP), these lotteries support school cafeteria programs or programs to improve access to primary education, especially for girls, in nomadic food-insecure areas in Niger. They also support other WFP activities, such as grain banks in Niger and “Food for work” projects in Mali.⁴⁹ They also helped raise 4 million Euros in 2012 to benefit the United Nations agency for refugees (UNHCR) to improve education in the refugee camps in Dadaab, Kenya⁵⁰.

2. CONCLUSIONS

Summary of the multi-criteria analysis of various innovative financing mechanisms for nutrition.

	NUTRITIONAL IMPACT BONDS	MATCHED FUNDS	FINANCIAL TRANSACTIONS TAX (including agricultural commodity derivatives)	HFSS TAX (on foods with high fat, salt, sugar content)	SOLIDARITY LOTTERY AGAINST UNDER- NUTRITION
ADDITIONALITY	-	+	++	++	++
PREDICTABILITY	++	+	++	++	+
FEASIBILITY	+	+	+	+	++
ECONOMIC EFFICIENCY	++	++	++	++	+
NUTRITIONAL IMPACT	++	++	+	+	+

47 - The United States, many lotteries help fund education and social services, see eg South Carolina Education Lottery, which has transferred more than USD 297 million for education programs in 2011-2012 (<http://www.sceducationlottery.com/lottery/lottery.aspx>). In the United Kingdom, the Big Lottery Fund (BIG) collects approximately 600 million pounds per year for projects that promote health, education, and the environment. 80 to 90% of the funds are given to voluntary organizations and associations (<http://www.biglotteryfund.org.uk/index/funding-uk/wefunded-uk.htm>)

48 - <http://www.objectifsdumillenaire.be/la-loterie/>

49 - <http://www.wfp.org/about/partners/companies/meet-our-partners/nationale-postcode-loterij-npl-dutch-postcode-lottery>

50 - <http://www.unhcr.org/4f4616c40.html>



III. RECOMMENDATIONS

Innovative financing initiatives have left out the nutrition sector. No recent processes have led to the launch of concrete initiatives for innovative financing in nutrition. Too often the discussion has remained technical, hindering the development of practical mechanisms.

→ **RECOMMANDATION # 1:**

The countries actively involved in the fight against undernutrition, donors and SUN countries, should further investigate innovative solutions to raise funds. The SUN movement's current work on increasing resource mobilization could be an ideal occasion to integrate innovative financing mechanisms for nutrition as a strategic objective.

2013 will be a crucial year for nutrition as many international initiatives and events will occur. The UK Presidency of G8 2013 will be an opportunity for the leaders of the eight most powerful countries in the world to demonstrate their commitment to the fight against undernutrition.

→ **RECOMMANDATION # 2:**

The UK Presidency of G8 2013 and all actors committed to make nutrition a priority should develop innovative financing solutions to provide the scale of funding required to support nutrition, with a specific focus on acute malnutrition interventions .

The first recommendation of the expert report on Innovative financing for agriculture, food security and nutrition calls for the creation of an "Innovative Facility for Agriculture, Food Security and Nutrition" (IFAFSN). According to the report a catalytic fund could stimulate private investment in agriculture, by targeting small producers and food crops in order to improve food security for households and populations.

→ **RECOMMANDATION # 3:**

The terms of reference of the new "Innovative Facility for Agriculture, Food Security and Nutrition" should take into account nutrition issues and create the conditions for the design and operationalization of innovative financing mechanisms for specific nutrition interventions.

Plans for national or regional Financial Transaction Taxes do not provide sufficient funds for development and none for nutrition.

→ **RECOMMANDATION # 4:**

Governments that are planning to set up FTTs in 2013 must increase their contribution to development and integrate nutrition as a priority sector.



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