BRIEF IV

Taking a Food Systems Approach to Policymaking: Costing and Financing

Key Messages

- Policy governance and decision-making costs should be included in budgets to ensure that a food systems approach can be implemented and sustained over time, with appropriate oversight.
- The initial and recurring governance and process costs of a food systems approach to policymaking generally fall into three categories: (1) coordination and knowledge management costs; (2) system and staff capacity-building costs; and (3) evidence generation, advocacy, and dissemination costs.
- Financing for governance and process costs should come primarily from the public sector to help ensure that decision-making bodies remain independent, accountable, and sustainable and that the process is aligned with national priorities. Public-sector financing can also ensure country ownership of institutional knowledge and capacity.
- By bringing together different stakeholders to look at outcomes in an interconnected way, a food systems approach opens new financing opportunities. It may result in more aligned financing or co-financing between government sectors and development partners, greater political visibility and support from influential champions, gender-equitable financing, and better incentives for private sector investment in the food system.
- In the long term, taking a food systems approach will likely increase the cost-effectiveness of policymaking by creating more holistic and sustainable policies that create linkages and increase benefits across sectors.

Overview

Once policy actors decide to take a food systems approach to policymaking, they must consider the costs necessary to develop and adopt policies through it. Including these costs in budgets is essential to ensure that the governance and processes required for taking a food systems approach can be implemented and sustained over time, with appropriate oversight. Yet governments commonly fail to account for these costs. A review of 26 national multisectoral nutrition plans from 2014 to 2020 found that only 50 percent of plans estimated costs for governance or coordination bodies and activities, "despite almost all of the plans noting that they would be put in place." [1]

This brief first explores the governance and process costs associated with setting up and carrying out a food systems approach to policymaking. It then discusses the potential impacts of a food systems approach on financing for both these governance and process costs as well as the costs of policy implementation through public-sector, development-partner, and private-sector financing.

Potential Governance and Process Costs

Developing policies with a food systems approach involves initial, one-time costs to set up the necessary governance and processes as well as recurring costs related to generating and developing specific food system policies. These initial and recurring costs generally fall into three categories:[2]

Coordination and knowledge management costs

Taking a food systems approach requires regularly engaging stakeholders across different sectors, government institutions and offices, and nongovernment actors (see Briefs II and III in this series, "Managing Stakeholders and Identifying Policy Entry Points" and "Developing a Shared Agenda"). This category of expenditures thus includes the costs of identifying and convening these actors and defining the level, frequency, and process of coordination (including systems for conflict management). Examples include the costs of setting up new coordinating bodies at national and/or subnational levels and planning for regular meetings, including booking a venue, providing meeting materials, and travel and per diem expenses for meeting attendees. This cost category also includes processes for communicating and sharing information among relevant stakeholders, which may include personnel to capture, curate, and share information across participating stakeholders and an information management system to organize it.

System and staff capacity-building costs

Facilitating the transition to a food systems approach will involve costs to build system and staff capacity at all relevant levels. These costs include training staff to understand the food systems approach, to consult with different sectors, and to create gender-aware systems to facilitate the transition (see Box 1, page 3). Staff may need to be trained and sensitized in new communication, information, accountability, monitoring, and coordination systems.

One initial cost may involve conducting a needs assessment at the outset to identify the capacity that a food systems approach requires and the gaps in the existing system that need to be filled. Additional costs will depend on the results of the initial needs assessment but may include strengthening capacity for budgeting, resource tracking, and monitoring and evaluation at all levels to support policy implementation. Recurring costs may include conducting additional needs assessments for specific policies being developed and training staff on how to collect gender-disaggregated data or data on indicators to support the policies created through the approach.

Evidence generation and advocacy costs

Evidence generation and advocacy costs can be incurred in two stages: First, initial costs arise from policy actors' work to generate, synthesize, and communicate evidence about the importance of taking a food systems approach in order to generate buy-in and motivate other policy actors to participate (see Briefs I and II in this series, "What, How, and Why" and "Managing Stakeholders and Identifying Policy Entry Points"). This advocacy can help encourage horizontal coordination across sectors and vertical coordination across levels of government (see Brief III in this series, "Developing a Shared Agenda"). It may require piloting new studies or surveys to demonstrate the prevalence of malnutrition (or other relevant indicators), the interconnections between food systems challenges (such as malnutrition, farmer poverty, gender inequality) that cross sectors and policy areas. Second, recurring costs stem from the need to analyze the food system in order to identify entry points for action (see Brief II) and to review the evidence to inform specific new food or nutrition-related policies through a food systems approach.

Potential Impacts of a Food Systems Approach on Financing

A food systems approach can open up new financing opportunities by bringing together different stakeholders to look at outcomes in an interconnected way.[I] Financing considerations relate to the financing of governance and process costs (described in the previous section) and policy implementation costs.[II] These two cost areas require different amounts of finance and involvement from different actors, but they can generally draw on three potential sources of financing the public sector, development-partners, and the private-sector. Governance and process costs should be financed primarily by the public sector to help ensure that decision-making bodies remain independent, accountable, and sustainable and that the process has country ownership and is aligned with national priorities. Public-sector financing can also ensure country ownership of institutional knowledge and capacity. Development partners can provide valuable financing for capacity building, training, and the costs of generating evidence (such as collecting data or conducting surveys to inform policy design). The private sector is not well suited to financing governance and process costs, given the significant risks of conflict of interest.

Policy implementation costs may be financed by the public sector, development partners, or the private sector, depending on the type of costs and policy. However, public-sector financing is always critical for developing the regulatory and enabling environment that will incentivize the private sector to invest in a way that is aligned with the objectives of the food systems approach.

[I] This brief does not address general financing for food systems policies, which is context and sector specific and requires more specialized consideration.

[II] We expect governance and process costs to be much lower than policy implementation costs but cannot detail the policy implementation costs in this brief because they are highly dependent on policy area and context.

BOX 1

GENDER-RESPONSIVE BUDGETING FOR EQUITABLE FINANCE

A food systems approach allows policymakers to assess the equity effects of financing. Assessing equity requires disaggregated data and a keen view of the needs of various groups.[3] Gender-responsive budgeting, for example, analyzes the potential impact of budgeting decisions on women and vulnerable groups, as well as the norms and roles associated with them. It considers how money is raised and spent to ensure that the budget benefits people of all genders and social groups.

Existing tools to support gender-sensitive budgeting can be modified and applied to financing for food systems (see *Engendering Budgets* for examples of gender-responsive budgets).[4] According to Oxfam's 2018 *Guide to Gender-Responsive Budgeting*, to pursue a gender-equitable distribution of resources, policymakers should think about, among other things, how money is raised; how money is spent; whether spending is sufficient to meet the practical and strategic needs of men, women, girls, and boys; and how decisions on raising and spending money affect unpaid care work and subsistence work.[5] Oxfam's 2018 guide also articulates the actions that different actors can take to promote gender-responsive budgeting at different stages of the typical budget cycle.

The rest of this section considers how taking a food systems approach to policymaking may impact the funding available for policy implementation by giving examples of financing sources, drawing lessons from country examples and global reports. It is meant to be illustrative rather than comprehensive.

Potential impacts on public-sector financing

Taking a food systems approach to policymaking presents several opportunities for public-sector financing for food and nutrition-related policies, including the following:

- **Greater alignment of financing:** A food systems approach aims to ensure that government policies and public-sector financing are aligned with a range of food systems goals—including diets and nutrition—rather than siloed by sector. A Common Results Framework (CRF) can be a useful tool to incentivize and formalize alignment of policies and financing from different sectors and avoid mutually conflicting policies within or across sectors (see Brief III, "Developing a Shared Agenda").
- **Increased political visibility:** Improved alignment of priorities and investments and greater awareness of different financing arrangements should raise political visibility. This visibility could present opportunities to tap into new resources (e.g., making climate finance work for agriculture and nutrition, or agriculture finance work for climate) and to attract support from champions and influential stakeholders from different sectors who can help generate more support and financing to a cause (see Brief II).
- **Increased resources:** A food systems approach may lead to increased resources for diets and nutrition by (1) reallocating resources away from siloed policies (e.g., some agricultural subsidies) toward policies that maximize benefits and minimize risks across multiple dimensions and are more effective and efficient as a result; (2) mobilizing resources from sources (e.g., climate) that share a common interest with diet and nutrition, and (3) increasing the willingness of the Ministry of Finance or line ministries to increase allocations given the multiple benefits of policies taking a food systems approach.

The adoption of a food systems approach to policymaking could affect modalities of public sector financing in several ways, including the following:

PARALLEL FINANCING

Parallel financing means that different sectors, or subsectors, finance their activities independently, or in parallel with each other. It is generally the default financing modality for government ministries and their agencies. Adopting a food systems approach to policymaking is unlikely to change this but would allow this parallel financing to be more aligned with a broader and more coherent set of policy goals than each line ministry would have on its own. This may ultimately increase the resources invested in a particular food- or nutrition-related outcome.

CO-FINANCING

Co-financing—when different sectors or budget holders pool their funds to support interventions or investments that advance their respective objectives—can help achieve the most beneficial outcomes across sectors by optimizing how existing resources are allocated between sectors. Because of its focus on aligning sector objectives and the multiple impacts of policies, a food systems approach can create many opportunities for co-financing. Policy actors may refer to the United Nations Development Programme's guidance note *Financing across Sectors for Sustainable Development* for more information and practical steps.[6]

Potential impacts on development partner financing

Development partners provide financing in many areas that impact food systems (including agriculture, health, and climate), but their funding, like government funding, is often siloed. It is important to include development partners in the policy dialogue and process conversations to make sure their funding is aligned with the food systems approach and national priorities. They can help governments fill some funding gaps and work across sectors. Countries should expect that donors use country-owned Common Results Frameworks to design and plan their activities to ensure that they align with the country's priorities.

Because official development assistance should be aligned with government priorities and, preferably, channeled through government budgets, the impact of taking a food systems approach on development partner financing should be similar to the impacts on public-sector finance. Specifically, it is likely to increase alignment, visibility, and financing flows and may lead to donors supporting more projects or policies with benefits for diets and nutrition.

Taking a food systems approach may create more opportunities for donors to fund policies through existing modalities, including the following:

PARALLEL FINANCING

As in public sector financing, adopting a food systems approach to policymaking may allow the public-sector to better align funding from development partners, potentially increasing its impact on shared outcomes and priorities.

BUDGET SUPPORT

Increased coordination between stakeholders through a food systems approach could incentivize donors to contribute more budget support rather than funding vertical or parallel programs or channeling funding directly to implementing partners. Budget support from donors goes directly to the public sector to be allocated to sector budgets. The government can ensure that resources are spent in line with national priorities, are gender-responsive, and support multisectoral processes.

Potential impacts on private-sector financing

In most places, the food that people eat is produced, transformed, transported, and sold by the private sector. To improve the enabling environment for responsible private investment in food systems, the public sector can strengthen institutions and improve infrastructure and the regulatory environment. At the same time, it can create incentives for the private sector to invest in the food system in ways that align with a country's food system priorities (see Box 2, page 7).

A food systems approach to the design of private-sector incentives can help identify the costs and benefits of different incentives and help ensure that coordination bodies and conversations include civil society, the private sector, and community members affected by the investments. Implementing these incentives for private-sector investment will require access to information, strong multisectoral collaboration, clearly defined roles and responsibilities to address potential issues, and a robust monitoring and evaluation system (see Brief III in this series, "Developing a Shared Agenda").

BOX 2

INCENTIVIZING PRIVATE-SECTOR INVESTMENT FOR IMPROVED DIET AND NUTRITION OUTCOMES

The government can use a food systems approach to develop incentives for new or expanded private investment that promotes the public sector's food system goals. For guidance on designing responsible investment incentives, policy actors can look to the *Principles for Responsible Investment in Agriculture and Food Systems*.[7] Taking a food systems approach to develop these incentives should lead to a stronger design and ensure greater buy-in from key stakeholders. Incentives can take several forms:[8]

- **Financial incentives:** Financial incentives include grants, cash, input subsidies, concessional and non-concessional loans and credit, loan guarantees, market price support, income support, and concessional insurance. These incentives can provide support to groups that may have limited access to market financial services, including women, youth, and small-scale producers. For example, a program in Tunisia provides low-interest loans to young agri-entrepreneurs to acquire and develop land.[9] However, financial incentives can also create market distortions.
- **Technical and business support incentives:** Technical and business support incentives include technical services and information, technological packages combining inputs with training, research and development services, extension and support services, and facilitation services, like support obtaining work permits. These incentives help reduce information gaps between the government and potential investors and can help disseminate important knowledge and ideas from agricultural research stations and institutes. In Senegal, for example, the Model for Youth Integration into Agriculture program offers comprehensive incubation services to help young agri-business entrepreneurs organize themselves, gain access to technical support services, and engage in knowledge sharing.[10]
- **Tax incentives:** There are two broad categories of tax incentives. First, reductions or exemptions from ordinary tax or duties (e.g., customs) obligations can incentivize socially desirable activities (e.g., tax holidays for investors in certain areas or reduced VAT rates for certain kinds of products). They should be designed carefully so as not to distort the market toward certain types of actors (e.g., foreign investors) and be worth their costs. Second, so-called sin taxes on unhealthy products can influence consumer and producer behavior to improve diet and nutrition outcomes while mobilizing resources for public action. For example, several countries have imposed taxes on sugar-sweetened beverages.[11]
- **Regulatory incentives:** Regulatory incentives may take the form of derogations from domestic law and regulations (e.g., fast-tracked or simplified approval or licensing processes), which could problematically involve weakening social standards and undermining existing policies. Alternatively, a regulatory incentive can take the form of a prohibition or limitation of certain activities. In 2016, for example, the Chilean government introduced the Food Labeling and Advertising Law, which mandated front-of-package nutrient warning labels, enacted marketing restrictions, and banned sale in schools of all products high in calories, sodium, sugar, or saturated fat. This measure not only reduced purchases of products high in calories, sugar, saturated fat, and sodium by consumers,[12] but also motivated food and beverage companies to reformulate their products to contain less sugar and sodium.[13]
- **Public procurement as a market incentive:** Governments and public entities can use the procurement in public social programs, such as school feeding, to incentivize markets. For example, they can procure only foods that meet certain nutritional standards or procure from small-scale or local producers, thus incentivizing producers to invest in these foods.

TABLE 1

TOOLS AND RESOURCES FOR COSTING AND FINANCING A FOOD SYSTEMS APPROACH

TOOLS AND RESOURCES	DESCRIPTION
Costing Conducting a Cost-Effectiveness Analysis (CEA) Poverty Action Lab, 2020	Provides an overview of the most common type of costing method for policy or investments, basic calculations and assumptions, and two examples.
Costing Monitoring and Analyzing Food and Agriculture Policies (MAFAP) Food and Agriculture Organization of the United Nations	The MAFAP Programme supports decision-makers in partner countries in articulating the costs and benefits of alternative policy options to promote suitable reforms.
Financing Financing across Sectors for Sustainable Development United Nations Development Programme, April 2019	This UNDP guidance note shows how to pursue co-financing across sectors to help policy actors budget for high-impact interventions that deliver benefits across multiple sectors.
Financing Guide on Incentives for Responsible Investment in Agriculture and Food Systems Food and Agriculture Organization of the United Nations, 2021	This guide discusses how policy actors can increase investment in agriculture and food systems from both the private and public sectors. It focuses on investments in enhancing food security and nutrition, reducing poverty, and adapting to climate change.
Financing Financing the Transformation to a Healthy, Sustainable, and Equitable Food System Eugenio Diaz-Bonilla, Johan Swinnen, and Rob Vos, chapter in IFPRI's *Global Food Policy Report 2021: Transforming Food Systems after COVID-19*	This chapter examines a framework for sustainable financing for food systems built around six intervention areas: (1) consumer expenditures on food, (2) agrifood business profits and savings, (3) fiscal measures, (4) international public finance, (5) bank finance, and (6) capital market finance. It includes practical considerations for policymakers in these six intervention areas.
Financing A Guide to Gender-Responsive Budgeting Oxfam, 2018	This guide, intended to support policymakers developing a gender-responsive budget, explains what gender-responsive budgeting is, why it is needed, what it involves, questions to consider throughout the budget process, and lessons from experience.

Notes

[1] A. Coile, J. Wun, M. T. Kothari, C. Hemminger, P. Fracassi, and D. D. Dio, "Scaling Up Nutrition through Multisectoral Planning: An Exploratory Review of 26 National Nutrition Plans," *Maternal and Child Nutrition* 17, no. 4 (2021): e13225, doi:10.1111/MCN.13225.

[2] These cost groupings are adapted from the SUN "Costing the Common Results Framework" definition of governance costs. Scaling Up Nutrition (SUN), *Planning and Costing for the Acceleration of Actions for Nutrition: Experiences of Countries in the Movement for Scaling Up Nutrition* (Geneva: SUN, 2014), https://scalingupnutrition.org/wp-content/uploads/2013/02/Final-Synthesis-Report.pdf, p. 20.

[3] Development Initiatives, *2020 Global Nutrition Report: Action on Equity to End Malnutrition* (Bristol, UK: Development Initiatives, 2020), ch. 5.

[4] D. Budlender and G. Hewitt, *Engendering Budgets: A Practitioners' Guide to Understanding and Implementing Gender-Responsive Budgets* (London: Commonwealth Secretariat, 2003), www.internationalbudget.org/wp-content/uploads/2011/01/Engendering_Budgets_final_doc.pdf.

[5] M.-A. Stephenson, *Guide to Gender-Responsive Budgeting* (Oxford, UK: Oxfam, Women's Budget Group, 2018).

[6] United Nations Development Programme (UNDP), *Financing across Sectors for Sustainable Development, Guidance Note* (New York: UNDP, 2019), p. 50.

[7] Committee on World Food Security (CFS), *Principles for Responsible Investment in Agriculture and Food Systems* (Rome: CFS, 2014).

[8] A. Bulman, K. Y. Cordes, L. Mehranvar, E. Merrill, and Y. Fielder, *Guide on Incentives for Responsible Investment in Agriculture and Food Systems* (Rome: Food and Agriculture Organization of the United Nations and Columbia Center on Sustainable Investment, 2021), doi.org/10.4060/cb3933en.

[9] Ibid., p. 26.

[10] Ibid., p. 30.

[11] L. M. Sanchez-Romero, F. Canto-Osorio, R. Gonzalez-Morales, M. A. Colchero, S. W. Ng, P. Ramirez-Palacios, J. Salmeron, and T. Barrientos-Guiterrez, "Association between Tax on Sugar Sweetened Beverages and Soft Drink Consumption in Adults in Mexico: Open Cohort Longitudinal Analysis of Health Workers Cohort Study," *BMJ* 369 (2020): m1311, doi:10.1136/bmj.m1311; J. C. Salgado Hernandez, and S. W. Ng, "Simulating International Tax Designs on Sugar-Sweetened Beverages in Mexico," *PLoS ONE* 16, no. 8 (2021): e0253748; B. Popkin and S. W. Ng, "Sugar-Sweetened Beverage Taxes: Lessons to Date and the Future of Taxation," PLoS Medicine 18, no. 1 (2021): e1003412.

[12] L. Smith Taillie, M. Bercholz, B. Popkin, M. Reyes, M. Arantxa Colcher, and C. Corvala, "Changes in Food Purchases after the Chilean Policies on Food Labelling, Marketing, and Sales in School: A Before and After Study," *Lancet Planetary Health* 5, no. 8 (2021): E526–E533, doi:10.1016/S2542-5196(21)00172-8.

[13] M. Reyes, L. Smith Taillie, B. Popkin, R. Kanter, S. Vandevijvere, and C. Corvalan, "Changes in the Amount of Nutrient of Packaged Foods and Beverages after the Initial Implementation of the Chilean Law of Food Labelling and Advertising: A Nonexperimental Prospective Study," *PLoS Medicine* 17, no. 7 (2020): e1003220, doi:10.1371/journal.pmed.1003220.

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