Mobilizing additional financial resources for nutrition

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Mobilizing additional financial resources for nutrition

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Abstract

This document was produced by Clarmondial based on seven questions posed by the Swiss Development Corporation (SDC) on how to mobilize additional financial resources for nutrition. It focuses primarily on the mobilization of additional finance from the private sector. The paper explains what "nutrition finance" is, where and by whom financing is needed for nutrition, how additional financing can be mobilized, how these can be accessed by countries, and the potential entry points, models and stakeholders to engage.

About Clarmondial

Established in 2010, Clarmondial is a Swiss independent, employee-owned advisory firm specialized in sustainable investments, mainly in the agricultural sector. We focus on designing and implementing innovative finance structures that incentivize the integration and use of environmental impact data. We help investors, donors, governments, NGOs, research organizations and companies to mobilize additional resources for sustainable natural resource management.

Introduction

The 2016 World Bank Investment Framework for Nutrition estimates that an additional USD 70 billion is needed over the next 10 years to reach the World Health Organization (WHO) global targets.[1] While these estimates are limited to nutrition-specific investments; it is clear that there is need for more investments in nutrition-sensitive interventions across agriculture, social protection, health, water, sanitation and hygiene (WASH), and other sectors. The resulting financial need is further exacerbated by declining government budgets and over-indebtedness in emerging and developing economies[2], in particular due to the COVID19 pandemic, low commodity prices, and stagnating Overseas Development Assistance (ODA).[3] Private sector investment in emerging markets, in aggregate, has consistently dwarfed contributions from ODA and philanthropy.[4]

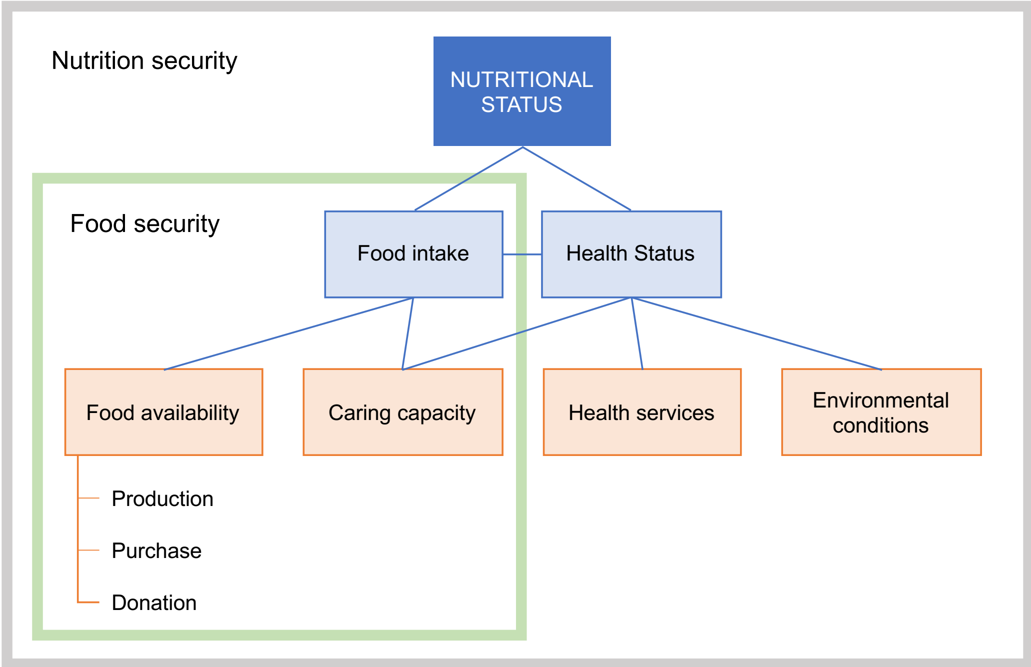
The development community is increasingly looking to the private sector to help address the nutrition funding gap, and a deteriorating investment climate[5] requires greater collaboration between public and private sectors. While private sector stakeholders are making commitments to help achieve the Sustainable Development Goals (SDGs) and there is increasing interest from public and private institutions to collaborate on achieving SDG 2 (Zero Hunger)[6], attracting sufficient finance including from the private sector remains challenging. Significant efforts are required to bridge the increasing nutrition funding gap[7].

The objective of this paper is to provide a short summary on "financing for nutrition" in emerging and developing countries, with a focus on the potential contributions from local and international private sector, for the internal use of SDC. As per the Terms of Reference, this paper is framed around seven points below.

1. What is nutrition finance?

Nutrition relates to the process of providing or obtaining the food necessary for health and growth and is typically divided into food security and nutrition security. Figure 1 illustrates the different aspects of nutrition and food security.

Figure 1: Nutrition and food security, note that "caring capacity" refers to the capacity to provide care, e.g. to ensure that infants are consuming available food. Figure modified from Gross et al (2000).[8]

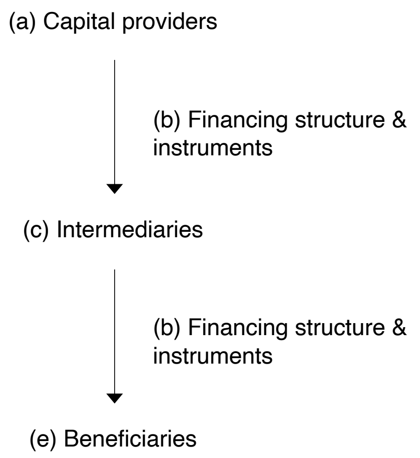


While food security is defined as the availability and access of food to all people, nutrition security goes further by considering the nutritional value of food and the systemic factors that determines an individuals' nutrition status such as the health status of women and children. Development-related concerns have typically centered on hunger and food security[9] and undernutrition, however, obesity and obesity-related diseases are increasingly critical malnutrition issues in urban areas and in middle income countries.[10] Nutrition is a cross-sectoral issue, linked *inter alia* to agricultural production, health, gender, the environment (including climate), WASH, social protection, energy, economic growth, inequality, and political stability.

The following term is proposed by the authors as a definition for nutrition finance: the process of acquiring needed funds to enable access to safe, nutritious and sufficient food all year round to ensure a continued adequate nutrition status. Such funds may be required by the public and/or the private sector, on a commercial or a concessionary (i.e. below market rate) basis, for short or long-term interventions for example in human development and capacity building (e.g. education and training), research and development, infrastructure, and marketing. Thus, nutrition finance interventions may occur in a variety of sectors, including health, agriculture, manufacturing (including processing), services (including logistics and retailing), education, and information.

As illustrated by Figure 2, there are multiple types of capital providers, who can deploy funding to beneficiaries through a range of funding structures, intermediaries and financing instruments.

Figure 2: tackling the nutrition finance gap will require a mix of capital providers, financing structures and instruments, and intermediaries targeting a variety of beneficiaries



Examples

(a) Capital providers include national and sub-national government agencies, donors, private sector financiers (e.g. banks, asset managers, institutional investors, impact investors), Development and International Finance Institutions (DFIs and IFIs), corporations and companies, foundations, and individuals. They may provide financing to beneficiaries directly or, more typically, through intermediaries

(b) Financing structure & instruments refers to the specific mix of debt and equity utilized. This includes direct debt including bank credit lines, bonds (including green and social bonds), leasing, trade finance, pre-payments and advances, mezzanine financing, equity (private equity, venture capital, risk absorbing equity), investment funds providing debt / equity / mezzanine finance through private or public markets (including impact funds), debt swaps and debt restructurings, as well as credit guarantees, insurance products, derivatives and fiscal measures (e.g. rebates, taxes, subsidies), grants (including Results Based Finance, and Social Impact Bonds)

(c) Intermediaries includes government agencies, DFIs, investment funds and other Collective Investment Vehicles (CIVs), banks, Non-Bank Finance Companies (NBFCs), project structures including syndications, Special Purpose Vehicles (SPVs) and securitizations, as well as companies

(d) Beneficiaries includes individuals (e.g. children and rural women), emerging market governments and government agencies, research organizations, non-governmental public interest organizations, private sector entities (including micro and small enterprises), corporates and companies and start-ups

2. Where and by whom is financing needed for nutrition?

On a global level, nutrition finance is required by many different stakeholders. These include individuals, governments (public sector), the private sector, as well as at civil society and academia. Nutrition financing needs are diverse: studies suggest that, from a food and nutrition insecurity perspective, the need for nutrition related investments is most acute in low income countries, notably in Sub Saharan Africa, followed by Latin America and the Caribbean, and South Asia.[11] There are stark differences within and between countries and societies, for example rural communities and women may be at higher risk of food insecurity[12].

Malnutrition consists of undernutrition, overnutrition and obesity and micronutrient deficiencies. While undernutrition is a continued challenge, overnutrition and obesity are on the increase, in particular in urban settings in developing countries. And, it is also important to consider micronutrient deficiencies[13] such as Vitamin A and zinc deficiencies. Malnutrition is correlated with poverty and food security and prevalent in a wide range of countries. It is furthermore exacerbated by infectious diseases such as Malaria, HIV/AIDS, hookworm, schistosomiases and tuberculosis.[14] Changing food, healthcare and lifestyle cultures have also contributed to rising obesity levels, which is an increasing poverty-related problem in urban settings and associated with an increased risk burden of non-communicable diseases and heightened public health costs. In Mexico, for example, obesity and its associated diseases cost the government health care system between USD 4.3 billion and USD 5.4 billion per year, and even more in Brazil, India and China.[15]

In summary, while nutrition finance may be most critical in severely food insecure areas (e.g. in Least Developed Countries – LDCs), nutrition finance needs exist across the world. The funding needs and those that require it also vary. Some of these requirements are summarized in Table 1 below.

Table 1: who needs funding and for what?

Who needs funding?	Examples of what funding is needed for
Individuals	▪ Purchase of food items and health care ▪ Livelihood-related inputs, such as seeds, labor, fertilizers, and transport
Governments	▪ Funding public health systems ▪ Emergency relief systems, disaster preparedness systems and risk facilities (insurance) ▪ Procurement of food crops ▪ Agricultural production extension & support services ▪ Funding public infrastructure, such as irrigation, health facilities, and meteorological facilities ▪ Funding of pre-school and school feeding programs ▪ Vitamin supplementation and food fortification
Private sector	▪ Investment in processing and storage equipment ▪ Research and development, including product formulation ▪ Working capital including trade finance to purchase crop inputs and buy raw materials, imports & exports
Academia, scientific research and development	▪ Technical facilities and staff ▪ Evaluation and operational research of food and nutrition security interventions
Civil society (NGOs)	▪ Staff and operating expenses

While funding may be required by a variety of groups, it is often challenging for capital providers to fund individuals directly. Most capital providers require some form of aggregation or intermediation - i.e. a trusted counterparty that can take responsibility for the funds and delivery of agreed-upon financial and potentially also non-financial outcomes. Such aggregation points may exist at the level of a government, the private sector (e.g. finance intermediary or an operating company), academia, and civil society. Multiple aggregation points may exist for one intervention or instrument, for example, combining governments, investment funds, and local banks. However, ultimately the private sector must achieve an acceptable risk adjusted net financial return on their capital. The interest of private sector to support nutrition activities at scale, beyond Corporate Social Responsibility (CSR) commitments, will be based not only on the expected return, but also the intermediation costs, associated magnitude and likelihood of risks, as well as the financial instrument, liquidity, track record, minimum allocations, jurisdiction and structure.

3. How can sufficient and additional financing for nutrition outcomes be mobilized at global and national levels?

Funds for nutrition outcomes can be mobilized internationally and locally from public and private sectors, who all provide their capital in different ways. Potential capital mobilization routes, as well as its scale, vary by type of capital provider. A variety of capital providers and mobilization strategies must be used to increase funding for nutrition. In order to understand how to do this, it is important to recognize the sources of potential funding, their motivations, constraints, and scalability. The paragraphs below provide a high level summary of public and private capital sources. It is complemented by Table 2, which provides a more detailed, but incomplete, list of nutrition-relevant potential capital mobilization routes. A complete list of all potential combinations of funding sources and instruments would be very lengthy and potentially misleading as it is critical that funding mobilizations approaches are tailored to the stakeholders and objectives.

Public capital sources and funding routes: Public capital sources include international and local governments as well as State Owned Enterprises (SOEs) and parastatals including national banks and

Sovereign Wealth Funds (SWFs). A government's abilities to fund public goods - its "fiscal space"[i] - including for nutrition, depends on its ability to borrow from its central banks, and for these in turn to be able to source capital - e.g. through local or international borrowing (bonds)[16] and from taxes and other such fees. Lower income countries, and countries with a higher proportion of informal economies, tend to have a narrower tax base, and taxation tends to be focused on trade rather than income.[17] Fiscal space is typically constrained during times of international uncertainty, where capital tends to retract to "safe" domiciles (i.e. OECD countries). Adequate fiscal space to fund public goods is increasingly a challenge for many developing countries, where more than a quarter of revenues are absorbed by debt servicing.[18] Such challenges may be further undermined by corruption and mismanagement of public funds. However domestic fiscal management policies are only part of the picture, international finance and trade policies must also be considered, including Base Erosion and Profit Shifting (BEPS[19]) and trade restrictions. Given the current levels of over-indebtedness of many emerging markets, it may be prudent to prioritize debt swaps and debt restructuring rather than additional sovereign borrowing operations to provide funding for nutrition. It is also possible to ringfence certain government revenues (e.g. taxes on sugary drinks), or funding from the partial or full assignment of certain government assets. Certain public goods have also been funded by lawsuits or litigation, but this may be a risky, expensive and drawn-out strategy. It is important to note that governments can also influence private sector spending on nutrition, for example through tax incentives. Funding from high-income countries (donors) typically comes from tax revenues (on incomes) channeled through development assistance budgets.

Private capital sources and funding routes: Sources of private-sector finance broadly include the finance sector and corporates - e.g. businesses that produce goods and operate in the "real economy." Entities operating in the financial sector include local and international commercial and private banks, investment firms and various types of asset managers and intermediaries including pension funds, family offices, insurance companies and brokerage firms. Institutional investors that deploy other people's money on their behalf have larger scale than retail investors (i.e. individual or non-professional investors). Capital may also be provided by businesses that operate in relevant value chains and have a strategic interest in an area or sector. In addition to acting as a direct source of funding, businesses can facilitate funding to other stakeholders, for example as funding intermediaries, off-takers and guarantors.

Public and private sector funding sources may be combined, for example through blended finance[ii] structures, Public Private Partnerships (PPPs), policies and fiscal incentives. Such approaches are already being implemented by nutrition-relevant groups including The Power of Nutrition[iii], the Global Financing Facility (GFF[iv]), and The Global Fund.[v]

Ultimately, combining appropriate sources of funding and funding route(s) must be based on an assessment of the financing purpose and cash flow characteristics. Commercial private sector funders can only play a role if capital and an adequate risk-adjusted profit can be returned. It is therefore important to assess upfront what the return potential is. Mobilizing additional financial resources for nutrition will require dedicated assessment and support alongside public planning for nutrition. Such assessments should consider the financial attractiveness of an investment proposition, including estimated risk-adjusted returns (including country and foreign exchange risks), quality of the investor counterparty (the entity responsible for the funds), transaction costs and timing, opportunity costs of the capital, and the financial structure. Following such assessment, nutrition financing needs may be classified according to those that can only be funded through public means, those that could be funded using a mix of private and public capital, and those that can be funded purely by the private sector at commercial terms.

[i] Fiscal space refers to the budgetary room that allows a government to provide resources for public purposes without undermining fiscal stability.

[ii] The OECD defines blended finance as "the strategic use of development finance for the mobilization of additional finance towards sustainable development in developing countries." https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/

[iii] https://www.powerofnutrition.org/investments/

[iv] https://www.globalfinancingfacility.org

[v] https://www.theglobalfund.org/en/

Table 2: overview of selected capital sources and funding routes. Note that these can all be combined.

Capital sources	Funding routes	Comments	Examples
Public - national			
Taxes & domestic fiscal incentives	▪ Tax reductions, incentives	▪ Constrained existing tax base ▪ Low-medium potential given existing tax base and revenues in emerging markets	▪ Mexico, Nauru, Samoa, Fiji have enacted taxes on Sugar Sweetened Beverages ▪ Nigeria's Pioneer Status grants tax free status for 5 years
Sovereign operations	▪ Borrowing (bonds) ▪ Debt restructuring ▪ Sovereign Wealth Funds & SOE asset managers	▪ Country creditworthiness, rating, currency, depth of local capital markets ▪ Willingness of debt holders to re-structure ▪ Size, fiduciary duty, mandate, capacity of SWF	▪ Indonesia's "green" sukuk[20] ▪ Global Fund Debt2Health initiative[21] ▪ National Investment and Infrastructure Fund (India), South Africa's Public Investment Corporation[22]
PPPs and privatization	▪ Assignment of assets e.g. infrastructure, services	▪ Availability of assets to assign, potential impact on sovereign operations	▪ Various covering services, infrastructure and integrated models e.g. in Brazil, South Africa[23]
Public - global			
Overseas Development Assistance (ODA)	▪ Funds to governments, multilaterals, UN organizations, NGOs, etc.	▪ Subject to political will and fiscal status, rules on spending may be limiting, prioritize public good. High transaction costs due to scrutiny and accountability	▪ Contributions to IFC's Global Agriculture & Food Security Program (GAFSP) ▪ SDC SIINC program
Development Finance Institutions (DFIs)	▪ Fund investments ▪ Direct investments ▪ Guarantees	▪ DFIs may or may not have subsidized capital, risk appetites and resources are usually limited ▪ Guarantee programs may be considered under ODA or development investments	▪ Some DFIs have access to risk-absorbing capital e.g. German KfW with BMZ ▪ Sweden's guarantee program includes loan portfolio, project finance, balance sheet, and fund structure guarantees[24]
Private - national & international			
Retail investors and related intermediaries (e.g. brokers)	▪ Retail equity, debt & index products ▪ Technology-enabled funding e.g. crowd funding	▪ Limited domestic retail investor base in many lower-income markets, high opportunity cost of capital. Plus, there may be limited capital market depth, e.g. limited offering and liquidity in listed equities ▪ High transaction costs to reach retail investors in many OECD countries ▪ Lack of track record, uncertain regulatory aspects with new technology-enabled platforms	▪ Indonesian Stock Exchange (IDX) has 626 listed companies and a market capitalization of USD 516m. It has a Sustainable Responsible Investing (SRI) index that contains 25 Indonesian listed companies[25] ▪ International crowdfunding platforms such as Kiva exist, which lend money to small businesses and individuals in emerging markets. Local crowdfunding platforms are emerging but are still small (e.g. estimated at USD 127m in 2015)[26]

Institutional asset managers e.g. pension funds, insurance companies, private banks (wealth managers)	▪ Listed (public) products (bonds, equities, indices) ▪ Private equity, private debt – direct and in funds	▪ Relatively conservative in their allocations, require track record and scale. Due to requirement on scale typically prefer larger and more diversified allocations e.g. funds or listed products ▪ Local insurance companies may seek out local emerging market currency yields to balance their potential pay-outs	▪ German insurance company Allianz has Fund of Funds to invest in African SMEs.[27] Insurance company AXA has a climate & biodiversity impact fund[28] ▪ Uganda's National Social Security Fund (NSSF) invested in Uganda's Yield Fund, which has a first loss provided by the European Union.[29]
Local & international banks (deposit taking lenders) and microfinance institutions (MFIs)	▪ Variety of debt products e.g. working capital, trade finance, loans for capital investments ▪ Intermediary for funding individuals	▪ Local banks are bound by fiduciary responsibilities, e.g. on the risk and exposure ▪ International banks may have challenges in moving money in or out of the country, or on the types of services they can provide locally ▪ Local MFIs provide loans to individuals and smaller SMEs on a shorter-term basis, typically with higher interest rates	▪ Kenya's Equity Bank received a loan from the IFC to on-lend to SMEs[30] ▪ Rabobank has bought stakes in several local banks such as NMB in Tanzania, and has partnered with Dutch FMO and Norwegian Norfund to create an African investment company Arise[31]
Impact investment funds & organizations	▪ Variety of debt, equity, mezzanine and guarantee offerings	▪ Invest in, and provide loans to, local institutions with the intent of having a financial and non-financial impact. Can be based locally or internationally. These may be established as for profit and not-for-profit entities.	▪ Various impact investment funds providing debt and equity to local companies and financial institutions ▪ Shared Interest provides guarantees to local financial institutions to facilitate lending to SMEs[32] ▪ Root Capital is established as an NGO, but provides loans to local SMEs, Mercy Corps, Heifer International and CARE also have investment structures
Local & international operating companies	▪ Pre-payments, advances, guarantees, investments, voluntary levies to raise additional funds	▪ Provide capital to promote strategic business interests. Larger companies may able to leverage cheaper cost of capital due to their size. Brands may also voluntarily impose levies on products sold to raise funds for strategic businesses.	▪ DSM invested in Africa Improved Foods[33] ▪ Syngenta supported the establishment of ACRE Africa, an insurance company[34] ▪ (RED) partners with the world's biggest brands to create products & raise funds for HIV/AIDS with the Global Fund[35]

4. How can available finances be accessed by countries?

The ability, and recommended strategy of countries to secure additional finance for nutrition will depend on the type of intervention, its cost effectiveness and efficiency, counterparts and implementers and the economic and financial health and governance system of the country. Governments can facilitate access to additional finance in several ways.[36]

To private-sector investors

- Creating a supportive regulatory environment including positive framework conditions for entrepreneurial activities related to achieving nutrition outcomes.
- Enabling the development of a strong local banking and finance sector that can effectively channel funding to nutrition related businesses.
- Implementing tax and investment incentives.
- Facilitating access to donor finance, e.g. by providing approvals and endorsement (e.g. as is required to access multinational funding pools such as the Green Climate Fund, Global Fund.

To a specific investment vehicle (i.e. combining several transactions)

- Providing structuring or operating grants.
- Acting as an anchor investor.
- De-risking, e.g. through partial guarantees.
- Providing investment incentives.

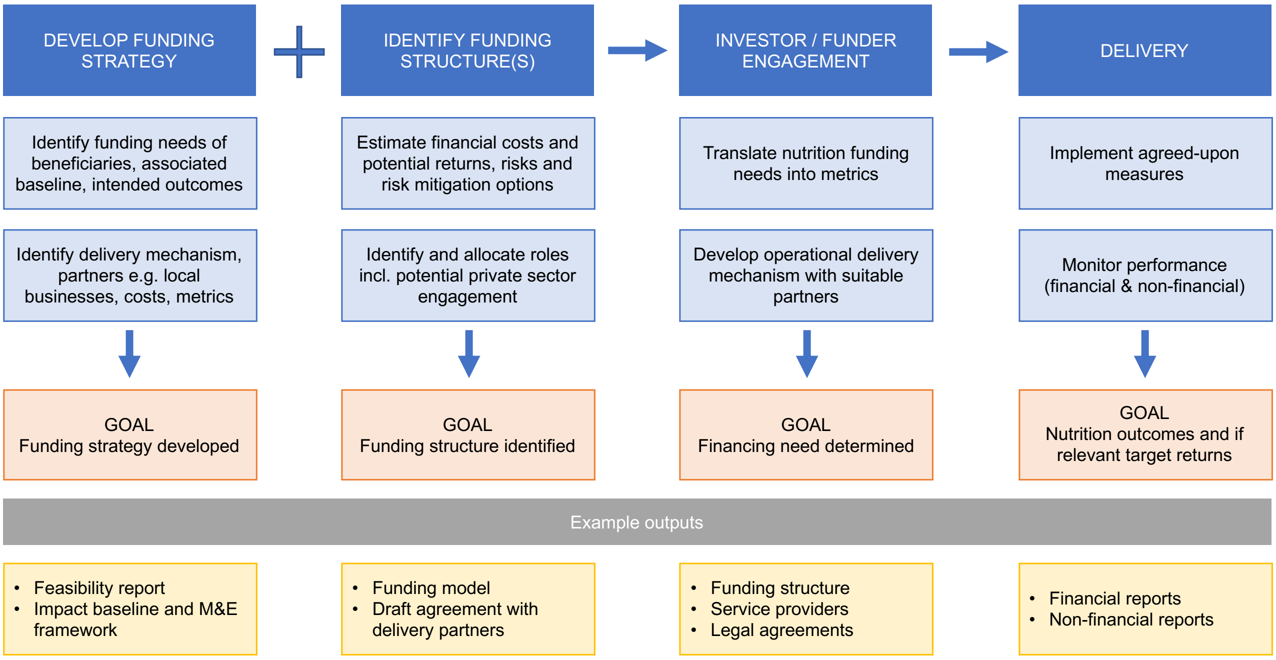
To a specific transaction

- Acting as an implementation partner.
- Funding technical assistance to support the transaction.
- Providing or facilitating political risk insurance.
- Providing a conducive regulatory environment.

The general steps that countries and their nutrition finance partners can take are illustrated in Figure 3 below. It is recommended that countries proactively engage with relevant stakeholders early on to get their input, including potential implementers and funders / investors. While funding may be secured from different types of groups, as described above, the “how” will depend on the funding need(s), type of interventions and the country context - i.e. the size, potential scale and term of expected risk-adjusted returns (if any), investment type, financial status of the country and its implementing partners (e.g. private sector, civil society organizations or other groups), the selected interventions and appetites of potential funders / investors.

Funding needs may exist on a specific project basis, an operating business or a value chain, or a collection of these. The most effective routes to deploying capital to local beneficiaries and to raising additional private capital should be considered, including potential role of the local banking and finance sectors. Portfolios of nutrition financing needs can be combined into Collective Investment Vehicles (CIVs), funds or bonds where these are sufficiently large and homogeneous. Table 3 provides some examples of these categories. It is worth noting that sufficient guarantees and risk mitigation measures can, in theory, make any funding need investable for the private sector – however, it is worth considering the effectiveness of using public funding to mobilize additional private funding in designing such interventions.

Figure 3: general steps that can be taken by a country to identify, access and implement funding solutions[37]



5. What are different models and entry points?

Many different models and potential entry points exist to expand nutrition finance: these can primarily be classified by their sponsor and objectives. Sponsors refers to the group that is driving the nutrition finance intervention. Objectives include both financial and non-financial. The potential models are too numerous to list, however what is important is that a funding approach is fit for purpose including appropriate for the entities that have to implement, monitor and evaluate it. The potential sponsors and objectives are summarized in table 4 below.

Table 3: models and entry points based on sponsors and objectives

Sponsor	Examples of objectives, entry points	Examples of models
Host government	▪ Identify additional budget for public nutrition interventions ▪ Stimulate private investment in nutrition	▪ Debt swaps, debt restructuring ▪ Investment incentives, rebates, guarantees to companies & financiers
Donor government	▪ Mobilize additional budget for nutrition interventions	▪ Guarantees, sub-ordinated loans, risk-absorbing equity to single transactions or pooled investments (funds, bonds) ▪ Technical Assistance ▪ Outcome payments
Private sector – company & financier	▪ Acceptable return on investment from nutrition interventions	▪ Direct investments: equity / debt ▪ Intermediated investments: equity, debt – both private & listed ▪ Insurance models
Other – foundation, academia, NGO	▪ Achieve nutrition outcomes	▪ Impact outcome payment structures ▪ Private guarantees, sub-ordinated loans, Technical Assistance

6. Who are stakeholders to engage?

In addition to involving beneficiaries and relevant government representatives, e.g. during stakeholder consultations, it is also critical to engage for profit and not-for-profit entities that may serve as aggregation points for funding. With respect to for-profit entities this may include rural finance institutions such as Micro Finance Institutions (MFIs) and banks, and other businesses that may reach beneficiaries such as agro-dealers and logistics companies. With respect to not-for-profit entities this may include civil society organizations, education and healthcare facilities. In other words, the entities that interact with beneficiaries may be assessed for their suitability as aggregation points for additional funding, and these in turn may exist in funding value chains. For example, local MFIs may source their capital from international impact funds, or local businesses may be funded by large domestic banks. A rural education facility may be funded through government budgets, or an international NGO. Stakeholder engagement must start from the ground up.

However, as the groups that directly and indirectly affect the lives of the intended beneficiaries are mapped, it is likely that relevance to the following groups will appear, and hence that these will almost always be important stakeholders: central government agencies and ministries as well as leading national banks and finance institutions. These will in turn be affected by regional and international entities. Some of the key stakeholder groups to engage and potential approaches are summarized below.

National leadership

Where they exist, National Nutrition Investment Plans (NNIPs) and other government strategies[38] can be used to identify, prioritize and categorize funding needs with a view to attracting private investment. This should occur in consultation with key government agencies such as ministries of finance and planning, ministries or agencies responsible for multisectoral nutrition coordination and implementation. Note that it may be relevant to engage the central bank or state-owned financial institutions (e.g. credit guarantee agencies) to understand their remit and potential for facilitating additional funding.

Regional leadership

Early engagement with key regional bodies that can support resource mobilization may be valuable. These include regional development banks, credit guarantee and insurance programs, and development monitoring efforts. In some cases, these institutions also develop regional plans, e.g. the Southern African Development Community (SADC) has a regional food and nutrition strategy.[39] Such regional agencies could play a role in providing feedback, provide additional resource mobilization support (e.g. through guarantees or facilitation to international funding sources, for example as provided by the African Development Bank) and contribute to capacity building in a region.

Domestic financial institutions (e.g. leading banks, MFIs, investors that hold positions in local banks)

Relevant private sector stakeholders, i.e. local and international companies and financiers should be identified and proactively engaged from the start with a clear intention of developing implementable resource mobilization plans for each component of a national nutrition strategy.

International private sector

These may include international holders of sovereign emerging market debt, international investors in leading national banks and impact investment funds that may make direct investments or hold stakes in relevant local companies including MFIs and SMEs. It may also include multi-national corporations that have large business interests in a specific country or sector.

International development sector

This includes bilateral and multilateral donors, including academia and civil society groups, who may have funds for technical assistance, blended finance or development that can be utilized in support of the strategy.

However, if the strategy requires mobilizing capital from the private sector, cross-sectoral expertise and effective coordination must be employed: nutrition planning, implementation and monitoring expertise must be combined with banking and investment (including investment structuring) and business expertise. Translating nutrition policies and plans into investment opportunities for the private sector will require dedicated resources to identify suitable capital providers, structures, intermediaries, and instruments. Collaboration with and engagement from the private financial sector, from mainstream banks, asset managers to impact investors, will be needed to be successful. Simply inviting the private sector to participate will be inadequate. Proactive steps must be taken including the identification of nutrition relevant subsectors, value chains and bankable private sector actors/counterparties and financing transactions, and their specific risk/return/liquidity characteristics. Furthermore, the identification of the nutrition goal(s), objective(s) and relevant value chain(s) and adequate investment structures in light of regulatory requirements and fiduciary responsibilities of such private sector financiers must be considered.

7. What are potential framings for collaboration between public and private sector stakeholders that need to take place at the national and international levels?

Echoing the challenges summarized in the introduction, it is important to recognize that scaling up nutrition finance will require increased collaboration between stakeholders and sectors. This may mean increased collaboration on funding structures that are cross-sectoral, e.g. nutrition in the context of health, agriculture, social protection, environment, education and WASH initiatives. It may also mean that donors and local government agencies proactively expand their collaboration with the private sector, both in terms of the local and international business and finance communities. This will require open discussions about difficult topics such as efficiency, balancing private versus public interests and the role of public sector in innovation e.g. innovative and blended finance structures.

Other aspects that may be important to consider in the context of framing collaboration so that funding for nutrition is increased include:

- Early involvement of finance experts in assessing and structuring nutrition plans, i.e. engaging finance experts in addition to macroeconomists.
- Proactive engagement with relevant international funding stakeholders on nutrition[40] including on developing appropriate impact metrics[41] and building coalitions of foundations and investors with a specific interest in nutrition.[42] This needs to be done in a manner that recognizes the constraints that such investors may have, including their fiduciary responsibilities and return targets.
- Engaging investors that hold significant emerging market debt positions, shareholders and investors in global food, nutrition and pharmaceutical brands to leverage greater support for nutrition.
- Further piloting debt reduction and restructuring programs for nutrition.
- Support private sector-led pooled structures, understanding that the needs of private investors may require multi-sector, multi-country approaches where a very narrow investment mandate may not be possible if investment is to be mobilized at scale from the private sector. Private sector investors and funders may require scale and diversification which may be at odds with donors' focus on a narrow set of countries and interventions.
- Learning from other sectors and areas and past experience: assessing lessons learned on "innovative finance" from other sectors, e.g. impact bonds. And, collecting, categorizing and disseminating information on innovative structures from other sectors[43] and also develop tools and learning materials[44] to support capacity building on resource mobilization.

In conclusion, there is scope for increasing nutrition finance in collaboration with the local and international private sectors. However, this will require concerted efforts, and it may entail taking a different approach to development funding by governments and their development partners and a changed mindset by both.

Endnotes

[1] https://www.worldbank.org/en/topic/nutrition/publication/an-investment-framework-for-nutrition-reaching-the-global-targets-for-stunting-anemia-breastfeeding-wasting

[2] According to the Inter-agency Task Force on Financing for Development, 44% of Least Developed Countries (LDCs) and other Low Income Countries (LICs) were already at high risk or in debt distress prior to the pandemic, and 25% of public revenue was used for debt repayments in frontier economies. See: https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR%202020%20slides_0.pdf

[3] According to the OECD, ODA had fallen by 4.3% prior to the pandemic, and in general less ODA is going to LDCs and Africa. http://www.oecd.org/development/development-aid-drops-in-2018-especially-to-neediest-countries.htm?utm_source=Adestra&utm_medium=email&utm_content&utm_campaign=OECD+Development+-+News+May+2019&utm_term=demo

[4] Note according to UNCTAD private sector flows have largely been to more developed emerging markets (i.e. Asia and Central and Eastern Europe), Foreign Direct Investment (FDI) has been declining in the past years, including a contraction of 37% in LDCs between 2015 and 2018. https://unctad.org/en/pages/PressRelease.aspx?OriginalVersionID=538

[5] As of March 2020, investors removed around USD 90 billion from emerging markets (the largest outflow ever recorded) and prior to the pandemic, there were rising vulnerabilities in emerging market non-bank financial institutions. https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR%202020%20slides_0.pdf

[6] SDG2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

[7] Note that nutrition is critical to address the SDGs more general, including with respect to its long-term impacts on economic growth and productivity, for example see: https://www.copenhagenconsensus.com/sites/default/files/food_security_and_nutrition_viewpoint_-_gain_0.pdf and https://www.copenhagenconsensus.com/post-2015-consensus/nutrition

[8] Gross, R., H. Schoeneberger, H. Pfeifer, H-J A. Preuss. 2000. The Four Dimensions of Food and Nutrition Security: Definitions and Concepts. Available at: http://fpmu.gov.bd/agridrupal/sites/default/files/Four_Dimension_of_FS_0.pdf

[9] Food security exists when “all people, at all times, have physical and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life” (World Food Summit 1996). FAO has identified four dimensions to food security, which must all be fulfilled simultaneously: physical availability of food, economic and physical access to food, food utilization and stability of the other three dimensions over time. http://www.fao.org/3/a-al936e.pdf

[10] Undernutrition refers to a deficiency of nutrients. Malnutrition refers to an unbalanced diet and includes undernutrition and also excessive eating. See: https://www.concern.org.uk/news/whats-difference-between-malnutrition-and-undernutrition-and-why-it-important
[11] These are countries with a Gross National Income per capital of USD 1,045 or less.
[12] Smith, M.D. and B. Meade. Who are the World's Food Insecure? Identifying the Risk Factors of Food Insecurity Around the World". June 03, 2019. United States Department of Agriculture. Available from: https://www.ers.usda.gov/amber-waves/2019/june/who-are-the-world-s-food-insecure-identifying-the-risk-factors-of-food-insecurity-around-the-world/
[13] Global Nutrition Report: https://globalnutritionreport.org/reports/global-nutrition-report-2018/three-issues-critical-need-attention/ and Milken Institute "Catalytic Finance for Nutrition" December 2013. Available at: https://milkeninstitute.org/sites/default/files/reports-pdf/CatalyticFinanceforNutrition.pdf
[14] https://www.who.int/nutrition/topics/ida/en/
[15] International Monetary Fund (IMF), *From Hungry to Hefty*. Finance & Development June 2017 vol. 54, No. 2: https://www.imf.org/external/pubs/ft/fandd/2017/06/gomez.htm
[16] WHO. What is "fiscal space" and why does it matter? https://www.who.int/health_financing/topics/fiscal-space/why-it-matter/en/
[17] Belsey, T. and T. Persson. Why do developing countries tax so little? Journal of Economic Perspectives, Volume 28, Number 4, Fall 2014. Pages 99-120. https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.28.4.99
[18] UNCTAD. April 2020. From the great lockdown to the great meltdown: Developing country debt in the time of COVID-19. Available from: https://unctad.org/system/files/official-document/gdsinf2020d3_en.pdf
[19] This refers to a tax challenge whereby multinational companies exploit gaps and mismatches in the international tax rules to artificially shift profits to low or no tax jurisdictions, to avoid paying their fair share of tax. See https://www.oecd.org/about/impact/endingoffshoreprofitshifting.htm
[20] https://www.institutionalassetmanager.co.uk/2020/07/01/287096/government-indonesia-issues-usd25-billion-green-sukuk-nasdaq-dubai
[21] https://www.theglobalfund.org/en/news/2017-11-29-spain-three-african-countries-and-the-global-fund-launch-new-debt2health-initiative/
[22] https://www.reuters.com/article/us-south-africa-swf-analysis-idUSKCN1U71MY
[23] For an overview of different models in the health care sector see: https://library.pppknowledgelab.org/documents/5845/download for an overview of the private health insurance market in emerging markets see: https://www.who.int/bulletin/volumes/83/2/sekhri0205abstract/en/
[24] https://www.sida.se/contentassets/983246ffbe9641ac880388cf8d6730a9/10204203_guarantee_portfolio_2019_webb.pdf
[25] https://sseinitiative.org/stock-exchange/idx/
[26] For example, see: http://afrikstart.com/report/wp-content/uploads/2016/09/Afrikstart-Crowdfunding-In-Africa-Report.pdf
[27] https://africagrow.allianzgi.com/en-gb/investment-strategy
[28] https://www.inrev.org/system/files/2020-06/AXA-Impact-Case-Study-Climate-Biodiversity-2019.pdf
[29] https://pearlcapital.net/documents/Press%20Release%20Final%202019.pdf
[30] https://kenyanwallstreet.com/ifc-gives-equity-bank-5-billion-loan-for-smes/
[31] https://www.nmbbank.co.tz/investor-relations-nmb/investor-information/investor-updates/386-rabobank-has-lodged-a-share-transfer-request-for-its-stake-in-nmb-bank-plc
[32] https://www.sharedinterest.org/approach
[33] https://africaimprovedfoods.com
[34] https://acreafrica.com/about-us/
[35] https://www.red.org/how-red-works
[36] Modified from Figure 2 in "Capitalizing conservation" (https://www.clarmondial.com/wp-content/uploads/2018/03/Capitalising_Conservation_Clarmondial_WWF.pdf)
[37] Modified from Figure 3 Capitalizing conservation" (https://www.clarmondial.com/wp-content/uploads/2018/03/Capitalising_Conservation_Clarmondial_WWF.pdf)
[37] Modified from Figure 3
[38] For example, Integrated National Financing Frameworks (INFFs), National Agriculture Investment Plans (NAIPs), Climate Smart Agriculture Investment Plans (CSAIPs), National Adaptation Plans (NAPs) and others.
[39] https://www.sadc.int/files/7315/6284/6868/SADC_2019_Synthesis_Report_on_the_State_of_Food_and_Nutrition_Security_and_Vulnerability_in_Southern_Africa.pdf
[40] For example, linked to the Global Impact Investing Network (GIIN): https://thegiin.org
[41] https://iris.thegiin.org
[42] For example, building on the United Nations Principles for Responsible Investment (UN PRI) and Global Compact, and building investor coalitions such as Ceres (for environmental issues) or the Climate and Land Use Alliance - CLUA (an association of foundations).
[43] For example, debt swaps for conservation, such as this one: https://www.woi.economist.com/seychelles-swaps-debt-for-nature/
[44] For example, tools such as the Business Model Canvas, which can be adapted for nutrition: https://www.strategyzer.com/canvas/business-model-canvas

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