

2.3 Fiscal policy

Fiscal Policy Measures to improve food environments

What problem is the solution addressing?

The SOFI 2020*i* report highlights that 3 billion people cannot afford a healthy diet. In recent decades highly - processed foods and beverages that are high in fat, sugars or salt have become cheaper and more widely available, contributing to increasing prevalence of diets high in energy, unhealthy fats, free sugars and salt. Food purchasing patterns are highly sensitive to changes in price. In many contexts, unhealthy processed food products are cheaper than healthy alternatives. Resource-poor groups thus have no choice but to purchase the cheapest food.

Compounding this issue, government subsidies on food commodities or other foods are common in low- or middle-income countries (LMICs) as a form of social protection, but they are not always aligned with dietary guidelines. Commonly subsidized foods have included wheat, wheat flour, bread, oils, rice, sugar and powdered milk. Subsidies on sugar, oils or energy-dense foods may promote over-consumption of calories, saturated or trans fatty acids, refined carbohydrate and free sugars. The result is fiscal policies that shape food environments in such a way as to reduce access to healthy food due to cost or because higher-cost healthy food is never distributed to poor communities.

The resulting health and environmental impacts generate compounding costs that undermine the overall fiscal health of whole societies. Fiscal policy measures that create healthy sustainable food environments would reduce risks to the whole society and build resilience and fiscal stability.

As part of a wider package of measures to support healthy (and sustainable) diets, economic measures can be used to shift consumption patterns, encourage food product reformulation and raise awareness of the health and environmental impact of (over)consuming certain foods. Policies that influence the relative price and affordability of different foods, through taxes on less healthy foods or subsidies on healthier foods, have the potential - when implemented with other policy actions - to create healthier food environments and promote healthy (sustainable) diets and to reduce malnutrition in all its forms (undernutrition, overweight, obesity and diet-related NCDs). These policies can also include sustainability criteria.

How does your solution address the problem?

Relevant fiscal policies include:

Taxes on unhealthy foods: Extensive evidence from modelling suggests that taxes on unhealthy food or drink products would bring about positive dietary changes, and this is now supported by growing evidence from country experience in implementing taxes. The evidence is strongest for taxes on sugar-sweetened beverages. Results from the introduction in April 2018 of taxation of SSB in the United Kingdom have shown an impact of product reformulation too, with average sugar concentrations falling by 11% in products subject to the tax, and a shift in volume sales towards products with lower sugar levels.¹

Tax related to carbon footprint via VAT: Drive more sustainable food consumption by leveraging the existing food VAT system to embed the carbon footprint into the VAT / VAT band calculation. This consumer-focused incentive can expand investment in sustainable production and make it easier to surround consumers with environmentally sustainable choices. Food consumption today is largely decoupled from the carbon footprint (examples are dairy and meat). As there is already a tradition to link food VAT to government views on food consumption (local versus imported, basic daily goods versus luxury goods, high and low alcohol, etc), it should be easy to implement the carbon footprint into food taxation. Both known emissions profiles of specific practices and observed emissions or reductions can shape the carbon footprint component of sustainable food VAT policy. Other environmental sustainability factors can also be used to enhance the sustainable consumption incentive of such a tax.²

Subsidies for healthy foods: The 2016 WHO technical report on fiscal policies concluded that there is strong evidence that subsidies to reduce prices of fruit and vegetables by 10-30% are likely to be effective in increasing fruit and vegetable consumption and in improving overall diet quality, although there is some mixed evidence in relation to energy intake and weight.³

Income transfer model: Income transfers delivered via social protection schemes should be repurposed to focus on achieving healthier diets for all poor consumers, raising understanding of the value and implications of improved choices, and stimulating demand for nutrient-rich foods. An increased demand results in better livelihoods for producers that help to create a healthier food environment. Income transfers would be conditionally linked to in-person or online education sessions regarding the disease and environmental impacts of poor food choices, and the value of better-informed choices. The transfers would be effected via physical vouchers or electronic cards, or even cell-phone Apps. They would entitle the bearer to 2-for-1 fresh produce at wet markets, weekly street markets, farmers markets, and small-scale retailers. The vendors would receive recompense for the 50% additional produce sold. Such programmes would be linked to tax credits targeted to sellers in defined 'value-added retail zones' to ensure that a minimum percentage of outlets make fresh and other nutrient-rich produce available in every location. This solution increases effective demand, education and choice of low-income consumers, while stimulating demand for healthier products, and supporting local food retailers to expand their offerings.⁴

Is this a new solution or an existing solution that needs scaling?

Existing solutions that need scaling

Which organization/s, institution/s or group of individuals are associated with the solution?

Policymakers (government), private sector, UN agencies, donor organizations, other

If selected as a game-changing solution, how will you leverage the UNFSS to scale your solution?

The UNFSS can showcase that implementing fiscal policies can be successful. There is much pushback and lobbying against these policies from private sector actors. As the UNFSS is a people's summit, the people can demand the development and implementation of effective fiscal policies. Funds generated by taxes can be invested back into social protection, public health or other programmes benefitting the most vulnerable.

Is this idea applicable to a particular geography, demography, landscape or other type of setting (e.g. high- or low-income countries, aquaculture)? If so, please specify.

Applicable to all geographies. While there is a lack of evidence on fiscal measures from LMICs, studies suggest that use of taxes/subsidies is appropriate in such settings.

Who are the main actors that would put this action into place?

Policymakers (government), private sector

Source and process

- ¹Rachel Thompson, World Obesity Federation, through the public survey (submission titled “Implement taxes on all types of sugar and sweetened drinks”)
- ²David Kamenetzky, K4 Family Investments, WS2 member (submission titled “Carbon linked food consumption taxes”)
- ³Lina Mahy, WHO, WS1 member (submission titled “fiscal policies for healthy and sustainable diets”)
- ⁴Patrick Webb, Tufts, WS1 member (submission titled “vouchers for variety”)
- Note there were many submissions around fiscal policy in the public submissions too, which are consistent with the ideas presented here (although not directly cited)