

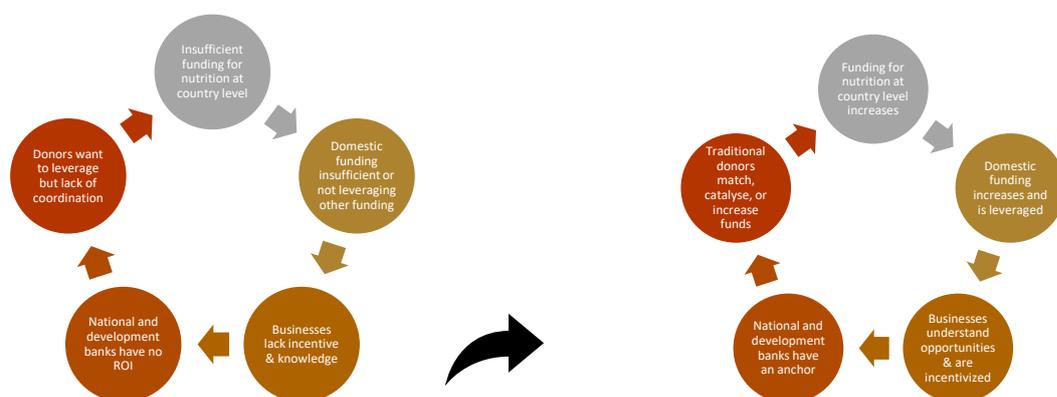
Operations Group Finance Working Group Report

7 May 2021

Introduction

Financing for nutrition is a top priority in SUN 3.0. Given the global economic downturn occasioned by the COVID-19 pandemic, with ODA shrinking, nutrition financing is both more crucial and more challenging than ever. Even before the onslaught of COVID-19, it was clear that 'business as usual' will no longer suffice for nutrition financing: more effective policies, strategies, and tactics are required for countries to sustainably allocate budget lines and ensure effective disbursement for high-impact nutrition interventions. Greater expertise and capacity will be needed for countries to apprehend the finance landscape and unlock opportunities to increase, pool, and blend nutrition-specific and nutrition-sensitive financing and investment.

This starts with greater emphasis on nutrition in country development plans and national budgets, with nutrition policies and plans in turn translated into investment opportunities. Furthermore, the power of businesses and the private sector more broadly has yet to be fully harnessed; while nutrition also has clear implications for areas such as climate change, education, gender, and COVID-19 recovery plans, such areas are still insufficiently nutrition-sensitive. To bridge countries effectively to new sources of financing, harness the effectiveness of external assistance for nutrition equitably, and address the hindrances faced by countries in achieving Sustainable Development Goals, the following recommendations propose an initial roadmap. The vision for the recommendations in this document is to move from an often-vicious cycle of insufficient funding and low impact, to a more sustainable and virtuous cycle of coordinated and leveraged financing and investment with solid impact, that takes advantage of the unique position and power of the SUN Movement.



Scope

The overall scope of this Finance Working Group covers the financing of nutrition in countries, including the financing of country multisectoral nutrition plans (both nutrition-specific and nutrition-sensitive), and attracting nutrition investments in countries. It aims to provide recommendations that have an 'unlocking' effect on the current financing and investment barriers that countries face, including in fragile and conflict-affected states (FCAS). The working group sought to ensure that

finance and investment, in line with SUN 3.0, is prioritised at all levels of the SUN Movement; notably within countries, the SUN governance structures, the global support system, and the secretariat.

With capacity needs and gaps at the country level as the start and endpoint of all deliberations, the working group also aimed at key recommendations to enable greater country access to existing finance mechanisms, notably those emanating from SUN 2.0 (e.g. GFF, Power of Nutrition, GAFSP, etc.). Importantly, it sought to enhance the forging of pathways for country access to other existing finance mechanisms that are currently not or insufficiently leveraged for nutrition (e.g. climate funds and development finance institutions). Finally, it delved into the expertise and technical assistance required to assess and implement more innovative forms of finance (e.g. domestic or international fund pooling at country level; blended finance; or private-sector finance outside of corporate social responsibility schemes).

The group also sought to reflect on how the recommendations can be beneficial to donors and financiers in helping them to shape a more effective, risk-informed and flexible funding and financing offer for nutrition, that can adapt to all contexts and react to sudden changes, especially in FCAS. More work will be required to advance on solutions for this in the coming months.

While the working group did not undertake an in-depth review of the SUN Pooled Fund, it addressed how more targeted focus on country-level finance capacity could be generated, including ways to foster a stronger enabling environment for finance at the country level. Further review, including all stakeholders of the SUN Pooled Fund, should be conducted in the near future, based on the nature of these recommendations.

Methodology

The Finance Working Group held regular weekly meetings, which were complemented by bilateral consultations conducted by Hi5 and the Co-Chairs, and in-depth research by working group participants. Each meeting was pre-empted by questions put to the group for reflection and input. Documentation was shared prior to meetings to serve as a basis for the work undertaken, and minutes of each meeting were approved by the working group members.

Issue Analysis: Moving from 2.0 to 3.0 (Challenges)

SUN 3.0 has clearly stipulated a more vigorous approach to finance and a greater emphasis on innovative finance and engaging businesses. Yet a bold and targeted set of actions, the requisite political championing, and the accountability required for these are currently not sufficiently present at the various levels of the Movement. In addition, countries require support in terms of capacity and expertise to make the transition. Specific issues were identified throughout the working group process, notably the lack of country capacity to develop investment cases for nutrition, the lack of capacity to directly apply to funding sources, and hindrances to creating an enabling environment in-country for finance and investment. The issues and challenges in transitioning from SUN 2.0 to SUN 3.0 from a finance perspective can be summarised as follows (see Annex 4 for more detail).

Challenges at the **level of the SUN Movement** revolve around the need for championing of and accountability for finance and investment outcomes at the highest levels of the Movement. The latter is considered the *sine qua non* for all other efforts outlined in this document. There is, additionally, a need for better access to specialised finance and investment expertise, which may or may not already sit within the Movement. A fundamental issue is lack of prioritisation of nutrition in country spending plans, requiring greater advocacy from within countries themselves but catalysed by high-level advocacy from the SUN Movement. Coordination, stimulation, and targeted capacity development for finance and investment are missing.

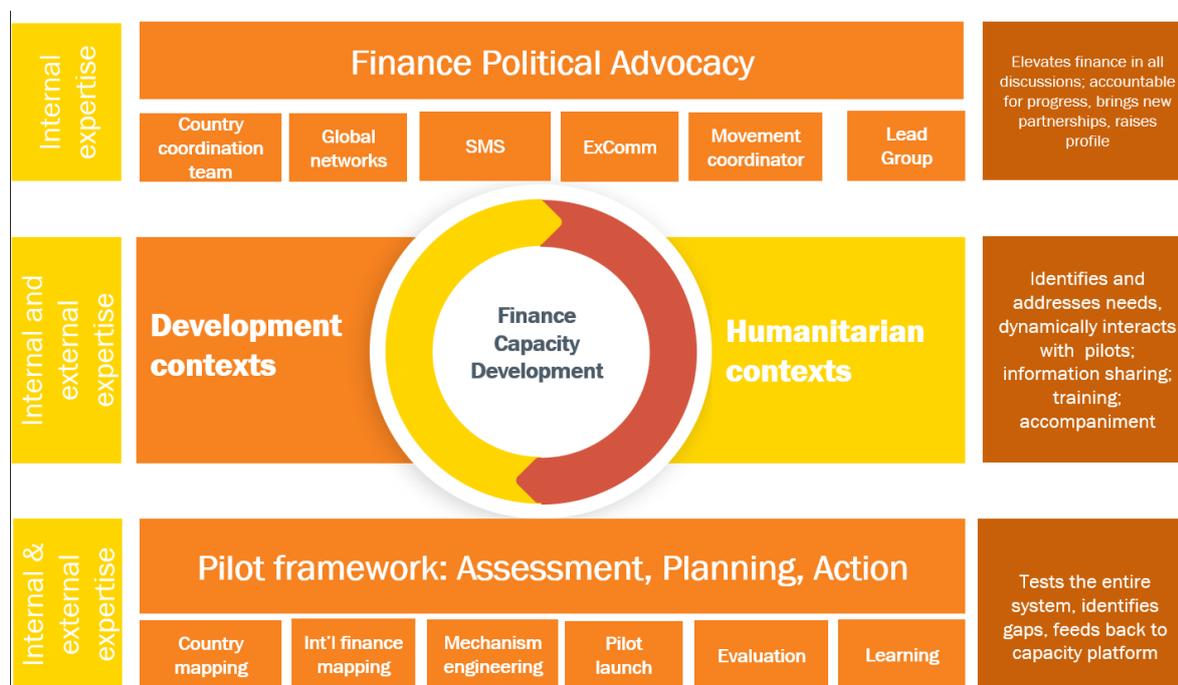
Challenges to moving to SUN 3.0 at a more **systemic level** include the lack of coordination and alignment among donors and financiers, leading to underutilisation or duplication of funding. Financial flows from donors and country spending benchmarks are often ill-understood.¹

Challenges at the **country level** pertain to the complexity of financing options, including the fact that they are often uncoordinated, unaligned, and unnecessarily rigid. In addition, there is an inability to navigate the extant multifaceted financial and investment mechanisms, a dearth of direct access to funding sources, and a lack of the requisite finance and investment expertise and capacity. In SUN 2.0, finance capacity has been mostly focused on planning and financial tracking tools/guidance accompanied by *ad hoc* support, with little capacity built for resource mobilisation to support the ambitions of SUN 3.0. Advocacy for prioritisation of nutrition, and specifically for nutrition budgets, requires more concerted and focused efforts. Coordination within countries, also around funding cycles, is weak. In some cases, the enabling environment for finance and investment in nutrition is impeded by a lack of political will. The latter also filters through to a frequent failure to prioritise nutrition and embed it in policies and budgets.

Recommendations for SUN 3.0

Building on the immense work undertaken to date, the following recommendations are based on the following framework for action. Three levels correspond to three overall recommendations:

- Prioritising political advocacy and leadership for finance at the SUN governance and secretariat levels.
- Capacity development driven by country needs and gaps for finance, investment, and funding with a view to sustainability.
- A pilot framework for countries to map national and international financing issues and opportunities, plan for, and practically apply solutions, whilst bridging to existing or new financing mechanisms.



¹ Research 4 Development has undertaken some work in this area.

1. Prioritising finance and embedding a finance mindset and champions within the SUN system

Goal: Finance and investment are prioritised at all levels of the SUN Movement, are a top priority for high-level outreach and advocacy. They are coordinated in a way that brings a unique focus to supporting countries to create investible nutrition business cases that secure funds from global and domestic resources, leveraging countries' own budgets. The highest levels of the SUN Movement are held accountable by the Movement members for overall finance and investment outcomes.

How:

- Lead Group, ExCom (including in its new ToR), and the SUN Coordinator are accountable for and have a mandate to champion nutrition with countries through a set of measurable indicators, to complement country-level accountabilities. These indicators could include, for example, engaging with countries at finance ministry levels and above, or convening high-level roundtables aimed at securing commitments to fund nutrition. This utilises the SUN Movement's unique convening power to bring together providers of finance and countries. A focused 'finance sub-committee' at the ExCom level (see Governance and Accountability WG Report) would complement these efforts by providing a locus for finance discussions and ensuring these issues were heard at the highest levels of the Movement.
- Together with the SUN Donor and Business Networks, the Lead Group, ExCom, and SUN Coordinator develop an engagement strategy to target countries and generate the highest level of political momentum and commitment for nutrition as essential to the country's overall growth and economic transformation. This strategy, carried out with senior engagement from SUN, and including the SUN Donor Network (SDN) at the country level, aims at extracting concrete commitments (this can be supported by the multilateral development banks such as the World Bank, the Islamic Development Bank, the African Development Bank, etc.).
- Specific high-level donor and investor engagement both by and through the SDN and SUN Business Network (SBN) target increased nutrition-sensitive financing and investment, de-risking of finance, and expedited application and reporting to allow equitable access to nutrition finance for FCAS. This engagement also entails operationalising the SDN to push for more nutrition-sensitive financing through their own organisations, and through the large multilaterals.
- Notwithstanding current uncertainty over the structure of the SMS, review the current or new structural setup from a finance and investment perspective at all levels of the Movement. Conduct a stocktake of existing expertise within the Movement, particularly the SDN, to assess existing capacity and identify gaps. This comprises SMS and the resources within SUN Networks and analysis of intra- and inter-network coordination to finance, and in-country experience. The setup should ensure appropriate coordination of existing internal expertise, and the SMS role as a broker between countries and the global SDN. It should span all levels up to leadership via, for example, a 'virtual task force' mechanism – thus, no new or additional structure. Mutual or 360 degree accountability indicators should be developed to measure the breaking down of silos, including within countries where nutrition leads are often marginalised on questions of spending.

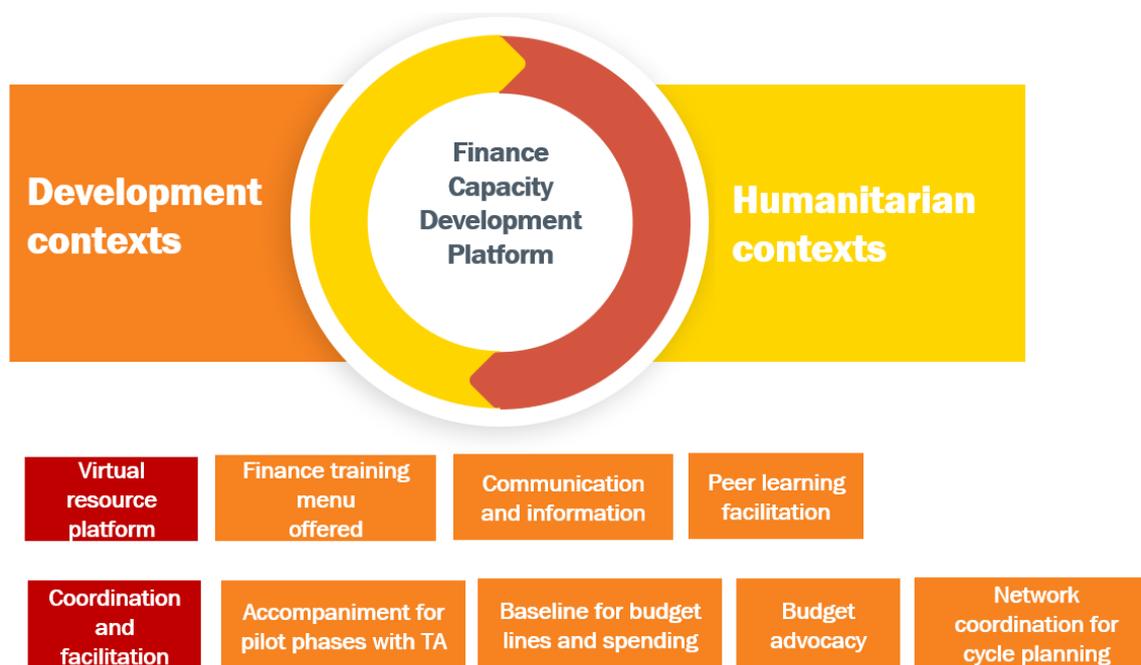
2. Develop finance capacity in and for countries, including FCAS, with a view to equity

Goal: SUN facilitates effective, transparent, and dedicated finance capacity development as an ongoing process. With dedicated finance training, TA, internal and external expertise, and funding – to allow countries to tailor, implement, renew, and sustain new and innovative financing – and fostering cross-country capacity development.

How:

The following diagram illustrates the basic building blocks of a finance capacity development platform. It comprises an agile, low-cost, dedicated virtual resource centre with training offered, based on

identified and prioritised needs; direct country-level capacity development with complementary aid; and a facilitation and coordination mechanism to effectively bring together countries and finance providers. Initial mapping of required capacities can be conducted during the implementation planning phase over the coming weeks, but initial suggestions point to, for example: grant proposal writing; business cases for nutrition; efficient management of resources; leveraging with development allocations and accountability; training at the sub-national level for national budget tagging and tracking systems; costing nutrition programmes; and key aspects of budget cycles.



This finance and investment capacity development platform has the following functions:

- Develop and implement a dedicated virtual space providing access to training, tools, country dashboards, and a peer learning process for replicable best practices – but with an active, hands-on and ongoing process of capacity development.
- Act as a node within the SUN Movement to coordinate and focus activity, and as a means to provide advice internally/externally.
- Provide the ability to understand the finance and investment landscape, innovate, and bridge the gap between donors/financers/investors and countries through strong stakeholder engagement – segueing with recommendation 1 – and new solutions.
- Build country capacity in a hands-on fashion, aiming to address the needs of countries in humanitarian contexts and those in development contexts.
- Develop finance and investment innovations that can be applied by countries through internal support, external TA, a pool of experts, as well as the virtual platform.
- Compile, document, and disseminate countries' best practice methods for improving nutrition intervention funds:
 - support the build-up, at country level, of a pool of experts to cascade training at the sub-national level, where appropriate (e.g. through the Civil Society Network);
 - provision of TA and complementary grants (SUN Pooled Fund) either managed together or in tandem, with SMS country experts brokering knowledge and strategy for each country.

There are three options for how this can be set up and resourced:

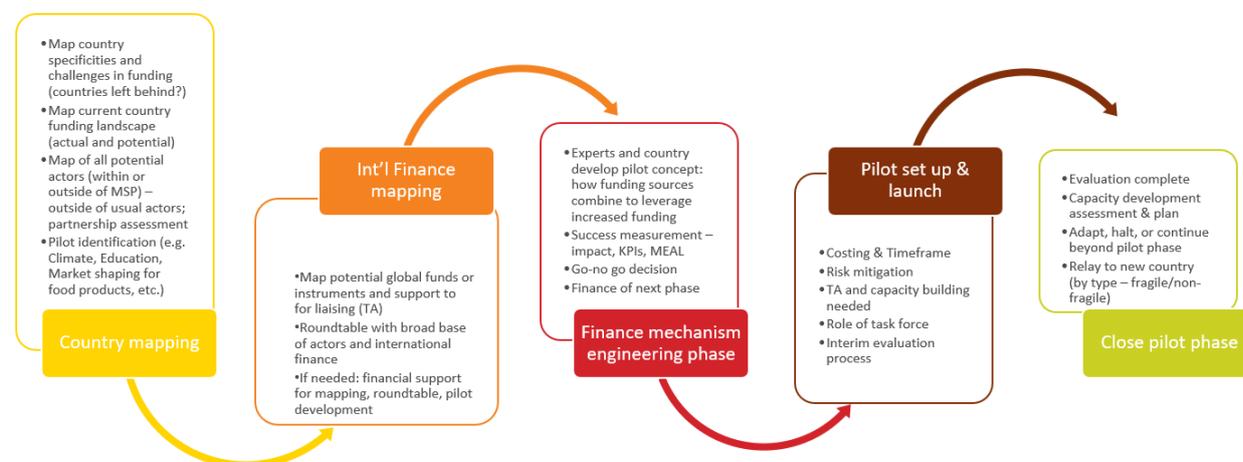
- **Option 1 - Based on existing internal resources:** SMS and GSS lead and coordinate; a mapping and analysis of Movement-wide expertise are conducted; negotiation on use of such expertise for the platform; surge support brought in from donors or supportive organisations such as through secondments; potential use of SUN Pooled Fund in tandem with TA to fund short, intensive engagements, particularly if they were working directly on country capacity directly. **High risk: likely a lengthy process, potentially with insufficient expertise available following analysis, possible low efficacy, deviating from the SUN 3.0 strategy 'country-led'.*
- **Option 2: Simultaneously conduct option 1, while bringing in external expertise early on** to help build and kickstart the platform, allowing for a potential tapering of investment over time if capacity is built internally in the GSS and at the national level. A donor could be asked to fund the platform discretely. **Relatively low risk as external expertise is temporary or limited, but timely.*
- **Option 3: Outsource entirely** through an RFP process, and housed in a separate entity altogether, funded through discrete donor sources or via a bespoke business model by which SUN pays for service. **High risk as this could be lengthy, unclear if financing would be forthcoming (to be investigated).*

3. Develop a holistic approach to pilot innovative financing

Goal: Set up a framework to create a virtuous cycle of finance in countries, allowing for better use of existing finance, leveraging additional financing, and notably piloting innovative financing (for humanitarian and development contexts), through assessment, planning, and implementation. This implies strong coordination with in-country networks, particularly the SDN. Steps from this process are built into and supported by the finance capacity development platform (above).

How:

The following schematic provides a general overview of a phased approach for country pilots. It interlinks with the above-mentioned capacity development platform, as capacity requirements can be identified and addressed at each phase. It aims at creating replicable financing opportunities for countries and provides an added benefit for the SUN Pooled Fund (see Annex 2) as initial phases can be used in lieu of due diligence and gap assessments for more effective grant-making – targeted to leveraging finance.



The two first mapping phases are described below, and can be piloted with a select group of countries – potentially countries in which the SDN will also be conducting its own mapping exercise based on prior recommendations. FCAS should be prioritised. Criteria for country selection for pilots is to be established over the coming weeks. The process aims at mapping specific country and international finance actors beyond traditional actors; accessing expertise to engineer appropriately tailored (blended, non-traditional) approaches; and finally structuring, implementing, and evaluating financing mechanisms. Key criteria for success and phased stage-gating are to be developed. The importance of this work is in practically applying learning.

Across the country mapping and international finance mapping phases, is a key cross-cutting workstream (both at the political levels and more technical levels of the SUN system) on high-level advocacy and partnering with donors and investors (see recommendation 1). This is aimed at achieving more nutrition-sensitive financing overall, and specifically more simplified and streamlined funding applications and reporting systems. The SDN and the SBN can be mobilised for this aim. Finally, funding flexibility and a means to manage, mitigate, or accept risk in funding to allow for more equitable financing for FCAS is crucial.

Overall, to begin piloting, input to be obtained in the implementation planning phase, following the recommendation phase, can be used to determine: a) sources of finance to develop and target; and b) pilot countries. This could include a pilot whereby the capacity development platform works with several countries to build an investment case and/or access a particular type of finance for a particular purpose. This intensive process should segue into the country delivery workstream.

Country mapping: baseline – create a holistic map of existing funding mechanisms, existing barriers, actors, funding sources, and activities, to open all possible funding opportunities in a given country (see Annex 3 for details).

International finance mapping: understanding what tools exist, how to deploy them/gap fill, avoid duplication:

- Mechanisms already known to play a role but not accessed by countries easily and thus require support (e.g. coordinated bilateral funding, GFF, IDA, Power of Nutrition, DRM);
- Mechanisms deemed potentially effective but require expert assessment as to how countries can access them, followed by the capacity to link financiers and countries (e.g. DFIs, climate funds);
- Potentially highly effective and sustainable mechanisms but which are entirely new and must be built, notably private sector financing beyond CSR.

Finance mechanism engineering phase and piloting: once the country and international finance mechanism mappings have occurred, an engineering phase ensues, aiming at setting up an appropriate funding and financing pilot. This can be done in various ways depending on the mapping exercise. This phase also requires strong partnership building, depending on what impact is targeted. Running the pilot and evaluating it can be conducted over time, but the first three phases can and should reach completion within six months across several countries.

Conclusions

Finance and investment are of paramount importance to realising SUN 3.0 and the sustainability of nutrition financing, and realising an empowered, country-led Movement. The recommendations here have aimed at enhancing a more effective policy environment for finance; the mutual accountability of all members of the SUN Movement around finance and investment; and an equitable and effective way to identify, respond to, and build lasting capacity within countries to reach their nutrition finance and investment goals. Without creating any new structures, the working group feels that a new approach and emphasis on 'beyond business as usual' is required throughout this strategic period to achieve the ambitious goals of the strategy and the Sustainable Development Goals.

The SUN Movement, by committing to prioritising finance and investment, building the capacities required in country, fostering a mutual learning dynamic, and methodically following a framework to create pathways to finance and investment, forms part of a coherent and powerful whole; one that will allow for mutual accountability, capacity, equity, and real change.

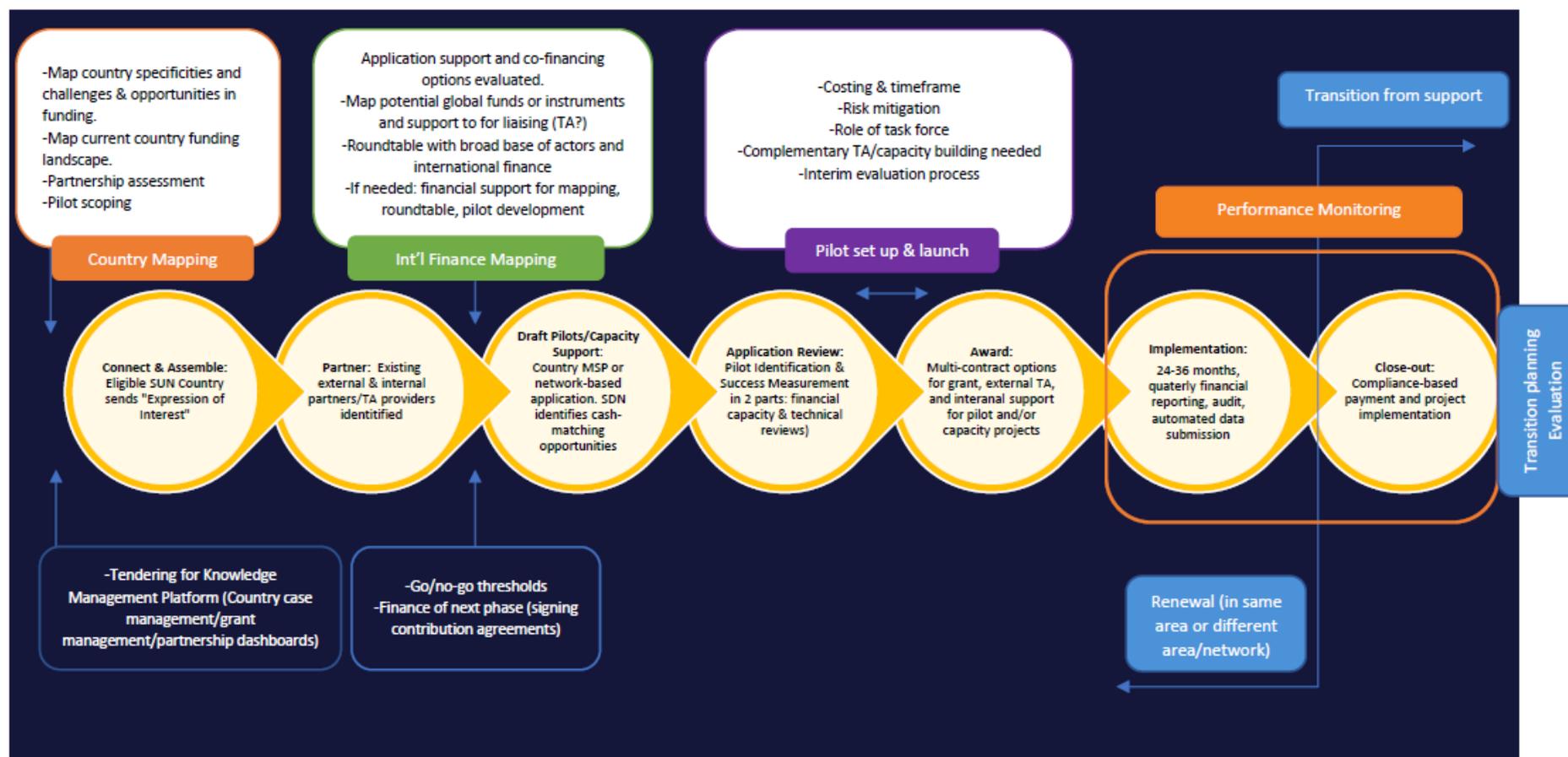
Annex 1: SUN Finance Working Group Members

Co-chairs: Mike Reddaway, FCDO, UK; Karima Al-Hada'a, SUN Government Focal Point, Yemen

Participants: Tama (Sutamara) Lasurdi Noo, Ministry of National Development Planning, Indonesia; Mameni Linga, SUN Focal Point, Liberia; Irshad Danish, SUN Civil Society Network, Pakistan; Fokko Wientjes, SUN Business Network; Kedar Mankad, SUN Donors Network, The Bill and Melinda Gates Foundation

SMS: Samantha Rudick (SMS); Jean-Sebastian Kouassi, SMS (CRAFT); Philip Dive (SMS); William (Zack) Knechtel (SMS), Country Results and Financing Team; Stephen Williams (CLT); Ann Marie Quinn (SMS), SUN Pooled Fund

Annex 2: SUN Pooled Fund process mapped across the pilot framework



Annex 3: Country Mapping

Initial list of issues to be mapped in this phase of the pilot framework, to be further developed during the next phase of the Working Group

- Bonds, performance-based financing
- Finance and investment mechanisms available at the country level
- Finance and investment sources already accessed, by whom and for what purposes
- Finance and investment sources somewhat accessed, but limitations to uptake and the reasons for the limitations need to be understood
- Finance sources not accessed at all (beyond traditional actors or traditional schemes), and where nutrition and nutrition-sensitive financing can go further (e.g. innovative financing mechanisms such as payment by delivery, development impact bonds, debt restructuring, bond issuance, climate finance, multilaterals)
- Business acumen required for engaging private sector
- Country-level assessment of capacity and gaps therein
- Analysis of actors and engagement strategy towards finance ministries to prioritise nutrition financing
- Finance and innovation potential, for example, new models such as nutrition investment

Annex 4: Issues analysis for moving from SUN 2.0 to SUN 3.0 based on meeting discussions and bilateral consultations

Movement issues:

- Insufficient access to specialised finance expertise and a need for more vigorous and coordinated engagement with the funding landscape at country and global levels
- Need for concrete high-level sponsorship and championing of finance issues at the most senior levels of the movement
- Finance has not been elevated or mainstreamed, is highly siloed and under-resourced
- Need for more robust advocacy for generating country demand for nutrition
- The SUN Pooled Fund has been seen as an end in itself rather than a targeted means to leveraging additional funding in the country
- Lack of accountability for measurable finance and finance advocacy outcomes (quantitative and qualitative)
- Need for more intense coordination/focal point for SUN finance activities
- Lack of coordination/mapping/navigation of finance landscape and lack of a concerted country capacity offer

Systemic issues:

- Lack of coordination between different financing mechanisms and generally also among donors in a given country (although this is being addressed in the SDN currently), and proliferation of solutions that frequently are under-utilised or not acting in concert
- Under-utilisation of existing sources, potential duplication, and lack of appreciation of innovative sources of financing
- Poor understanding of quantum of existing financial flows from donors and of existing country spending benchmarks (although R4D has initiated work on this)

Country issues:

- Complex structure of financing options makes it difficult for countries to navigate and access what funding is available
- Countries not applying directly for funding, leading to little control over funding for country priorities
- Poor coordination within countries, also concerning funding cycles, and lack of prioritisation of nutrition from governments where the political will is lacking to mobilise or devote resources to this
- Country capacity building on finance has been limited, and has not reached beyond basic resource mobilisation tools, knowledge transfer is shallow
- Lack of concerted advocacy for carving out nutrition budgets at country level