The Fizzy Potential of Fiscal Policies for Nutrition

January 26th 7:00-8:30 am EST
Session Objectives

● Inform N4G audience countries and stakeholders of the state of the evidence for fiscal policies for nutrition

● Increase awareness of their potential to improve nutrition
### Session Overview

<table>
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<tr>
<th>AGENDA</th>
<th>PRESENTERS</th>
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<tr>
<td>Introduction</td>
<td>Kate Mandeville, Senior Health Specialist, World Bank</td>
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<td>Fiscal Policies for Nutrition: An Overview</td>
<td>Shu Wen Ng, University of North Carolina at Chapel Hill, USA</td>
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<td>Country Discussant</td>
<td>Rasha Alfawaz, Chief Officer for Health Improvement &amp; Promotion, Public Health Authority of Saudi Arabia.</td>
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<td>Fiscal Policies for Nutrition: A Vision for the Future</td>
<td>Franco Sassi, Imperial College London, UK</td>
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<td>Questions and Answers</td>
<td>Moderated by Kate Mandeville, Senior Health Specialist, World Bank</td>
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<td>Dispatch from the Chatbox</td>
<td>Michael Borowitz, Chief Economist, The Global Fund</td>
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Bethany Warren
Senior Public Health Specialist
World Bank
# Framework of fiscal policies for nutrition

<table>
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<tr>
<th><strong>Objective:</strong> To create a difference in retail prices between healthy and unhealthy food and drinks</th>
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<td><strong>Promote</strong></td>
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<tr>
<td><strong>Tax</strong></td>
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<tr>
<td><em>Description:</em> Taxes on unhealthy food and drinks</td>
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<tr>
<td><em>Examples:</em></td>
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<tr>
<td>• Taxes on SSBs (e.g. Saudi Arabia)</td>
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<td>• Taxes on foods high in sugar, salt, or saturated fat (e.g. Bermuda)</td>
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<td>• Remove tax exemptions (e.g. British Columbia)</td>
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<tr>
<td><strong>Subsidy</strong></td>
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<tr>
<td><em>Description:</em> Subsidies for healthy food and drinks</td>
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<td><em>Examples:</em></td>
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<tr>
<td>• Subsidized fruit and vegetables (South Africa)</td>
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<td>• Subsidized tariff on municipal water</td>
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<td>• Remove import tariff on fruit and vegetables (Fiji)</td>
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<td><strong>Incentives</strong></td>
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<tr>
<td><em>Description:</em> Incentives for consumers to buy healthy food and drinks</td>
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<td><em>Examples:</em></td>
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<tr>
<td>• Fruit and vegetable cash transfers or vouchers (USA)</td>
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<td><strong>Price control</strong></td>
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<tr>
<td><em>Description:</em> Price floors on unhealthy food or drinks</td>
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<tr>
<td><em>Examples:</em></td>
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<tr>
<td>• Minimum price per gram of sugar in unhealthy products</td>
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<td><em>Examples:</em></td>
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<tr>
<td>• Exempt healthy food and drinks from VAT or sale taxes (e.g. fruits, vegetables, bottled water)</td>
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<td><em>Examples:</em></td>
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<tr>
<td>• Inclusion of unhealthy products in food subsidy programs (USA)</td>
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<td>• Preferential tax rates for advertising of unhealthy products (UK)</td>
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<td><strong>Description:</strong> Incentives for consumers to buy unhealthy food and drinks</td>
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<td>• Free refills of SSBs (UK)</td>
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<td>• Multibuy promotions on unhealthy products, e.g. “buy one get one free” (UK)</td>
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<tr>
<td><strong>Description:</strong> Price ceilings on unhealthy food and drinks</td>
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<tr>
<td><em>Examples:</em></td>
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<tr>
<td>• Price caps on household goods includes SSBs (Argentina)</td>
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Fiscal Policies for Nutrition: An Overview
Shu Wen Ng
Associate Professor of Nutrition
School of Global Public Health,
University of North Carolina at
Chapel Hill
Fiscal Policies for Nutrition: An Overview

Shu Wen Ng, PhD
University of North Carolina at Chapel Hill

26th January 2022
Fiscal Policies for Nutrition

Create difference in retail prices between healthy and unhealthy foods & drinks

Increase prices to change demand & supply of unhealthy foods & drinks

Examples: Mexico, South Africa, US localities

Lower out-of-pocket prices of healthy options

Examples: Simulations, real-world pilots
Mexico: 1 peso/liter
Heterogeneous tax price pass-through

Colchero MA, JC Salgado, M Unar, M Molina, SW Ng, JA Rivera. 2015. PLOS ONE; 10(12)

Salgado-Hernandez JC, SW Ng. 2019. “Understanding heterogeneity in price changes and firm responses to a national unhealthy food tax in Mexico”. Food Policy.
https://doi.org/10.1016/j.foodpol.2019.101783
South Africa: sugar density tax
% sugar↓ > % volume↓
Larger absolute & relative ↓ among lower income

Colchero MA, JC Salgado, M Unar, M Molina, SW Ng, JA Rivera. 2015. *PLOS ONE*; 10(12)

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Mexico: 1 peso/liter
Heterogeneous tax price pass-through

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<th>1yr post vs pre-announce</th>
<th>Sugar (g/cap/d)</th>
<th>Volume (mL/cap/d)</th>
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<tbody>
<tr>
<td>Taxable – All</td>
<td>-50.8% (-18.9)</td>
<td>-28.9% (-185.2)</td>
</tr>
<tr>
<td>Taxable – Lower LSM</td>
<td>-57.1% (-14.0)</td>
<td>-31.6% (229.1)</td>
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<tr>
<td>Taxable – Higher LSM</td>
<td>-44.5% (-8.5)</td>
<td>-26.8% (-156.4)</td>
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<tr>
<td>Non-Taxable</td>
<td>NS</td>
<td>NS</td>
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https://www.thelancet.com/journals/lanplh/article/PIIS2542-5196(20)30304-1/fulltext
Win-win-win in Berkeley

Increase in prices of SSBs (but varies by store types)

In Berkeley’s larger grocery chains, SSB sales fell 10%, but untaxed beverages sales rose 3.5%, such that overall beverage sales rose slightly.

No change in store revenue or grocery bill spending in Berkeley stores

Silver, Ng, et al. 2017. Plos One
Systematic & Narrative reviews & Meta-analyses

https://www.worldobesity.org/resources/policy-dossiers/


https://iris.paho.org/handle/10665.2/53252

https://doi.org/10.26633/RPSP.2021.21
What do evaluation findings to date suggest?

• Excise taxes are easier to collect, implement and helps with framing
• Industry can pass-through or respond differentially to cost-shift
• Price responsiveness varies (over time & subpops)
• Meaningful taxes if pass-through sufficiently can shift demand for taxed & sometimes untaxed products
• Taxes (+media/education) alone to date is probably not enough to radically slow down and reverse obesity & NCD trends
• No net change in employment
• Context and framing matter
US: How might taxes & subsidies affect demand among high vs low purchasers of SSBs/Fruits & Vegetables (FV)?

High vs low SSB/FV purchasers may have different demand elasticities

Censored quantile regression

Simulated policies (assume 100% pass-through)

- Volume-based 1 cent/oz excise tax on SSBs (regular CSD & other SSBs)
- Ad valorem fruit & vegetable (FV) subsidy
  - 30% for SNAP income eligible only
  - 50% for SNAP income eligible only
- Combined SSB tax + FV subsidies

SNAP = US’s Supplemental Nutrition Assistance Program

Among SNAP income eligible...

... SSB tax more impactful for higher baseline SSB consumers

... Fruit & Vegetable subsidy balances out ‘financial loss’ due to SSB tax

... even among high baseline SSB consumers if subsidies are high enough

US example (simulations to pilots with evaluations)

Estimated contribution multiplier:
• 1.1-1.6 for incentives spent at retail food stores (1.1 to 2.9 if scaled state-wide)
• 2.4-3.1 for incentives spent on farm-direct sales (farmers’ markets, farm stands, community supported agriculture)

The Economic Contributions of Healthy Food Incentives
~ 3,000 SNAP beneficiaries recruited from FQHCs with diet-sensitive health condition receive $40/month for Fruit & Vegetables (no additives) for 12-24 months

Produce prescriptions as a form of incentive

• Systematic review & meta analysis of 13 studies show 22% increase in FV intake (+0.8 servings), some health outcomes

• Add to evidence around whether healthy food incentives
  • support healthier diets among targeted population
  • provide other spillover/positive ‘wins’ for retailers & healthcare cost savings

• If possible, funded through existing mechanisms
  • Scale-ability under federal food assistance programs (SNAP) and/or federal health programs (Medicaid, Medicare, Veterans Affairs, Tri-Care)
  • Under private health insurance
  • State-level options

Bhat et al, 2021 https://doi.org/10.1093/advances/nmab039
Moving the needle with what we know

- Unhealthy drink taxes: Have ample evidence, but designs can be further improved if policymakers & politicians commit
- Unhealthy food taxes: to be discussed by Franco
- Healthy food incentives: Early stages, but some evidence already.
  - Need pilots using different mechanisms to improve implementation & reach different subpopulations & context.
  - Options for other settings will vary (e.g., school feeding programs, conditional cash transfers)
- Gaps in knowledge on longer term and intergenerational impacts
- Synergistic impacts with other policies
THANK YOU!

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Fiscal Policies for Nutrition:
A Vision for the Future

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Centre for Health Economics and Policy Innovation,
Imperial College Business School, London, UK

Nutrition Financing Week (N4G)
26th January 2022
Taxes on Sugar-sweetened Beverages (SSBs)

- Being adopted widely
- Good evidence that they reduce SSB consumption
- Initial evidence that a more sophisticated (tiered) design may incentivise beverage reformulation
- But, small difference in people’s overall diets, at best
Taxes on Foods High in Sugar, Salt and Fat (HFSS)

• Less talked about, less often evaluated

• Used in a number of small jurisdictions, repealed in three northern European countries, most prominent current examples are in Mexico and Hungary

• Limited evidence base on their impacts

• Impacts on consumption of taxed foods are plausible, but impacts on overall diet are uncertain
### Existing HFSS Food Taxes (16 identified)

| When implemented? | 9/13 in the last 10 years  
+ 3 repealed |
|--------------------|----------------------------------|
| What target?       | Products containing sugar: 9 (2 repealed)  
                        Products containing fat: 5 (1 repealed)  
                        Energy dense products: 2  
                        Products containing salt: 2 |
| Tax design         | 10 ad valorem  
                        6 specific |
| Tax type           | 6 import duty (all island states)  
                        8 excise tax  
                        2 VAT/sales tax |
Taxes on HFSS Foods

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Health Taxes on Food and Non-alcoholic Beverages

Existing taxes have been revolutionary, and so are the countries that have been able to implement them.

Today, we must build on success stories and take stock of the evidence.

Current taxes are small and unlikely to have a big impact on people’s diets, the risk of unwarranted substitutions is high.

The evidence points to the need for a holistic system of fiscal incentives based on a suitable nutrient profiling model.

Working, where possible, within the existing general consumption tax envelope.

Taxes on food and non-alcoholic beverages paid by a UK household in a year.


SDIL: £14.8

VAT: £468
Nutrient Profiling Models (NPMs) and Food Taxation

A NPM is a food classification system based on nutrient composition

**Nutrient thresholds**
- A tax with two levels (or more)
- Reformulation only around the thresholds

**Score**
- No threshold for « healthier » products needed
- Make the tax proportional to the NPM
- Reformulation for all products

**Category-specific**
- Reformulation
- Ensure different tax rate in all categories (intra-category switches)

**Across-the-board**
- a tax aligned with dietary guidelines
- Encourages switches to healthier products

Also to consider:
- Nutrients considered in the NPM
- Reference amount (100g/100kcal)
- Availability of nutrients/component used (labels)
A new Vision for Consumption Taxes on Food and Non-alcoholic Beverages

- A single, ad valorem, tax applied to all foods and beverages

- Tax rate differentiation based on NPM scores

- Effective tax rates would vary between individuals (has benefits and risks)

- A salient tax, strengthened by complementary behavioural incentives based on a consistent approach (e.g. food labels, advertising regulation, other nudges)

- Combined with regulatory measures complementary to taxation (e.g., below cost promotion bans; quantity discount bans, etc.)
Dispatch from the Chatbox
Michael Borowitz
Chief Economist
The Global Fund
Thank You!