Mixing It Up: How Social Innovation Can Enhance Nutrition Programming

A Case Study of the GAIN Global Premix Procurement Facility

A2Z Program Integration and Innovation Meeting
Washington DC
May 4th 2011

Katharine Kreis
The Need for Innovation

GAIN recognised that a ‘bottleneck’ on the success of its programmes was the availability and affordability of good quality micronutrients.

- Prices high and at best inconsistent in some markets
- Difficult for suppliers to enter market due to lack of common standards
- Users often unable to check quality themselves
- Other development organisations experiencing same challenges
- Inadequate regulatory capacity in some countries to monitor quality
- Large and growing demand across programmes
What is Premix and why is it important?

Premix is a commercially prepared blend of essential vitamins and minerals used to fortify food in order to combat micronutrient deficiencies.

Consistent quality is critical to the nutritional impact of fortified food:

1. Drives bioavailability of micronutrients to the body
2. Stability of the vitamins is essential to ensure delivery over time
3. Hygienic production environment is required to prevent microbiological contamination – critical issue for infants and children
4. Homogeneity of the premix affects homogeneity of the product
5. Flowability of the premix is essential to ensure proper dosing
6. Chemical byproducts in micronutrients must be within safe limits

Premix affordability is critical to program sustainability

1. Cost of premix can limit participation in the fortification programs
2. Financing of purchases can be a limiting factor to ongoing sustainability of programs
GAIN premix facility (GPF)

The GAIN premix facility was implemented to ensure consistent delivery of good quality, affordable micronutrients.

Challenges in Premix Procurement

- Quality of premix varied due to inconsistent approach & standards
- Decentralised procurement drove different price and service outcomes depending on the buyer and supplier
- Micronutrient costs are a high proportion of ongoing fortification costs
- Some projects struggle to finance purchases upfront

GAIN premix facility

- Certification Facility
  (Certification Agent: Intertek)
- Procurement Facility
  (Procurement Agent: Crown Agents)
- Credit Facility
- Grant Facility
The GPF has a multi-pronged approach to ensuring the quality of premix and micronutrients being procured.

Ensuring Premix Quality

Upfront Supplier Audits & Certification

Security of Supply Chain Sources

Independent Analysis of Premix

Technical Investigation on Quality Issues

www.gainhealth.org
Ensuring Affordability

All requirements are procured through a competitive tender process, with pooling of demand across countries and programs as much as possible.
Assisted Financing

A global Revolving Fund has been established to allow tailored credit arrangements for specific programs and customers.

- **GPF pays suppliers for premix on standard payment terms (using money from Revolving Fund)**
- **Food Producers / Associations pay for premix on extended credit terms to GPF (reimbursing the Revolving Fund)**

**Two typical models can be applied:**

- **Extended Credit Terms**
  - GPF can offer extended credit terms of up to 180 days

- **Consignment Stock Model**
  - Where appropriate, GPF can supply premix on a 'pre-financed', consignment basis where it is paid for only after it is used in production
The GPF is working with a local partner in Ghana on a revolving model to supply affordable Potassium Iodate (KIO3) to small scale salt producers.

**Example: Revolving Supply Model in Ghana**

Partner makes monthly repayment back to GPF based on sales

Producers pay Local Partner

**Key Benefits of this Approach:**

- Salt producers are cottage scale so were not able to access reputable, international suppliers. This model ensures that KIO3 is accessible and always available in Ghana in small quantities for industry.
- KIO3 is always procured in a competitive way from quality certified suppliers.
- A cost recovery system is in place, supported by credit, to support long term sustainability of salt iodisation, without relying on donations.
Learning from the Process of Innovation

The GPF was implemented based on a robust fact base and by utilising leading practices in procurement and certification.

- Significant research was essential to establish a knowledge base and expertise on the global premix and micronutrient market.
- Close collaboration with GAIN’s Business Alliance partners and institutional partners was important to develop a collaborative model which added value for all players.
- By working with specialist organisations who have core competencies in procurement and certification, we were more quickly established credibility and scale.
- The power of the model is that it is scalable and replicable and can grow its impact beyond GAIN’s own programs – it is being used by customers as diverse as small scale food producers to major UN organisations.
- There is potential to leverage the same core competencies which have been established with the model to include other commodities and activities in the future.
Impact to Date

The GPF has made quicker than expected progress since launching in July 2009:

• Certified 16 blenders and 20 micronutrient suppliers. *Biannual selection process – 20+ additional micronutrient suppliers currently being assessed*

• GPF has sourced more than US$11 million worth of premix orders since launching

• Delivering premix into 19 countries in Africa, Central and Southern Asia and Eastern Europe

• Established partnership with major aid agencies such as the World Food Programme and UNICEF

So far, the GPF is estimated to have reached more than *100 million consumers* in developing countries with affordable vitamins and minerals of certified quality
The GAIN Premix Facility is a unique, scalable intervention which fills a recognised constraint on nutrition programs.

### Why is the GPF a successful innovation?

A simple, innovative process, good for public health, good for GAIN and its partners

| Reach            | • A efficient way to reach many people with improved nutrition  
                   | • Relevant solution to program and consumer needs |
|------------------|--------------------------------------------------------|
| Leverage         | • The model is leveraged many times beyond GAIN’s programs and initial investment |
| Partnership      | • Collaboration across the public and private sector to achieve scale |
| Approach         | • Long term objective is for intervention to become sustainable through cost recovery mechanism |

www.gainhealth.org
How can we foster innovation?

• **Bring in expertise from a variety of fields**: PH, Business, economics, communications, legal, science and those with specific knowledge of the problems with current models in the context of the cultural and political realities

• Take the time to brainstorm ideas and **build a pipeline of ideas**

• **Consider incentives for managing risks** when trying something new

• **Expect and embrace failure**: 50 to 70 per cent of all new product innovations fail at even the most successful companies.

• **Learn from success and mistakes** – Regularly taking the time to deconstruct and document what did and didn’t work and why is helpful the next time.
Thank you!