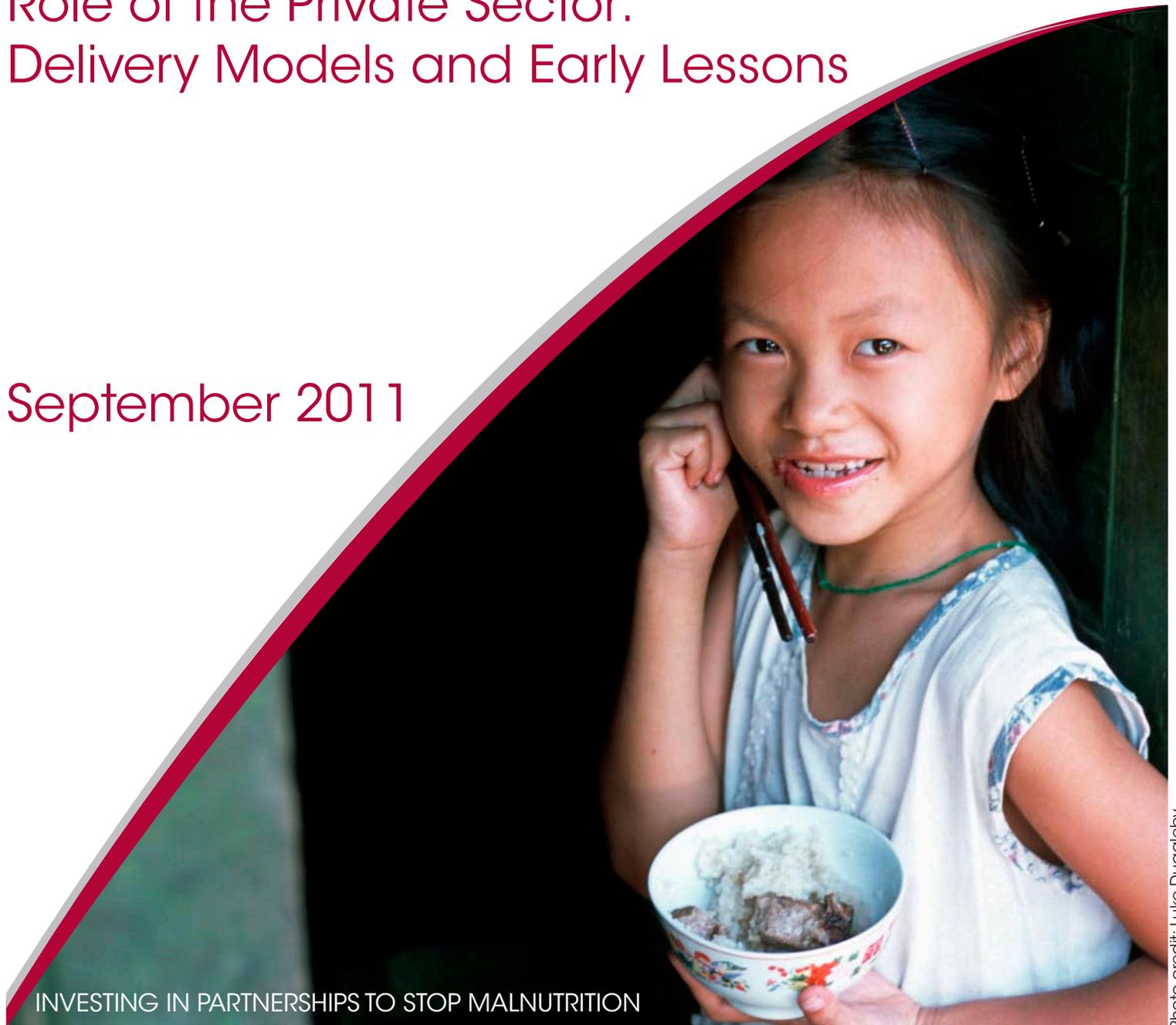


SHAPING MARKETS TO COMBAT UNDERNUTRITION

Rethinking Approaches to Scaling Up the
Role of the Private Sector:
Delivery Models and Early Lessons

September 2011



CHANGES TO CONSUMPTION through market reforms, not government programmes, will bear the burden of delivering improved global nutrition standards. How can improving market readiness for nutrition be moved to the centre of global delivery strategies? This paper provides a snap shot of new approaches and innovations led by the private sector to shape and change food consumption patterns, and raises the question of how to build on these models to redress the urgent dietary needs of some two billion undernourished people.

ABOUT GAIN

THE GLOBAL ALLIANCE FOR IMPROVED NUTRITION (GAIN) is an alliance driven by the vision of a world without malnutrition. GAIN supports public private partnerships to increase access to the missing nutrients in diets necessary for people, communities and economies to be stronger and healthier. GAIN-supported nutrition programs are reaching an estimated 400 million vulnerable people in more than 30 countries with affordable nutritious foods in a sustainable way.

RETHINKING NUTRITION DELIVERY STRATEGIES

THE PRIORITIES AND TARGETS of the global nutrition strategy are increasingly well defined in the Scaling Up Nutrition (SUN) Framework for Action, which over 100 international and civil society organizations endorsed in 2009. We know that undernutrition is undermining all the basic human development targets, has been seriously neglected and that the 1,000 day period from conception to two years is the

critical window in which lifelong health and cognitive skills are determined.

But while the targets and objectives are defined, the mechanisms for stakeholder engagement around delivery are not. Current emphasis concentrates on national public strategies and a project-based approach to interventions. Vital as these are, the



GAIN Gujarat project, India.

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EVERY SIX SECONDS, A CHILD DIES FROM MALNUTRITION.

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UNICEF 2010

biggest prize is to reengineer food systems to make them more nutrition-friendly, and this requires a heavy focus on making markets ready for nutrition. New models and incentives, as well as public-private project partnerships, are needed across markets to better address social objectives.

Aid, Markets and Development: Pointers

Ever since aid became a part of international development efforts half a century ago, efforts to improve nutrition for the world's poor have focused on public or government funded health interventions. The main approaches to addressing malnutrition have been through public sector programmes in three areas: public education/sensitization around diet, the reduction of micronutrient deficiencies (mainly via salt iodization and Vitamin A supplements), and the treatment of severe acute malnutrition. These efforts are generally agreed to have been insufficient, leaving a world in which one third still suffer from undernutrition.

The problem is complex and the conundrum to be answered is this: if even the very poor buy some portion of what they eat, sustainable reforms to diets means that the private sector in its widest sense – farmers, traders and retailers, processors and small manufacturers, and banks and investment funds which finance them are *de facto* the engine for delivering better nutrition. The private sector has a dominant role in shaping consumption patterns and product development, so how can a global effort being driven by governments and donors best succeed? Does the traditional emphasis on public sector health approaches divert attention from big win solutions via market reforms? How can consumers themselves become part of a movement to demand better and more accessible nutritious products?

¹ Global Food Markets: Global Food Industry Structure, Economic Research Centre, US Department of Agriculture, 2009

Refocusing the Private Sector Lens on Nutrition

“It is the policy of the United States to promote broad-based, sustainable global development, reduce poverty, and eliminate extreme global poverty by maximizing good development principles and key reforms... and expanding and leveraging public-private sector partnerships investing in innovation”.

The US Senate Foreign Relations Committee,
Washington, July 2011

Over the past two decades, it is explosive growth led by market forces which has been largely responsible for lifting many hundreds of millions out of poverty in Asia, eclipsing state led economic approaches which failed over many decades to gain real traction.

The private sector is not a panacea for underdevelopment, but its productive power is crucial to sustainable improvements in people's lives. The private sector in food is very diverse, along the entire food value chain from “farm to fork”. Although large companies dominate the food sector in developed countries, overall 80% of manufactured food products globally are produced by small and the medium sized companies. Improving global nutrition standards is literally impossible unless this private sector and the public get involved in finding solutions.

Fortunately, there are now a large number of innovations being developed by the private sector that can help to chart a new path for improved nutrition. These point to the importance of collaborative efforts to create and shape consumer demand around better nutrition, and create favourable market conditions for investment in new products. Better market readiness is at the core of this.

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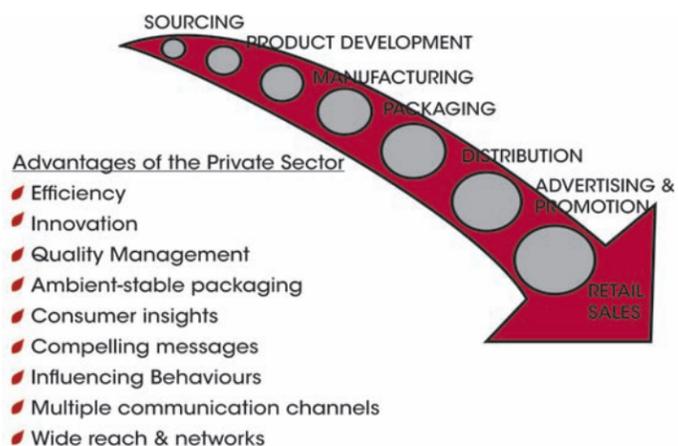
LINKING PUBLIC AND PRIVATE ACTORS THROUGH MARKET DELIVERY MODELS

"We're using our convening power to bring together governments, businesses, foundations, NGOs, universities, all of which offer valuable and complementary expertise and resources. And we're reaching out more than ever to the private sector to get their assistance and ideas, because we're committed to getting results not measured in dollars but in lasting changes in people's lives"

Hillary Clinton, US Secretary of State, speaking about nutrition and development.
Washington, June 2010

THINKING ABOUT THE role of business in development is changing quickly: it is seen as a source of ideas, good practices and leveraged funding for key priorities.

Some of the greatest advances in understanding the roles of business and government in development have been made through the lens of the agricultural value chain. The intervention points for business along the entire food chain are many and each has different implications for how government policy can positively influence nutrition. The diagram below from SUN illustrates the access points:



It goes beyond the scope of this paper to explore this in detail, but clearly infrastructure, regulation and trade policies are direct levers which affect availability of food, and ones in which governments can be a key role player. For example, the Government can regulate food markets to promote healthy products (e.g. reducing low nutrition dense foods and removing high level of sugar, fat, and salt), and can also invest in the infrastructure required to boost food production at the base of the agricultural economy.

The respective roles that business and government can play also depend on the different market segments served. Disaggregating the market across various income levels suggests that different delivery models are required to meet the needs of different income groups. Solutions for the poor and ultra poor are different than for those with income levels above

\$10 per day, or indeed those with high incomes affected by escalating obesity rates.

For the poorest, a blend of public and private efforts is especially important not just to inform but also to find ways to effectively subsidise the cost of delivery, either through public distribution channels or by public-private partnerships involving NGOs, governments and business which lower the cost and/or risk of production and commercial distribution.

In other market sectors, where there is purchasing power, the critical partnerships needed are around demand creation. Governments can partner with citizens and professionals to link investments in social marketing with the marketing power of the private sector to work to improve awareness and choice.

IMPROVING THE IMPACT OF FOOD AID ASSISTANCE

The World Food Programme (WFP) reaches nearly 100 million beneficiaries with food assistance per year worldwide. DSM the life sciences company and one of the world's largest producers of micronutrients, established a partnership in 2007 to develop products and strategies to ensure that 80% of WFP's food basket includes essential vitamins and minerals. This partnership leverages the logistics, reach and food delivery expertise of an international organization with the industry expertise of a global science company to better combat global malnutrition. The initiative will develop Micronutrient Powders (MNP) that can be used in humanitarian contexts and help build WFP's capacity to provide more targeted assistance.

Photo credit: Frédérique Tissandier/GAIN



Iodized salt production in Ghana.

PRIVATE SECTOR'S COMPARATIVE ADVANTAGE

TAKEN AS A whole the private sector's comparative advantage in nutrition is clear:

• **Scale and investment** – private flows and activity in the food sector dwarf available government and donor spending. The World Bank puts the food and agriculture sector at 10% of global gross domestic product, making the sector worth about \$4.8 trillion in 2006.² And while Foreign Direct Investment (FDI) figures are elusive, they swamp public spending in the sector: just US FDI in foreign food processing, service and retail sector represented some \$55bn a year in the late 1990s/early 2000s.³ The market opportunities are huge - the total household food market for the 4bn poorest people was calculated at \$2,890 billion in 2002.⁴ By comparison, in 2006 global emergency food aid was valued at \$2bn, representing less than one tenth of one percent of food consumed by the poorest. The World Bank estimates that taking the nutrition interventions in the SUN Framework to scale would require annual public investment of \$10.3 billion.⁵ This funding level is not yet achieved.

• **Shaping demand** – business is a major player in terms of shaping consumer preferences and demand. Government remains the primary voice on health messaging, and the authority in regulating the content of messages through trading standards. But advertising spend in the market is a primary source of consumer information on food products, and business is skilled at messaging and influencing consumer behaviours through various channels. Marketing has often driven consumers towards eating habits which are suboptimal and lead to both undernutrition and overweight/obesity; but where it can be channelled to promote healthy eating and support good practice it is capable of effecting rapid change at scale. In Europe, for example, some major food manufacturers have started to embrace nutrition goals as part of their core business strategy, as part of anticipating and serving consumer demands. The influence of public opinion, government direction and its intersection with companies' strategies can be a game changer.

• **Research and Innovation** – the private sector is able to apply research in the development and marketing of new products, and improving the efficiency and quality of delivery through the food chain. The creativity and product skills in the private sector are where the majority of research skills are. Many new products are being developed, and existing products are having beneficial nutrients added (fortification) and harmful ones (e.g. trans fats and excessive salt) removed.

These comparative advantages offer a clear window for the public sector to engage with the private sector. When done well, these public-private partnerships (PPPs) can lead to substantial and sustainable development outcomes.

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²The World's Biggest Industry, Murray, Forbes Magazine, 2007

³The role of foreign direct investment in the nutrition transition, Hawkes, International Food Policy Research Institute, 2005

⁴The Next Four Billion, World Resources Institute and International Finance Corporation, 2007

⁵Scaling Up Nutrition: What Will it Cost? Horton, et.al. 2009



Photo credit: Karie Atkinson/GAIN

Sprinkles Project, Western Kenya.

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EXAMPLES OF SHARED VALUE INVESTMENTS

Scale and Sustainability: The Private Sector's Role in Public-Private Partnerships

Partnership is a broad term which covers many types of relationships. Early PPPs were structured partnerships around defined projects in which business delivered a public service for government under contract, taking risk and also earning profits. This model has been especially effective in long term investments such as infrastructure.

To the extent that business engaged in non-contracted development work, projects were largely through corporate giving via Corporate Social Responsibility (CSR) programs. Though effective at channelling resources, there is wide consensus that while such traditional CSR is positive, it does not usually provide a sustainable route to improved nutrition outcomes: such spending can be a catalyst, but requires a permanent cycle of replenishment, a permanent subsidy to maintain delivery.

More recently, however, development thinking has moved to also recognise more systemic and open types of collaboration with the private sector – through alliances promoting inclusive business models which deliver sustainable, market based solutions for base of pyramid consumers - as well as through public-private policy dialogue.⁶ This adds exciting new possibilities for collaboration to restructure food economies to make them more nutrition friendly.

These new approaches are mirrored in the way business itself is thinking about global markets. In anticipating and expanding or creating markets – business is increasingly focused on creating “shared values”. The model means that social objectives are delivered while simultaneously creating profit and new markets.⁷

These “shared value” investments can be critical in pioneering new products and in helping change demand. There are many examples of such PPPs in nutrition, where private sector willingness to enter into new markets is combined with public investments in social goods, and are especially important in frontier efforts to target fortification through specialised products such as powdered multi-nutrient supplements, fortified spreads and pastes, and for tackling the chronic shortage of affordable and accessible complementary foods - for example, fewer than 2% of mothers in developing countries have access to such complementary foods for infants from six months to two years old.

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ALLIANCES PROMOTING INCLUSIVE BUSINESS... DELIVER SUSTAINABLE, MARKET-BASED SOLUTIONS FOR BASE OF PYRAMID CONSUMERS.
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⁶ See Bilateral Donors' statement in support of private sector partnerships for Development, issued at the 2010 UN General Assembly by 11 bilateral donors.

⁷ Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society, Michael E. Porter, January 2011

NEW PRODUCTS – PROMOTION OF NEW FORTIFIED COMPLEMENTARY FOOD PRODUCT IN CÔTE D’IVOIRE
Protein Kissée La (PKL), an Ivorian company aims to reach more than 90% of 1.46m 6-24 months old children with Farinor®, a fortified complementary food. Helen Keller International (HKI) has partnered with PKL in developing a social marketing plan to create demand and advocate for appropriate regulatory policies. To make the product more affordable to underprivileged populations (C & D consumers) it will be marketed in smaller sized packages.

A GHANAIAN ENTREPRENEUR'S COMMITMENT TO PROVIDING AFFORDABLE NUTRITION – TARGETING NEW BENEFICIARIES

Samuel Kwame Ntim Adu is running his own company of over 40 employees from food scientists to engineers to factory hands. Yedent Agro Processing Ventures is developing an instant maize-based product enriched with vitamins and minerals that is the first of its kind on the market. The product has thus far been successful due to its affordability and natural integration with breastfeeding. Its goal is to improve the nutrition of more than one million children during their first 1,000 days of life. At present, the price of complementary food products for children is out of reach for the economically vulnerable and those most susceptible to malnutrition. The plan is to reach this segment of the market by halving the price, and selling a smaller 50-gram sachet that is enough for two servings.

RENATA ALIGNING BUSINESS AND SOCIAL GOALS TO CREATE SHARED VALUE

Malnutrition in Bangladesh is amongst the highest in the world, Bangladeshi children also suffer from high rates of micronutrient deficiencies, particularly vitamin A, iron, and iodine and zinc deficiency – more than 80% of infants 6-12 months of age are anemic. Entering into a partnership with GAIN and BRAC, the world's largest NGO, Renata is manufacturing low-cost single serving packets of micronutrient powders that can be added to an infant's (over six months of age) or young child's food to reduce micronutrient deficiencies. Renata Limited also sells the packets through their pharmacy and physician networks to higher end consumer groups.



Serving fortified baladi bread in Egypt.

In some cases, market readiness alone may not be sufficient to enter into new markets. Certain common constraints exist which limit private sector investment, including risk aversion and access to inputs.

Risk Aversion

For many companies, and especially for small and medium enterprises, the risk of loss in entering new markets is too great to justify the initial investment. To address this challenge, a number of innovative finance mechanisms have been launched to provide funding and/or guarantees which help to share the risk.

ACUMEN FUND SUPPORTING NEW BREAKFAST PORRIDGE IN KENYA

With an initial investment from Acumen, Insta began manufacturing a protein- and vitamin-rich porridge product formulated to meet the needs of infants over six months, young children and adults. The low-cost porridge, which contains soybeans and grains, is pre-cooked and provides all nine essential amino acids required by the human body. This is especially important in Kenya where animal products are rare and expensive. The bulk of Insta's raw materials, maize and soy, are sourced from local suppliers purchasing directly from small- and medium-scale farmers in Kenya and Uganda. International aid organizations including UNICEF, WFP and USAID purchase and distribute Insta's products. Insta also plans to reach low-income families directly through retail distribution.



Fortified maize meal in South Africa.

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‘SHARED VALUE’ INVESTMENTS CAN BE CRITICAL IN PIONEERING NEW PRODUCTS AND IN HELPING CHANGE DEMAND.

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Access to Inputs

Just like access to funding, access to quality vitamins and minerals (premix) has been a substantial barrier to entering new markets. This limited access to premix suppliers created challenges in finding competitively priced and quality assured supply of the inputs necessary to produce fortified foods. To address this challenge, GAIN created a Global Premix Facility.

THE PREMIX FACILITY – IMPROVING MARKET COMPETITIVENESS AND QUALITY OF FORTIFICANTS

As micronutrient fortification programs spread around the world, the economics and quality control become ever more important. Set up by GAIN in 2009, the GAIN Premix Facility (GPF) aims to make fortified foods more competitive and higher quality through a central procurement facility structured around four key functions:

- A Certification Process whereby the GPF has established a quality standard by which suppliers are assessed for inclusion in the GPF. The GPF also has a mechanism to ensure that every shipment of premix sourced is tested to ensure compliance with specification.
- A Procurement Facility that helps manufacturers to competitively source premix and individual micronutrients from suppliers approved through the certification process.
- A Credit Facility Mechanism that helps projects finance premix purchases by offering extended credit terms to customers to pay for their purchases through the GPF.
- A Grant Mechanism that funds premix for fortification of food products distributed by aid agencies in emergency situations.

THE WAY FORWARD: AFFECTING STRUCTURAL CHANGE IN THE FOOD SYSTEM

THROUGH A COMBINATION of market readiness and new financial mechanisms and platforms, the private sector is now investing in more projects than ever before. Though these project-based partnerships are effective in introducing new products, services and actors into markets, the bigger wins are in the investments which crowd numerous new actors and investments into the development space. To reach the growing number of low income populations with some purchasing power, structural reforms capable of lifting nutrition standards are needed.

Harnessing the private sector to transform the food chain and deliver improved nutrition requires a strategic approach that can bring about structural changes in food markets. One of the best examples of this - as a model - has been the fortification of staple foods. Here partnerships between role-players - governments, food producers and civil society - have triggered structural changes.

STAPLE FORTIFICATION: THE BEST EXAMPLE OF REENGINEERING FOOD MARKETS

Perhaps the best example of successful market readiness and reform in foods is still around fortification of staples. Virtually the rule in developed economies, the US and European societies embedded fortification in national diets many decades ago, in the case of the US during the Second World War to improve the health of the army, with proven success. A global map of new fortification shows the spread to developing countries over the past decade with prospects that one billion will benefit by 2015:

In this model, governments play a critical role as standard and regulation setter, with the private sector providing long term investment in product development and delivery, sometimes facilitated by not-for-profits such as GAIN, HKI and others. This model is desirable because of its built in sustainability; once up and running fortification becomes an embedded feature of the market.



This change model is instructive, but is hard to replicate in food sectors outside of staple foods, where regulation and standard setting is much more difficult. While consumers obviously value health, they may not understand the complex causal connections between diet and health, or indeed may lack choices due to poverty.

Countries can build on the model and experience of mass food fortification around more targeted products, and through mass based education campaigns linked to health and nutrition. Policies and regulations can be developed to improve quality and quality control, and encourage the supply of nutritious foods along the value chain. This leadership model puts government at the centre as a facilitator, and investors (public and private), producers and consumers in the delivery chain of success. But where the market can deliver, it can deliver big, and in ways that donors and governments can never afford.

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BRITANNIA SELLS 30 BILLION PACKETS OF IRON-FORTIFIED BISCUITS EACH YEAR IN INDIA.

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BRITANNIA: 30 BILLION EXAMPLES OF MARKET READINESS IN ACTION

Britannia is one of India's biggest brands and a leading food companies. India has 100 million children under five, and of these 47% are malnourished, the largest single deficiency being of iron. Britannia began manufacturing iron fortified biscuits for WFP school feeding programs, then expanded fortification across all its commercial baked product lines adding iron, iodine, Vitamins A and B and removing trans fats, and adding zinc and iodine to its dairy products. The biscuits are much more acceptable to consumers than oral iron supplements with almost 100% take up, and Britannia sells 30 billion packets per year. By marketing products that are good for the consumer, for children, and the company the model puts nutrition at the core of business plans, part of the "bottom line". The products are not subsidized, but they benefit from public health messaging and company marketing which promotes the health benefits as a unique selling point.



Britannia fortified biscuits, India/GAIN



GAIN

Rue de Vermont 37-39
CH-1202 Geneva
Switzerland
T +41 22 749 1850
F +41 22 749 1851
E info@gainhealth.org
www.gainhealth.org

GAIN Washington

1776 Massachusetts
Avenue, NW
Suite 700
Washington, DC 20036
T: +(202) 559-8501
F: +(202) 559-8514
www.gainhealth.org