

## **Notes from call between GiveWell and GAIN regarding salt iodization, 07/18/2012**

GiveWell was represented by Elie Hassenfeld (Co-Founder) and Alexander Berger (Research Analyst).

GAIN was represented by Greg Garrett (Director of Large-Scale Food Fortification) and Matt Freeman (Senior Manager - Investment and Partnerships).

### **Funding needs for an iodine revolving fund in Ethiopia**

#### *Basics and timeline*

As of our last call, on June 5<sup>th</sup>, Ethiopia was projected to run out of potassium iodate (KIO<sub>3</sub>) in November 2012. That estimate has now been updated to January 2013 based on current utilization rates and a KIO<sub>3</sub> assessment which GAIN is completing by mid-August. GAIN would need to receive funding by mid-October 2012 in order to procure KIO<sub>3</sub> and ship it to Ethiopia in time to avoid a supply disruption. GAIN has been having conversations with funders over the past month in order to close this gap, but does not have any indication that any particular funder expects to fill the gap at this point.

It can take a couple of months to go from the funding coming in to GAIN to get the KIO<sub>3</sub> in the hands of the revolving fund because GAIN does open tenders to get the best price and quality, and because it's logistically complicated to import premix into Ethiopia.

GAIN already has identified a partner organization to administer the revolving fund in Ethiopia, the Pharmaceutical and Food Supply Agency. They have a vitamin A revolving fund that they're already running well, and they're affiliated with the government. GAIN has spoken with the director about the technical assistance they want to provide, the organization wants them to come in. They've been getting USAID technical assistance already, from John Snow International.

If money for new KIO<sub>3</sub> seed stock for the revolving fund doesn't come through by mid-October, the government of Ethiopia will likely start to make the rounds of donors trying to raise funds, a process they've already begun. If they don't manage to raise the funds necessary, GAIN believes that the good momentum Ethiopia has achieved in terms of legislation and enforcement may decay simply due to the lack of KIO<sub>3</sub>, the critical chemical compound needed for iodization. The enforcement isn't mature enough to penalize salt producers in rural areas if they don't iodize. GAIN is working to set up better quality assurance and quality control (QAQC) mechanisms, including producing manuals and providing rapid test kits. By January, if KIO<sub>3</sub> has not arrived, GAIN believes some salt producers may procure iodate on their own, but that this would likely only 10% or so of companies, while the rest would stop iodizing. GAIN estimates that current coverage of iodized salt in Ethiopia is about 20%; if a sustainable KIO<sub>3</sub> supply isn't established, coverage rates of iodized salt could fall as low as 2-3%.

#### *Current iodization levels*

GAIN estimates that current salt iodization rates in Ethiopia are around 20%. They have estimated a gain of ~6 percentage points in the iodization rates every 6 months for the last 1.5 yrs. GAIN reports that coverage of adequately iodized salt were as low 2-5% prior to 2005.

There are issues with the quality of iodization, however. GAIN is currently trying to ensure that future tests are conducted using titration, which can distinguish the level of iodization of the salt. So far in Ethiopia, rapid test kits have been used, which show whether the salt is iodized to some extent, but do not determine whether it is sufficiently iodized.

#### *Enforcement capacity*

GAIN believes that capacity to enforce iodization requirements in Ethiopia is not strong, but increasing gradually. There are issues involving both legislation and technical capacity. On legislation, the Addis Ababa-based agency in charge of national enforcement (FMHACA) was only recently mandated to enforce iodization outside of the capital, where salt production takes place. GAIN believes that the agency needs to be able to revoke licenses among salt producers in order to increase compliances.. On the technical assistance side, the enforcement agency needs guidelines and protocols around iodization and to be trained on titration testing as well as spot checking. GAIN has led some titrations and WYD already, and is planning to conduct more training of trainers in early 2013. It has also supplied to FMHACA equipment for proper quantitative testing (i.e. WYD testers).

#### *Monitoring, evaluation, and feedback*

GAIN and its partner, UNICEF, are working with national agencies to improve the monitoring of the level of iodization. They do not expect to have routine collecting of data on adequately iodized salt until early 2013 at the earliest, after trainings on titration testing are completed. After that, they expect to be able to report periodically on the level of adequate iodization.

#### *Potential risks*

GAIN believes that there are relatively few potential risks in supplying the KIO<sub>3</sub> seed stock for Ethiopia. The government is stable and supports iodization, and GAIN is not aware of any organization lobbying against iodization.

One potential risk is that GAIN's quality assurance/quality control (QAQC) training efforts might be unsuccessful, leading to difficulty in monitoring iodization which may lead to a slowing down in the growth of iodization. GAIN has not conducted QAQC trainings for salt iodization before in Africa, but has been conducting similar trainings for other micronutrient fortification programs in several countries. In Ethiopia and elsewhere,

GAIN is working closely with the International Council for the Control of Iodine Deficiency Disorders (ICCIDD), which has significant expertise in QAQC.

### *Funding required*

GAIN's proposal for the revolving fund in Ethiopia states that \$1.2M would be sufficient to purchase a year's supply of KIO<sub>3</sub> as seed stock for the revolving fund. GAIN believes that they may be able to seed the revolving fund with less a full year's supply, however. The minimum seed would likely be a quarter of a year's supply, and at that level there could be problems with being able to immediately recuperate the full costs required to order more KIO<sub>3</sub>. A larger initial supply allows the proportion of the cost recuperated from salt producers to be gradually ramped up.

### *Other potential sources of funding*

Some countries have a well-developed salt industry that is able to privately procure KIO<sub>3</sub> without any outside subsidy or capacity-building required, while others have some government subsidy. Ethiopia does not have a mature salt industry and is reliant on government subsidy, so GAIN is trying to develop the capacity of the private sector.

GAIN's grant from the Gates Foundation did not include funding for purchasing equipment and premix because the need to do so was not anticipated at the time the grant was made. Although they have used some Gates Foundation funds in the past to procure KIO<sub>3</sub> stock, doing so is not sustainable for any parties involved. Eventually a sustainable cost recovery system must be established. GAIN has approached the Gates Foundation for further funding to cover the KIO<sub>3</sub> revolving fund seed stock, but funding is currently not available.

Part of the reason that the government is currently in a position not allowing them to purchase KIO<sub>3</sub> is that the the annual provision of KIO<sub>3</sub> stock was part of the World Bank loan in nutrition. The Ministry of Health in Ethiopia has since decided to prioritize other initiatives, and so those loan funds are no longer available for purchasing KIO<sub>3</sub> stock.

GAIN has also approached other major bilateral donors seeking funding. So far, none appear to be likely to fund the required KIO<sub>3</sub> seed stock. GAIN noted that generally there seems to be a misperception amongst donors that “the job is done” with salt iodization, and that relatively few donors seem to be interested in funding salt iodization.

GAIN works with UNICEF in Ethiopia, and believes that UNICEF may also be approaching funders for this opportunity, but the main responsibility for supply (including building sustainable systems for premix) under the terms of their grant rests on GAIN.

GAIN was not able to cite any countries that have actually seen had their KIO<sub>3</sub> stocks completely run out during the past few years.

## **GAIN's track record on revolving funds**

GAIN has established up two KIO3 revolving funds over the past couple of years—one in Ghana and one in Kyrgyzstan. They have also provided technical assistance for other revolving funds that had already been started by other actors, but those are two that GAIN played a key role in starting. GAIN regards both of those funds as a success, and previously shared a document describing the Ghana revolving fund. Both revolving funds are now running without ongoing assistance from GAIN.

Mr. Garrett is not aware of any other KIO3 revolving funds that GAIN started prior to his tenure (he started in mid-2011), or of any others that GAIN has started that have been unsuccessful.

GAIN has also successfully set up revolving funds for other micronutrients in other countries.

### *The KIO3 revolving fund in Ghana*

The revolving fund in Ghana has already been through the process of distributing KIO3, collecting payment, and purchasing separate shipments successfully.

The fund is run by a former government employee, who now runs a small private company that administers the fund. The company is able to do that profitably because they charge a small management fee, which is passed on to buyers.

## **Other countries in which GAIN is considering starting revolving funds**

GAIN noted that after Ethiopia, they are considering trying to start or rehabilitate revolving funds in Pakistan and Afghanistan. In Pakistan, a revolving fund was started but for various institutional and environmental reasons salt producers aren't paying back the dues for the premix so there isn't enough cost recovery to be sustainable.

Ethiopia, Pakistan, and Afghanistan each struggle to increase coverage of adequately iodized salt and each lacks strong iodization infrastructure. GAIN believes those three countries face the most acute problems with KIO3 supplies, and doesn't expect any other countries to require donor funding for KIO3 supplies in the near future.