

VALID

NUTRITION



ANNUAL REVIEW OF 2015

Introduction and Background

The purpose of this document is to provide our supporters and the general public with a candid review of VALID Nutrition's activities and developments during 2015, including a brief overview of our plans for the year ahead.

VALID Nutrition is a "not for profit" company limited by guarantee, incorporated in Ireland. As such, it has no shareholders and cannot disperse profits outside of the business. It is a registered Irish, UK and US charity, but has a distinctive hybrid model with a special dispensation from the Irish Revenue Authorities allowing it to trade.

Seven Trustees (Members) four of whom form the Board of Directors, govern the company. The Board is chaired by company founder Dr. Steve Collins and includes Howard Dalzell (former Director of Policy at Concern Worldwide), Roger Yates, (Humanitarian Director of PLAN International) and Dr. Hans-Jürgen Koch, (former CEO of Deutsche Bank (Suisse) SA). The Company Secretary is Derek Staveley, formerly Finance Director of Unilever Ireland. VALID Nutrition's small management team report to the Board through the Chief Executive, Paul Murphy (former Chief Executive of Unilever Ireland). Our lean structure is designed to harness modern technology and progressive work practices, thereby reducing costs and enabling smarter, more efficient work methods.

- **Auditors: KPMG, 1 Stokes Place, St. Stephen's Green, Dublin 2.**
- **Banking Services: Allied Irish Bank (Irl), Barclays (UK) and Northern Trust (USA).**
- **Head Office: Bantry, Co. Cork, Ireland – "virtual office".**
- **No. of (Direct) Employees: 7.**
- **Turnover: €1,395,819 (for year ending 31st March 2015, our financial year).**
Note: The above figure excludes turnover from our manufacturing partnership in Malawi.

Despite all the amazing advances made in the last 30 years, lack of access to appropriate affordable nutrition still affects one third of all children in developing countries. This means that 200 million children are denied the opportunity to ever reach their full potential - both mentally and physically.

A solution is possible and the prize is absolutely enormous, not just for the children concerned, but also their societies and the global economy. By changing mind-sets and regarding malnourished children as customers (eventually with choices) and by empowering mothers, together with an innovative evidence-based approach, VALID aims to unleash a disruptive change in how this problem is addressed – and in so doing, be a catalyst for an enterprise driven sustainable solution.

Our VISION is that the solution to addressing malnutrition lies in creating demand for and access to good nutrition within communities, thereby empowering individuals as customers while also building local economic activity.

Childhood malnutrition is **the** most important cause of global poverty, underdevelopment and child mortality in the world today (ref: The World Bank/WHO). The scale of this global problem is huge:

- ◆ **More than 50 million children suffer from Acute Malnutrition (starvation) that is associated with between 1-2 million avoidable child deaths every single year.**
- ◆ **Close to 40% of all children in developing countries suffer from Chronic Malnutrition that if not addressed by the age of 2, irreversibly damages their brains and bodies.**
- ◆ **Almost none of those affected get the nutritional support they need and as a result over 1.5 billion people today live shorter, poorer, sicker lives as a result of malnutrition.**

The global consensus is that preventing malnutrition has the highest return on investment of all development interventions. At the individual level, preventing malnutrition leads to massive increases in adult earning and educational potential and at the macro level, it increases GDP in affected countries by an average of 2-3% and by up to 10% in high burden countries. As recently as November 2014, The Copenhagen Consensus confirmed that childhood malnutrition is **the** most critical and economically sound intervention.

VALID Nutrition's MISSION is to improve global health and nutrition with innovative, equitable and evidence based high impact solutions—that appeal to and empower individuals as consumers, thereby aligning social impact with the generation of revenue. We believe that market-based solutions, which create and nurture consumer demand for good nutrition in low income populations, are the key to ending global malnutrition. This entails a significant change from the traditional Aid and supply driven model.

VALID Nutrition—Country Operations

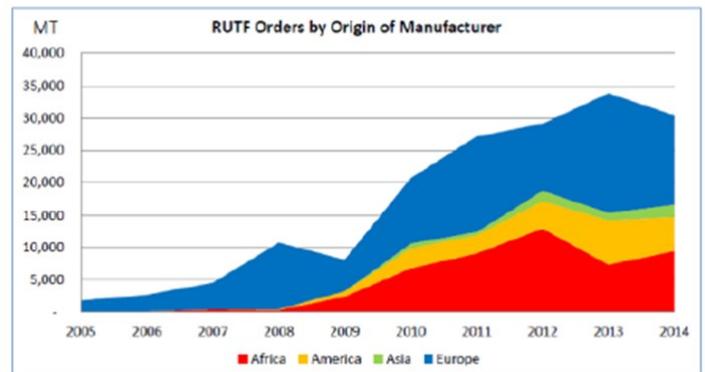
Malawi

VALID Nutrition Malawi, in collaboration with our business partner **Exagris Africa (EAA)**, produced 3 million sachets of Ready-to-Use Therapeutic Food (RUTF) in 2015, sufficient to treat around 28,000 children with Severe Acute Malnutrition (SAM). While user demand for RUTF remains high, donor funding in Malawi to support purchase orders of RUTF product was an issue this year, together with continued difficulties around sourcing of quality peanut paste. Both problems had a crucial negative impact on production and volume output. However, we are confident that these are temporary issues and remain optimistic on the longer term outlook for local production.

Cumulatively since establishment, the Malawi factory has produced over 23 million sachets of RUTF. This amount has been sufficient to treat approximately 2 million children with SAM.

By producing locally in Malawi and with the support of customers such as **UNICEF** and the **Clinton Foundation (CHAI)**, we are preventing the need for RUTF to be imported from Europe or the USA. Furthermore, we are assisting local farmers and suppliers as well as providing employment and skills transfer. All this has a hugely beneficial multiplier effect on the local economy.

Our effort here is vital because the percentage of RUTF globally that is purchased from “offshore” as opposed to within developing countries and regions is still around two thirds.



Source: UNICEF Supply Division

In addition, with a grant from **USAID's South African Trade Hub (SATH)**, we are in the process of commissioning a new pack-filling machine to start pilot production of a new specification Ready-to-Use Complementary Food (in association with the **World Food Programme**) in Malawi in the coming months. Ready-to-Use Complementary Foods (RUCFs) are designed to prevent chronic malnutrition which affects 43% of children in Malawi and on average over 40% of all children in Sub Saharan Africa. Also, with support from **Irish Aid** and the **Department of Agriculture** (through their **Africa Agri-Food Development Fund-AADF**), we intend to undertake a major research project including a Test Market, using RUCF in Malawi. This will focus on addressing the process used to reach children affected by Chronic Malnutrition. This is the first step in a progressive programme we have designed to start the process of unlocking this potentially massive market.

India

With funding support from the **Department for International Development (DFID)** and technical assistance from **VALID International**, we have successfully executed a ground-breaking operational pilot examining the effectiveness of three different approaches to the Community-based Treatment of Severe Acute Malnutrition (CMAM) through a government child development programme in Odisha (Orissa). This pilot was the first time an Indian government programme has used RUTF and as such, represents a significant step forward in addressing malnutrition with huge potential ramifications. India accounts for 40% of all cases of SAM globally.

The VALID Nutrition facilitated pilot, took place across one district with a population of under 1 million. From the start, VALID Nutrition has worked in conjunction with government, helping to develop protocols and guidelines, training and facilitating implementation and ensuring that this is a government owned and run project context.

The results to date are positive, indicating that RUTF is as effective in India as it has proven to be in the other 65 countries where it is used. Given that India has a vast network of community-based child development services with hundreds of thousands of similar centres spread across the whole country, the potential for this project to scale up is absolutely huge. It is planned that these centres will reach up to 8 million children with SAM, who will for the first time be offered effective treatment within a few years.



VALID Nutrition is also now producing RUTF in India in an exciting manufacturing collaboration with Amul Dairy in Gujarat.

Kenya, Ethiopia and Nigeria

These three countries are of particular interest to VALID Nutrition in terms of establishing suitable collaborations that will help shift the global market to Africa (i.e. away from Europe & USA) as well as promoting local economic growth. Discussions are ongoing in respect of each country but all details are confidential at the moment. We will provide further information when available.

Research and Development

Soy Maize Sorghum RUTF

As reported in 2014, the new generation (non-milk recipe) Soy Maize Sorghum (SMS) RUTF clinical trial in the DRC (funded by **Irish Aid** and the **PRANA Foundation**) demonstrated (for the first time) an efficacy equivalent to the established milk-peanut based RUTF formula in children suffering from SAM, over two years of age. Unfortunately, in the younger group (under two years), while the mortality rates were similar for the two recipes, the recovery rate was slightly slower with the SMS RUTF, such that we concluded the formulation to be less effective than the standard milk-peanut based RUTF, for this age group. We have since used innovative techniques to optimise the formulation. We have conducted a successful acceptability trial and we are currently undergoing an efficacy trial in Malawi.

Making therapeutic foods out of local grains and pulses has long been a goal of international research and development efforts into Ready to Use Foods. Non-milk formulations reduce cost, reduce dependency on imported milk, make better use of locally grown ingredients and decrease the risks of fungal (aflatoxin) contamination. Our initial study, albeit only partially successful, represents a unique and very important breakthrough—the results of which have been accepted for publication in the **American Journal of Clinical Nutrition** and are expected to feature in the first half of 2016.

This exciting new generation recipe development is being undertaken in collaboration with **Ajinomoto Co. Inc.**, together with support from the **Japanese International Cooperation Agency (JICA)** and the **Global Innovation Fund**.

The cost of the new SMS RUTF will be considerably lower than the current milk peanut recipe. We estimate that the cost reduction will result in a global saving of several million dollars, and thereby enable treatment of hundreds of thousands of additional cases for the same budget. As the cost of RUTF is a major factor limiting the expansion of CMAM across the globe, we believe that this research marks only the start of an exciting and very significant change in the way that these products are made.

Smallholder Farmer Project

In March 2015, following an earlier dissemination event in Lilongwe, Howard Dalzell and Steve Collins, presented the results at University College Cork of a pioneering study **funded primarily by Irish Aid**, on the impact of our raw material sourcing on the livelihoods of smallholder farmers in Malawi. This was a four year livelihood analysis which looked at smallholder farmers' experiences with groundnut production. Our objective was that, through partners and value chain stakeholders, we could support farmers to produce commercial grade groundnuts for use in RUTF, thus creating a reliable source of high quality groundnuts.

The Results (<http://www.validnutrition.org/latest-news/smallholder-farmers-project-research-papers/>) will be used for advocacy, targeting the respective government bodies, multi and bi-lateral agencies, civil society actors, donors and the private sector. The main message is for continued and increased promotion of local production of crops such as legumes that are both environmentally and nutritionally beneficial. This should come hand in hand with strong national and international commitment to addressing food safety risks at export and import level and also at household consumption level.

With appropriate policy changes Malawi and countries like it, which experience high rates of malnutrition, can competitively produce effective nutritional products. This has the potential to save buyers considerable time and money in the procurement of goods like RUTF, thus increasing the number of lives saved and greatly increasing the proportion of the aid and development budget that remains in the developing world. There will be significant benefits to the local economy through the purchase of raw materials from smallholder farmers and through employment creation along the value chain.



Research Funding

We are seeking funding for a number of new initiatives, including for a pro-biotic product trial, and for our Ready-to-Use Supplementary Food (RUSF) recipes. Funding in this area will allow us to undertake clinical trials in order to start commercialising.

Communication

In addition to reviewing our website, regular updates and relevant items are shared frequently on our social media platforms of Twitter, LinkedIn and Facebook.

Business and Leadership

A candid interview with Dr. Steve Collins undertaken by Fiona Koch of **ASHOKA** was published on the **Business and Leadership** website in July 2015. A copy of same is available on the VALID Nutrition website or by clicking this link (<http://www.ashoka.ie/media/2016/1/13/change-leader-interview-dr-steve-collins>) and captures the essence of what VALID is trying to achieve and why.



Conference on Hidden Hunger and Social Business

Paul Murphy, Valid's CEO, was invited to address a conference hosted by the **Swiss Agency for Development and Co-operation's (SDC) Employment and Income Network** in conjunction with **Hystra** and **ASHOKA**. The Conference took place in Bern, Switzerland on 18th March 2015 and further details are available on our website. See (<http://www.validnutrition.org/news/>)

EU Nigeria Business Forum (EUNBF)

Dr Collins accepted a request to present at the **4th Nigeria EU Business Forum** event held in Lagos on 5th/6th November 2015. The Theme of the Event was "Unlocking Opportunities for Diversification" and Dr. Collins spoke during the session titled "Opportunities for local production of high energy nutrition foods". He highlighted the crucial importance of local production in terms of directly benefitting local societies and their economies, as well as, the need for public/private partnerships to work together to combat malnutrition in a sustainable manner. Further information is available at: (www.eunbf.eu/).

Foreign Affairs Committee visit VALID Nutrition Factory in Malawi

Members of the **Oireachtas Joint Committee on Foreign Affairs and Trade (JCFAT)** visited the VALID Nutrition Factory in Malawi in July 2015 as part of a robust process to review the impact of Ireland's aid programme in the country. Follow this link (<http://www.irishaid.ie/news-publications/news/newsarchive/2015/july/foreign-affairs-committee-in-malawi/>)



SUN Business Network

VALID Nutrition is very pleased to now be a member of the **Scaling up Nutrition (SUN) Business Network** which is working in association with GAIN to intensify business efforts in support of better access to affordable nutrition.

Funding and Finance

The table below presents a summary for the year ending 31st March 2015, our most recent Financial Year.

Summary Actual Figures	Year Ended 31 March 2015
Total Incoming Resources	€1,395,819
Total resources expended	€1,285,761
Surplus / (Deficit) on ordinary activities	€110,058

Incoming resources, which consist of income from grants, voluntary income and revenue from consultancy services, grew by 60% this year. Following a significant reduction in expenditure in the prior year, VALID Nutrition has made further reductions by reducing our fixed costs centrally by almost 40% compared with the previous year. The effect on the income and expenditure lines has resulted in a surplus on operating activities again this year. This in turn has allowed us to reduce creditors and further improve our balance sheet position.

Separately, manufacturing operations in VALID Nutrition Malawi have reported income of €1,160,510—an increase of almost 15% for the same period in the prior year, demonstrating continued growth and strength.

VALID Nutrition aims to be a self-sustaining social enterprise funded through the sales and marketing of effective low cost nutritional products. Key to the model is the complete alignment of revenue generation with social impact. In contrast to traditional aid and development organisations VALID Nutrition has not invested in fundraising, preferring to base our competitive advantage on the quality and effectiveness of our products and services rather than on the extent that our corporate image appeals to donors.

As mentioned above, we have several exciting projects underway and in the pipeline. However, it will be some time before the benefits of these programmes filter through to providing revenue to VALID Nutrition and over the next few months in particular, finding the funding we require to enable us to continue to pioneer real change in the way that malnutrition is addressed, will remain challenging.

Looking Ahead

We are convinced that market driven solutions are imperative to providing a sustainable solution to malnutrition. Empowering mothers and communities as customers and enabling them to take responsibility for their own malnourished children is crucial.

VALID Nutrition is increasingly working to tackle chronic malnutrition, by demonstrating to aid and food industries alike, that there is a viable market providing people with the missing nutrients their children need and, in doing so, we can reduce and eventually eliminate this scourge. By harnessing the private sector, this new approach can bring vast new resources to bear on this age old problem and these resources are essential additions if we are to reach and prevent malnutrition in over 200 million children each year.

VALID Nutrition—February 2016

