partner for prosperity

Beyond Corporate Social Responsibility: PPPs in agroindustry development

Frank Hartwich

Rationale

Within a value chain context:

- Being a lead firm and engaging in CSR schemes is not enough to promote innovations.
- It requires true partnerships that engage in the improvement of productive processes.

Where are we now?

- Development agents invest in PPPs with „lead-firms“ to promote innovations in agricultural value chains
- Lead-firms get access to development projects and subsidies
- Many lead-firms apply Corportate Social Responsability (CSR) schemes (e.g. buying products from target groups, e.g. small-scale suppliers)

Key issues for investments:
In which PPPs do innovations occur? Who drives them?

- Technical innovations - specific to certain segments of the value chain
- Other innovations (e.g. organizational) cut accross
- Who can be drivers of innovation?
  - Producers / suppliers
  - Processors
  - Buyers / retailers
  - Innovations must not be initiated or driven by actors of same segment
- Danger to miss systemic nature of the innovation process

  a) opportunities for innovations may exist simultaneously at different levels,

  b) innovations in one segment bring no benefits without parallel innovations in others,

  c) drawing from multiple actors across various segments of the chain.
- Further, innovations are value chain-specific

Innovations are driven by whom?

Type of innovation	**Innovators in the value chain**		
	Primay Producers	Processors	Marketers/retailers
Supplier-driven innovations	Example: Seed company supports farmers to adopt a new seed variety	Example: Oil palm plantation engages in setting up palm oil processing plant	Example: Sugar processing company engages in the branding and marketing of new sugar products
Self-relient innovations	Example: Farmer's improve their traditional form of cultivation, e.g. switch from rain-fed agricutlure to irrigation	Example: Rural entrepreneurs start processing important crops in the region, e.g. edible oils	Example: Canned vegetable producers develop new recipies for pickles.
Buyer-driven innovations	Example: Rice mills support farmers to apply new high yielding varieties together with fertilizer and agronomy package	Example: Chocolate companies support cocoa processors to use more efficient cocoa processing methodology	Example: Coffee consumers articulate their demand for gourmet roast coffee

Case 1: METRO group / UNIDO / supplier partnerships

Subject of partnership and roles of partners

- METRO sources ≤ 90% of food products from local producers
- Supports local suppliers to comply with international standards, e.g. GLOBALGAP / Global Food Safety Initiative (GFSI)
- Goal of supplier qualification program: compete/conform/connect
  - Ensure long-term supply of high-quality products to MCC wholesale stores
  - Promote local economy
  - Strengthen business relationship with producers and farmers
- Pilot with vegetable farmers in Egypt
- Further joint projects in Kazakhstan, Pakistan and India

Source: UNIDO Capacity Trade Building Unit.

Case 1: Effects and Success Factors

Effects (in Egypt)

- Implement GFSI’s Global Markets Protocol GMP) in less than 5 months
- Over 100 suppliers assessed and trained (66 basic level, 25 intermediate)
- Significant improvement in compliance with standards (45% increase)
- Improvement in individual competencies (13.6% increase in food safety knowledge)
- Mobilization of enourmous marketing potential - employment and income generation for many
- No focus on improved production technology - no increase in per unit productivity

Success Factors

- Involvement of senior management
- Clear expectations of partners, clear understanding of the market requirements
- Mentoring and coaching of suppliers
- Hands-on mentality: ‘pick up, accompany and lead’ suppliers to certification
- Joining public and private expertise in food safety (relatively new)
- Suppliers not bound only to METRO GROUP
- CSR-relevance

Case 2: OLAM – USAID – Rice Producers in Nigeria

Subject of Partnership and Roles of Partners

- New government policy of high import tariffs on milled rice
- OLAM Nigeria, a major rice importer, invested in local production of high-quality rice for Nigeria's domestic market.
- OLAM leased Government rice mill in Makurdi, Benue state
- Problem: insufficient supply of high-quality paddy rice
- PPP with USAID: meet demand by promoting use of improved technology package, farmer capacity building, outgrower contracts, and finance
- OLAM provides: Technical assistance, Inputs, Credit
- Current status: transition into association-managed credits and input provision, less demand for technical assistance

Case 2: Effects of Partnership and Success Factors

Effects

- Productivity increases of almost 260%
- Farmer net income doubled
- First Bank became major stakeholder with smallholder commercial credit program, providing $2.5 million in credit to more than 8,000 farmers
- 2008 World Business and Development Awards (WBDA)

Success Factors

- Engagement in capacity strengthening for suppliers (public partner)
- Support in finance from the start (first buyer then finance institution)
- CSR relevance

Case 3: OLAM – Cashew Processors in Tanzania

Subject of the partnership and roles of partners

- Application of pre-processing technology adapted to local conditions
- Subcontracting arrangement with 5 local processors
- Outsourcing (Sweat shop model?)

Effects

- Boost in processing – doubling of volume
- Income and employment for 3000 additional women (100% increase)
- Spreading of an industry – now many seek to copy
- (UNIDO applies concept to small processing units)

Success Factors

- Processing technology proven in own factories – outsourcing only later
- No engagement of public development partner
- CSR not relevant

Key policy implications

Innovation-relevant:

- Partnerships that enable joint engagement of buyers and suppliers in improving production on the supplier level.

Not innovation relevant:

- CSR efforts

- Engagment of public actor seems crucial in one case and not required in another