

# Models for Trade-Related Private Sector Partnerships for Development

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# Abbreviations

AbTF	Aid by Trade Foundation
ACA	African Cashew Alliance
ACI	African Cashew Initiative
AGOA	African Growth and Opportunities Act (US)
AIDS	acquired immune deficiency syndrome
AVEGA	Association des Veuves du Génocide d’Avril
B2B	Business to Business program (Denmark)
B&T	Bettys & Taylors of Harrogate
BCI	Better Cotton Initiative
BCFTP	Better Cotton Fast Track Program
BCS	Better Cotton Standard
BMZ	German Federal Ministry for Economic Cooperation and Development
CIDA	Canadian International Development Agency
CmiA	Cotton Made in Africa
COCOBOD	Ghana Cocoa Marketing Board
CP	Cocoa Partnership
DAC	Development Assistance Committee
DANIDA	Danish Internationals Development Agency
DKK	Danish Krone
EFAL	Ethical Fashion Africa Ltd.
EU	European Union
FRICH	Food Retail Industry Challenge Fund (UK)
FTF	From the Field Trading Company
GDA	Global Development Alliance program (US)
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GS	Green Shoots Productions
HIV	human immunodeficiency virus
HRNS	Hanns R. Neumann Stiftung Foundation
IAP	Innovations Against Poverty (Sweden)
IDB	Inter-American Development Bank
IDH	Sustainable Trade Initiative
IFM	Integrated Farm Management
ITC	International Trade Center
JA	Junior Achievement
LEAF	Linking the Environment and Farming
MCC	Mennonite Central Committee
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PPP	private-public partnership
PSI	Private Sector Investment programme (The Netherlands)
PSOM	Programme Cooperation Emerging Markets (The Netherlands)
RTRS	Round Table on Responsible Soy
SAFOB	Sulawesi Alliance of Farmers, Olam and Blommer

SAN	Sustainable Agriculture Network Standard
SME	small and medium-sized enterprise
SOCODEVI	société de coopération pour le développement international / Canadian Cooperation Society for International Development
SPREAD	Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Development
Sida	Swedish International Development Cooperation Agency
TCTP	Tri-Nation Commission of the Trifinio Plan
TFO Canada	Trade Facilitation Office of Canada
TFR	The Fruit Republic Ltd
TTV	Ten Thousand Villages
UK	United Kingdom
UNIFEM	United Nations Development Fund for Women
US	United States
USAID	US Agency for International Development
VIAD	Volta Integrated Agricultural Development Ltd
WCF	World Cocoa Foundation
WCF-CLP	World Cocoa Foundation Cocoa Livelihoods Program

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# Executive Summary

## Research objective and approach

Aid donors are increasingly seeking to engage the private sector in development, in order to leverage stagnating official development assistance budgets, harness private sector innovations and improve the effectiveness and value-for-money of development interventions by working through partnerships. This coincides with a renewed focus on economic growth, trade and the private sector as driving forces behind development. At the same time, private sector actors are playing an increasing role in their own right both as funders of development interventions and key business partners. Indeed, many private sector actors are fast becoming leaders in the field of sustainable development.

This research, carried out by The North-South Institute (NSI), commissioned by the Trade Facilitation Office of Canada (TFO Canada) and supported by the Canadian International Development Agency (CIDA), has been conducted in the context of these trends. It is part of a broader initiative which included a Symposium on trade-related private sector partnerships held in Ottawa, Canada in November of 2012. The report will also contribute to a Private Sector Roundtable to take place in early 2013 hosted by the Ted Rogers School of Management at Ryerson University in Toronto, Canada.

**The overall objective of the research is to better understand how partnerships with the private sector can be used to support and improve sustainable economic growth outcomes through trade.** Specifically, the research seeks to examine what different actors are doing in the field of trade-related private partnerships. To achieve this, **30 examples of trade-related private sector partnerships are examined.** Projects included meet clear criteria: they have at least one development intermediary (bilateral or multilateral donor, non-governmental organization or international financial institution), buyer (usually an importer in a developed country) and seller (exporter from a developing country). The buying and selling components are key for project inclusion. This is because the research aims to look at projects that “make business sense” for the buyer in the developed country.

## Key findings

### **A range models exist that represent a “hybrid development model”**

A number of models of trade-related private sector partnerships were examined. The dollar value of these ranges from multi-million dollar endeavours to smaller projects which make use of limited amounts of donor funding. In general, the projects examined were relatively new, established within the past five years.

The projects represent a “**hybrid development model**” that brings together economic, social and environmental considerations *and* makes business sense for private sector partners. It is critical to recognise that this means poverty reduction is just one goal among many (other goals include, for example, commercial viability, securing and diversifying sourcing and environmental sustainability).

Through this research, different models of partnership are identified, representing an original contribution to understanding trade-related private sector partnerships. The majority of projects examined are categorised as donor-led models (15), followed by coalition models (6), company-led models (5), business-NGO alliance models (3), and a NGO-led model (1).

The **donor-led model** refers to projects that are the result of bilateral and multilateral donor initiatives aimed at establishing private-public partnerships. These include the United Kingdom's Food Retail Industry Challenge Fund (FRICH) and Germany's DeveloPPP.de program. The projects are generally carried out by private sector and other implementing partners. The donor essentially provides partial funding for the initiative. For example, FRICH is supporting Bettys & Taylors of Harrogate to create a sustainable supply of tea by introducing a business model that guarantees sustained high-quality tea and contributes to improved social and environmental outcomes.

The **coalition model** refers to multi-stakeholder initiatives that often include developing country governments, donors, private sector actors from developed and developing countries, civil society organizations, research institutions and private sector associations. Coalitions, such as the World Cocoa Foundation, tend to target improvements along the entire value chain or at key levels (such as the producer level) to enhance development outcomes and improve the environmental sustainability of business transactions. Coalitions tend to be funded by the private and the public sectors.

The **company-led model** refers to private sector-led initiatives. For example, the Cocoa Partnership was established to ensure Cadbury has a secure and sustainable supply of good quality cocoa from Ghana. The Tim Hortons Coffee Partnership works to enable smallholder farmers in Latin America to produce more and better quality coffee, leading to improved incomes. While foundations and donors have supported various components of the projects, donors enter the projects at different times; projects do not necessarily have their roots in a donor initiative. These projects also tend to include NGO development intermediaries as implementing partners.

The **business-NGO alliance model** refers to cases where NGOs have sought out or been sought out by private sector actors to partner on development interventions. In these cases, the NGOs may receive support for various components of the project from a bilateral donor; however the donor is not a primary motivator of the project per se. CARE Bangladesh's partnership with the Germany clothing retailer, KikTextilien, serves as one example. The partnership aims to benefit women artisans in marginalized regions in Bangladesh by providing them with employment opportunities.

The **NGO-led model** refers to NGO initiatives that lead to the creation of a viable social enterprise or for-profit company which either purchases exports from developing countries to sell in developed countries or purchases goods to export to developed countries from producers in developing countries. Only one example was included in this research project – Ten Thousand Villages – which was originally a project of the Mennonite Central Committee.

## **A spectrum of market-based approaches exist, ranging from mainstream market transformation to targeting premium niche markets**

Market-based approaches are used in different ways. For example, some projects target mainstream market transformation while others seek to capitalise on premium niche markets. The coalition model is ideally suited for mainstream market transformation because it targets private sector actors along the supply chain and establishes industry-led solutions to improving responsible sourcing. This helps to create consensus within the coalitions on key priorities and strategies, which makes the initiatives more likely to be successful owing to their broad-based and holistic support. Six of the projects, including the Better Cotton Initiative and the Sustainable Trade Initiative's cashew, cotton and soy programs, target mainstream market transformation. In these examples, transforming the value chain to secure sustainable supply is critical. While the goal of mainstream market transformation is lofty, if successful, these initiatives have the potential for significant long-term results. However, a key challenge to this approach is ensuring that the coalition initiatives involve a sufficient number of key players within the value chain willing to change their core business practices in ways that result in transformational change. Aid funded 'global' initiatives of this nature face challenges when transformation is required in developed countries. For example, the Better Cotton Initiative aims to improve the sustainability of cotton production. However, the bulk of cotton is produced in the US, where the Better Cotton Initiative has yet to operate.

Five of the projects explicitly target premium niche markets, generally through fair trade or organic certification. Perhaps unsurprisingly, three of the projects focus on the beverage sector (coffee or tea); the fourth is in organic food. All projects, with the exception of one NGO-Business Alliance, are donor-led models. The premium niche market approach has the potential to create significant gains for beneficiaries and buyers. It does not, however, have the same transformational possibilities as the mainstream market transformation approach. These projects tend to benefit a small region and are in partnership with one buyer. It is important to also note that this approach does not necessarily mean fundamental changes to core business practices. For example, while a number of beverage retailers have committed to selling only fair trade and/or organic certified coffee, a beverage retailer could just as easily choose to carry only a few lines of certified coffee. In this example, the retailer is able to have a potentially significant impact on one community but may still be engaging in value chains that are unsustainable from the environmental and/or development perspective.

### **Funding strategies and activities vary**

Funding strategies vary between different models. Both the donor-led and the coalition models have clear funding strategies that are based on harnessing private sector funding and innovations. In most donor-led projects, donors are providing at least 50% of the funding. Companies like Waitrose and Walmart have made use of donor funding windows to co-finance initiatives aimed at improving responsible sourcing. Some coalition models use fees and match-making schemes to garner private sector contributions. The Netherland's Sustainable Trade Initiative, a multi-stakeholder public-private partnership, has made use of match-making schemes to harness private sector resources across

different agricultural commodities such as cashews, cotton and soy. The Better Cotton Initiative and Cotton Made in Africa coalitions make use of membership fees.

The projects engage in a broad range of activities. Most projects seek to improve the quality of the export good, increase productivity and provide training and technical support to producers. Some also facilitate access to inputs, and two thirds of the sample projects make use of fair trade, organic or other certification schemes.

### **Partners have different motivations, roles and comparative advantages**

It is critical to acknowledge that the motivations of private sector partners and development partners for engaging in these partnerships differ. For private sector actors, motivations include securing sustainable supply of inputs and meeting company commitments to more sustainable sourcing. These motivations should be understood to maximise impact. Donors, on the other hand, are motivated to harness private sector expertise and leverage additional financing. They also recognize that sustainable development solutions will require a role for private sector actors, which play a key role in generating jobs and contributing to economic growth. Donors have an opportunity to harness the core business practices of private sector partners by targeting interventions along the supply chain and supporting innovative business models that are likely to lead to positive development outcomes.

Across the models, the role of the private sector partners varies and includes funders, buyers, and implementing partners. Private sector partners bring important financial and human resources to partnerships. Their capacities and expertise can serve as an important complement to those of development intermediaries.

Donors play a number of roles across partnership models. In addition to project support, donors such as the UK and Sweden offer advisory support. They also contribute expertise and promote knowledge sharing. For example, the Bill and Melinda Gates Foundation, which funds work by the World Cocoa Foundation, has created a platform for knowledge sharing. In the coalition and donor-led models, donors serve as a neutral convener and facilitator of partnerships. Bilateral donors have also played an important role in facilitating private sector partnerships through their support for supply-side and match making initiatives, including trade fairs. Donors' capacities and expertise can serve as an important complement to private sector partners.

Multi-stakeholder partnerships illuminate the different roles that partners play, as well as demonstrate the value that can come from such partnerships. They facilitate the exchange of different types of knowledge and inputs because they bring a wide variety of actors to the table. For example, initiatives under the Sustainable Trade Initiative benefit from inputs from the private sector, civil society and government partners. But multi-stakeholder partnerships also require building trust and shared understandings between participants who often come from different backgrounds. Processes of project co-creation, shared implementation and shared project management are important for developing trust and shared understanding.

## **Evidence of development and commercial impact exists, but more needs to be done to monitor, evaluate and communicate impact**

Reporting on development impact from these partnerships tends to focus on factors such as improvements in productivity, capacity development, the reach of the project (e.g. number of participants) and the environmental impact. For example, a FRICH supported project which aims to improve the supply of agricultural products from Africa to Waitrose stores reports that 370 farmers have received training to improve sustainable production and that their livelihoods have improved. A US-SC Johnson funded project aimed at improving pyrethrum production in Rwanda similarly reports that increased production has led to higher incomes for farmers (20-40% higher pay for farmers in 2012 compared to 2008) and that there have been improvements in quality and yields.

Information on the rate of return for private sector partners was difficult to come by. While the longevity of trade relationships is a strong indicator of success, from a development perspective, there is need for longer-term assessments of what these partnerships mean for employment across the income spectrum in developing countries. More extensive and systematic reporting on the development and commercial impact of these projects is needed. This information is hard to locate, making it difficult to determine impact in many cases.

## **Scalability and replicability potential varies across the models**

As well as being a source of funding for innovative *new* ideas, the public sector has a key role to play in scaling up and replicating innovative initiatives that have already demonstrated success. Some models are more replicable and scaleable than others.

Projects that fit under the donor-led model have the potential to be replicated and, depending on their success, could be scaled up. This is largely because the purpose of these projects is to test innovative approaches to business relationships that have a positive impact on development. FRICH funded projects, such as the Waitrose, Bettys & Taylors of Harrogate and Sainsbury projects highlighted in this research report, for example, are supported by relatively small grants (approximately £200,000). If they are successful, the commercial and development outcomes should, at least in theory, lead private sector partners to consider expansion of activities and provide a model for other interventions.

Coalition projects, by their very nature, are less conducive to replication, because they already seek to cover key stakeholders across a whole value chain. They are, however, highly conducive to scaling up. Given that coalitions are already in place for key agricultural commodities, donors interested in engaging in these sectors would be better placed to provide additional support to them, rather than seek to replicate them. Such initiatives can be an excellent vehicle for donors to invest in a large number of smallholders in rural areas without high transaction costs. Initiatives such as the Better Cotton Initiative and the World Cocoa Foundation-Cocoa Livelihoods Program are in the process of being scaled up through the creation of match-funding schemes, which match private contributions.

The company-led, business-NGO alliances and NGO-led projects are *ad hoc* in nature. They can and most likely will be replicated in the future by private sector actors concerned with being a good corporate citizen and/or securing a sustainable supply of key inputs. As aid budgets stagnant, it is also likely that NGOs will continue to seek partnerships with the private sector to meet their mandates in new and innovative ways.

### **Innovation can maximise impact but is accompanied by risk**

Innovative approaches to development seek to generate outcomes that maximise impact. But by their very nature, innovative approaches – which these partnerships often seek to support – come with some level of risk. Indeed, if all projects succeeded there would be a problem: it would suggest that the donor is in fact being risk-averse and limiting the number of truly innovative projects funded and the transformational development impact that could be achieved.

Nevertheless, the financial and reputational risks associated with these partnerships were highlighted throughout the research. A key challenge for donors and other partners is communicating risk and failure. Identifying and communicating risk and failure is necessary for making partnerships more effective, particularly as donors continue to engage with private sector partners and look for lessons learned in the field to inform future partnerships. The US Agency for International Development dialogues with partners on risks, and lessons learned from failures, but the agency does not make these lessons public. The question of reputational risk was discussed at the November Symposium. Of particular concern was the extent to which private sector engagement in development is linked to corporate social responsibility objectives or, put more colloquially, “green-washing.” The concern in this instance is the extent to which a private sector partner is a good corporate citizen beyond their role in development partnerships (i.e. through their core business operations). Donors have different strategies for addressing this challenge ranging from informal assessments of potential private sector partners (e.g. US) to more formalized criteria regarding good corporate citizenship for partnership (e.g. Sweden). Nevertheless, participants at the November Symposium agreed that it is better to engage with key market players than to exclude them owing to reputational risks. If large retailers or traders are excluded, the kind of mainstream market transformation initiatives like the Sustainable Trade Initiative aim to achieve would be less possible.

While the success of a project will be determined by many factors outside the donor or the project participants’ control, such as weather events, market fluctuations, human capacity, and personalities, there are some steps donors can take to ensure success. They can, to the best of their ability, assess the ‘chemistry’ between partners and ensure that all the right incentives are in place for a successful partnership including a sensible business plan, clear understanding of what is required, and what the donor-funded program can and cannot do. It is important to ensure flexibility in partnerships and on agreed activities and expected outcomes.

## Recommendations

Based on this research, a number of recommendations can be made to donors on trade-related private sector partnerships for development.

In terms of **donor strategy on investments**, we recommend that donors:

- **Recognise that different models will yield different types (i.e. economic, social and environmental) and levels (i.e. micro through to macro) of developmental impact:** Donors seeking to test innovative business models should establish donor-funded risk sharing mechanisms that have the potential to promote innovations (e.g. Sweden's Innovations Against Poverty program or the UK's FRICH). Donors seeking to contribute to mainstream market transformation and improve the environmental sustainability of supply chains should support coalition models of partnership. Coalition work tends to be industry-led and target transformations across global supply chains, reaching a broad number of beneficiaries and engaging with key economic actors within the supply chain.
- **Avoid duplication of effort:** In order to avoid duplication of efforts, particularly in market transformation initiatives, donors should have a good understanding of ongoing coalition model initiatives which are engaging in an increasing number of value chains. Rather than replicate existing coalition work, new donors entering this field should consider supporting activities that are already ongoing.
- **Support innovation, but acknowledge that with this comes some risk:** Donors need to acknowledge that innovation can yield new and substantial impact, but is accompanied by risk. They also should know the level of risk they are willing to accept and develop programming on this basis. Donors can manage risk by putting in place the right incentives for a successful partnership, including clear guidelines on what is required of participants and sensible monitoring and evaluation systems that allow for innovation and risk-sharing.
- **Link trade-related private sector partnerships with broader trade context:** Donors should actively work to link their trade-related private sector partnerships with national and regional market access initiatives, and address domestic tariff and non-tariff barriers to trade, for developing countries' exporters to make the most of their trade relationships. Initiatives can also be linked with other trade development activities including infrastructure and trade facilitation, capacity-building of local enterprise/agricultural support institutions and financing for enterprises including trade financing, particularly for small and medium-sized enterprises and cooperatives.

In terms of **operationalizing** trade-related private sector partnerships for development, we recommend:

- **Donors value and harness the differing skills and expertise of different partners:** Donors must recognise that while motivations may differ, private sector partnerships can be strategic and attractive to all partners - the private sector (as suppliers and buyers) and development

intermediaries (bilateral or multilateral donor, foundation, non-governmental organization, or international financial institution). These partners bring different skills and capacities to the partnership, which should be valued and harnessed in project design, implementation and monitoring and evaluation.

- **Evaluate and communicate development and commercial results:** Donors should evaluate and effectively communicate the development, and where possible, commercial results of projects to provide a basis for knowledge sharing and lessons learned. The collection of reliable quantitative and qualitative results on outcomes is an important potential long-term goal for partnerships. Donors also need to think through how to manage and communicate the risk associated with partnerships.
- **Be clear on the type of private sector partnership that is most appropriate:** Donors should be clear on the types of private sector partnerships they seek to establish and acknowledge that the private sector is multifaceted in terms of its composition and motivations. This means having a solid understanding of the motivations of private sector actors for engaging in development. Engagement must make good business sense for private sector partners while achieving the development impact that donors seek.

# 1. Introduction

Over the last decade, aid donors have been increasingly seeking to engage the private sector in development, in order to leverage stagnating official development assistance budgets, harness private sector innovations and improve the effectiveness and value-for-money of development interventions by working through partnerships (Kindornay and Reilly-King 2012; Nelson 2011). Members of the Organisation for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) – the forum through which rich countries coordinate their aid efforts – have made a number of commitments to working with the private sector at the international level (for example, at the United Nations Millennium Summit in 2010<sup>1</sup> and more recently at the Fourth High Level Forum on Aid Effectiveness held in Busan, Korea in 2011).<sup>2</sup> These statements coincide with a renewed focus on economic growth, trade and the private sector as driving forces behind development.

Aid for Trade programming makes up one of the largest thematic area of international donors' development cooperation programming. In 2009, it totaled US \$40 billion in commitments (OECD 2011, 15). While the definition of Aid for Trade has evolved over time (Higgins and Prowse 2010), the OECD breaks trade-related assistance down into four categories: building productive capacity, economic infrastructure, trade policy and regulations, and trade-related adjustments. Since the launch of the World Trade Organisation–OECD Aid for Trade Agenda in 2005 – which seeks to help developing countries build supply-side capacity and address trade-related infrastructure constraints in order to better benefit from trade – donor funding has grown substantially, increasing by 60% from the 2002-2005 baseline period (OECD 2011, 15).

An important component of trade development support is support for private firms in developing countries to establish and access international markets for their products. In some cases, this means incorporating sustainability into their business operations as an important differentiator for accessing international markets and meeting emerging international standards and demands for more sustainably produced products. Many of these interventions are supported by funding from bilateral donors and international financial institutions, and through technical assistance delivered by non-governmental organizations (NGOs) and other executing agencies. In their trade-related development interventions, donors concerned with harnessing the private sector are partnering with international importers, manufacturers and retailers from developed countries who source from developing country suppliers.

Private sector actors are also playing an increasing role in their own right both as funders of development interventions and key business partners. Their motives for engagement vary in terms of the extent to which they “make good business sense” (i.e. lead to security of a sustainable supply of key

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<sup>1</sup> Donor Committee for Enterprise Development (DCED) Member Agencies, Bilateral Donors' Statement in Support of Private Sector Partnerships for Development, 22 September 2010, New York, on-line: <http://www.enterprise-development.org/page/partnerships>

<sup>2</sup> Fourth High Level Forum on Aid Effectiveness, Expanding and Enhancing Public and Private Co-operation for Broad-based, Inclusive and Sustainable Growth, December 1, 2011, Busan, December 1, 2011, on-line: <http://www.oecd.org/dataoecd/25/36/49211825.pdf>

inputs or the establishment of or improvements in a buyer-seller relationship) and/or are part of commitments by a company to social causes. Indeed, many private sector actors are fast becoming leaders in the field of sustainable development. A number of multi-stakeholder initiatives that involve governments, private sector actors and non-profits have been established over the past decade, driven by a desire to secure the supply of key commodities while also supporting development and environmental sustainability outcomes. This has occurred in key value chains such as soy, cotton, cocoa, and coffee.

This research project identifies and examines 30 examples of trade-related private sector partnerships. Specifically, it looks at initiatives involving the sale of products from developing countries in developed country markets where there is involvement on the part of an international buyer, a developing country supplier and a development intermediary.

Following the introduction (section 1), Section 2 discusses the research project and outlines its objectives, methodology, and limitations. The approach taken to identify and characterize projects is explained. Section 3 describes the models identified and looks at their composition in terms of sectors of focus, target beneficiaries and ultimate objectives. It provides a comparative analysis of key characteristics across the models, namely their funding strategies, commercial and development impact, aid exit strategies and potential for replicability and scaling up. Section 4 identifies lessons learned across the projects and models and section 5 discusses a number of thematic issues that arose over the course of the research, such as sustainability and transformational dynamics and understanding the business case for engaging in partnerships for development. The final section offers conclusions and specific recommendations for donors such as Canada. The report includes a series of annexes which include one page 'project templates' for each of the 30 projects selected. The annexes are categorized by trade-related private sector partnership models (discussed below).

## 2. The Research Project: Objectives, Methodology and Limitations

This research was commissioned by the Trade Facilitation Office of Canada (TFO Canada),<sup>3</sup> and is supported by the Canadian International Development Agency (CIDA). It is part of a broader initiative which included a Symposium on trade-related private sector partnerships held in Ottawa, Canada in November of 2012. The report will also contribute to a Private Sector Roundtable to take place in early 2013 hosted by Ryerson University in Toronto, Canada.

The main objective of the project and Symposium was to increase understanding of how partnerships with the private sector in Canada and other countries can be used to support and improve sustainable economic growth outcomes through trade. Up until now, Canada has been modestly involved in

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<sup>3</sup> The TFO Canada is a non-profit, non-governmental organization that works to facilitate access to the Canadian market place for smaller exporters in developing countries.

programming that involves developing country suppliers (and in some cases international buyers) that generate new or expanded export transactions. Canada has funded some multilateral activities through the International Trade Centre and worked with Canadian NGOs such as TFO Canada and SOCODEVI<sup>4</sup> on trade-related development programming. However, Canada is in a position to expand its bilateral programming activities in this area, especially given CIDA's thematic focus on Sustainable Economic Growth as a key pillar of Canada's aid strategy. Furthermore, an opportunity exists for Canada to establish development programming that compliments and takes advantage of Canada's 10-year old Least Developed Country Market Access Initiative.<sup>5</sup>

## Objectives

The overall aim of the research is to identify and examine 30 examples of trade-related private sector partnerships and offer analysis, insights and recommendations to not only Canada, but other donor agencies, foundations, and international financial institutions working in this area.

The research objectives are to:

- 1) Conduct a survey of what different actors are doing in the field of trade-related private sector partnerships;
- 2) Examine how different types of projects operate and assess their value as a model;
- 3) Assess commercial results, poverty reduction results and the sustainability of results achieved once the development intervention comes to an end; and
- 4) Gain a better understanding of how such projects are transformational for communities or the economic sector supported.

While a goal of the broader project is to identify models of good practice in this area, the research component focuses on exploring different models for trade-related private sector partnerships. Additional lessons learned and good practices were highlighted during the Symposium by project participants. These insights are incorporated into this report.

## Methodology

A framework analysis approach was the methodological approach that was adopted. Framework analysis is often used in policy research aimed at addressing specific questions or meeting certain objectives, when a limited time frame exists, and when the sample is pre-designed and/or issues have been identified *a priori* (Srivastava and Thomson 2009). Given that the objectives of the research project and key issues for examination were pre-determined, and the research timeframe was limited (August – November 2012), framework analysis was an appropriate approach in this instance. The research process included the following steps: familiarization with content; identification of a thematic

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<sup>4</sup> SOCODEVI is a non-profit, non-governmental organization. It is a network of cooperatives and mutuals that share technical expertise and know-how with partners in developing countries to create, protect and distribute wealth. See [http://www.socodevi.org/en/a\\_propos/qui\\_sommes\\_nous.php](http://www.socodevi.org/en/a_propos/qui_sommes_nous.php).

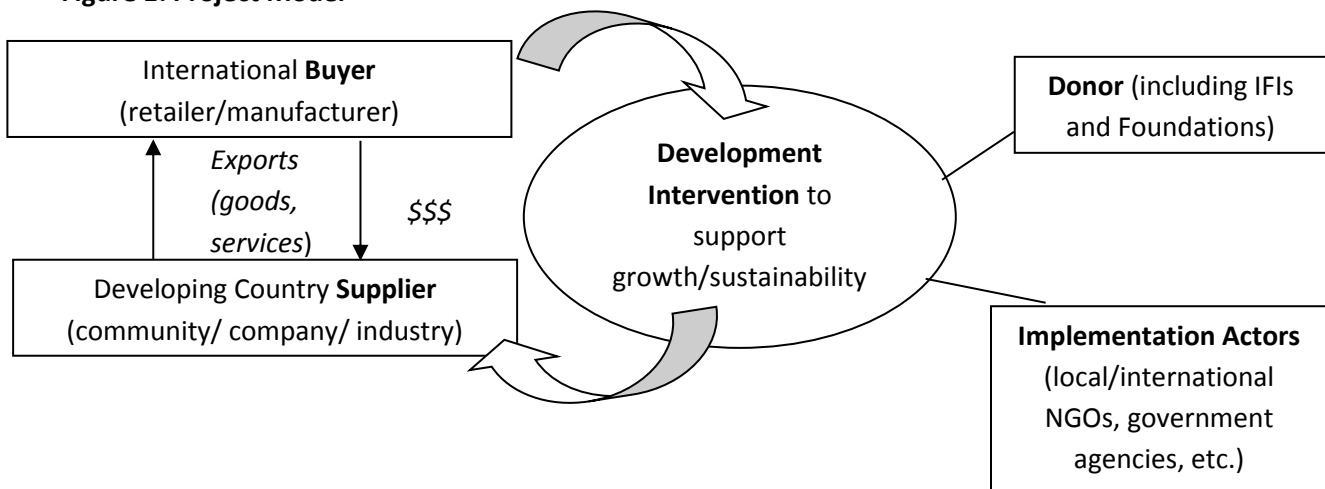
<sup>5</sup> See DFAIT (2007) for more information regarding this initiative.

framework; indexing (where information is identified as corresponding to a particular theme); charting (whereby information is arranged based on charts of themes); and interpretation.<sup>6</sup>

A clear set of criteria were established for project inclusion. Projects had to have at least one development intermediary (non-governmental organization, bilateral donor, or international finance institute), buyer (usually an importer in a developed country), and seller (exporter from a developing country). The buying and selling components were seen as key for project inclusion. This is because the research aimed to look at projects that “make business sense” for the private sector actor (buyer), which, in theory, means they should have long term sustainability once the development intervention ends. Many companies are moving beyond altruistic approaches to engaging in development and are increasingly seeing the sustainability of their business as tied to minimizing environmental and societal impacts across business operations. By investing in these types of projects, buyers can implement sustainable sourcing and responsible practices along its supply chain. The business case for engagement is increasingly becoming a bigger factor than good corporate citizenship. Supply chains invariably connect developed countries to developing countries. Therefore, ensuring the sustainability of a business necessitates investment into its supply chain and downstream players for various reasons, including the continuity of supply and innovation, guarantee of ethical standards, and minimizing of negative impacts and risk management.

While many projects included components that targeted specific development outcomes benefiting individuals outside the business relationship and their communities, all projects included sought to establish, enhance and/or continue a relationship between developing country exporters and foreign buyers over the longer term. In other words, while good corporate citizenship may be a contributing factor for private sector engagement in projects, a positive assessment of the business case for engagement had to be the primary motivating factor for private sector engagement. Figure 1 provides a graphic representation of this model.

**Figure 1: Project Model**



<sup>6</sup> See Srivastava and Thomson (2009) for a full review of this research approach.

In terms of Aid for Trade programming, the projects selected fall under productive capacity building, which includes trade development, or in other words, supporting the private sector to exploit their comparative advantages and diversify their exports<sup>7</sup> (OECD n.d.a). The method for project selection means that a number of other activities that normally fall under this category were excluded. Match-making activities conducted by development intermediaries, who enable exporters in developing countries to connect with buyers in developed countries, were not included. This is because a key criterion for project inclusion is that the buyer is an active participant in the project, ideally (and in almost all cases chosen) from the beginning. In the case of match-making development initiatives, the buyer typically enters the relationship later and the development intermediary plays an important role in making contact with potential buyers either directly or by organizing opportunities for buyers and sellers to meet such as trade fairs and buyer/seller missions.

Supply-side initiatives that enable producers to meet the requirements of international markets were also excluded from the sample. Under these initiatives, development initiatives focus on commodities where attracting buyers is less important because of the existence of open markets and demand for the product (i.e. marketing activities are less crucial). Rather, the development intervention is about enabling sellers to meet necessary standards for export.

It is important to note that while these types of projects were not included in the research owing to the strict criteria set for project inclusion, they are valid models for development intermediaries to consider in trade-related development work. In both contexts, the potential also exists for private sector partners to play a role. This is an area that could be explored in future research.

The research also aimed to include projects from several sectors (agriculture, artisanal, textiles) in order to gain a better understanding of trade-related private sector partnerships for various sectors. In addition to current projects, projects completed over 2007-2009 were sought in order to have a better understanding of sustainability of results.

TFO Canada and CIDA provided an initial list of potential projects for inclusion, as well as a number of development intermediaries to examine. Projects were then identified based on a web-based review of available project information. Additional web-based research and telephone interviews and email exchanges with key informants, such as program and project managers, led to the identification of additional projects. Over 40 potential projects were identified. Where a large number of projects were identified for specific donors (5-7), only 2-3 were selected for inclusion in order to showcase a variety. The projects selected, as with all projects in the final list, were determined largely by the availability of public information and information shared with researchers by project participants.

One page project templates were prepared for each project. The project templates are based on publically available information, semi-structured key informant interviews conducted over the phone,

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<sup>7</sup> Aid for Trade is defined by the OECD and the World Trade Organization as comprising the following categories: technical assistance for trade policy and regulations; trade-related infrastructure; productive capacity building; trade-related adjustment; and other trade-related needs (which are identified as priorities of developing country partners) (OECD n.d.a). See <http://www.oecd.org/dac/aidfortrade/43860758.pdf> for a description of activities that fall under the building productive capacity category.

and/or information provided by key informants via email. Researchers conducted 16 key informant interviews which covered 16 projects, in most cases speaking directly with fund or program managers and/or project implementation partners. Researchers spoke with more than one stakeholder for four projects. Researchers received additional information, including project reports and answers to specific questions, via email for 13 projects. In two instances information was provided from the project funder and the corporate buyer involved. Once the project templates were completed, they were shared with the key informants who had the opportunity to provide commentary and feedback to ensure accuracy. Researchers received feedback on 18 templates.

Each project template includes the following information: model type (discussed below), duration, total project budget (where available), beneficiaries, location(s), history, objectives, description of project architecture (which includes reference to key partners) key activities undertaken, results achieved, and insights. The insights section highlights lessons learned and key challenges. The information to be included was determined with TFO Canada, who allowed researchers some flexibility in the final drafting of templates, recognizing the limitations that existed in terms of information available. The final list of projects is presented in Table 1 in section 3.

A thematic framework was developed based on themes that emerged over the course of the research. The framework looked at projects by sectors and location, their use of certification schemes (fair trade, organic or other), the extent to which they are based on company commitments, target premium niche markets or mainstream market transformation, or focus on a particular product or product lines. It also looks at whether they aim to increase consumer or industry demand or secure sustainable supply. The framework also identifies whether projects focus on improving quality, include training, and include programming for social development interventions in areas such as health, education or improving gender equality. The framework is useful in providing a basic overview of the composition of projects and thematic issues arising from the research, such as questions pertaining to sustainability. This information is presented throughout sections 3 and 4.

The report also takes into account presentations and discussions at the Symposium held November 14-15, 2012, *Private Sector Partnerships in International Trade Development Projects*. Over 60 people participated in the conference including Canadian and international representatives from government, academia, the private sector and civil society. Following the Symposium, 19 participants responded to a survey which asked what they see as the greatest opportunities and challenges to development partnerships between the public and the private sector, what factors donors' should consider when establishing partnerships, and which issues should be highlighted in the final report. The researchers also received feedback from two donors, one representative from a multi-stakeholder coalition and one implementing partner on the preliminary draft of the report. The report takes into account this feedback.

## Limitations

There are a number of limitations to this research. While researchers were able to obtain additional information on the projects through key informant interviews as well as by email, it is still largely a desk-based study based on internet searches of publically available information. The availability of information also determined whether projects were included, which means that some potentially good examples were eliminated. In addition, it was often difficult to track down information on older projects owing to staff turnover within organizations. Most projects are currently ongoing or have recently ended, meaning that information on their long-term sustainability is lacking. In terms of the sectoral breakdown of projects, most initiatives tend to be in agriculture, which is unsurprising given the importance of agricultural commodities to developing countries, their growth potential and rural poverty trends.

Another challenge was engaging with private sector actors. Only six key informant interviews were with a buyer representative. Similarly, researchers received email responses to requests for further information from only three international buyers.

One of the goals of the project was to assess the commercial and development results in terms of their immediate outcomes and long-term sustainability. Given that many of the projects identified were recently ended or ongoing, it was difficult to find this kind of information. In addition, the commercial information was often deemed too sensitive to share. This reality is reflected in the impact section of the project templates where commercial outcomes are often described in general terms (i.e. exports doubled over the course of the project life cycle).

Finally, the report is based on a small non-randomized sample. This means that its external validity – i.e. ability to make generalizations to other trade-related private-public partnership projects from the findings – is small. In addition, there is a project selection bias towards successful examples. In a number of instances, researchers contacted bilateral donors for further information regarding specific projects. For four projects selected for potential inclusion, researchers were told they “were not good examples” as they either never fully “got off the ground,” local partners could not be identified or the commercial relationship ended. In one instance the international buyer was no longer in business. Other projects were suggested instead. However, researchers did include one project, Organic Farming in Côte d’Ivoire, where the private sector partner did not see a return on their investment. While the project led to the successful training and certification of farmers for the organic food market, it was not economically viable owing to a host of external factors, such as challenges relating to climate change (soil erosion, for example). The report draws lessons from this example where appropriate.

# 3. Trade-Related Private Sector Partnerships: Models and Projects for Development

Over the course of the project selection phase, researchers identified different models that characterize the projects: donor-led; coalition; company-led; NGO-business alliance; and NGO-led. This categorization, developed by researchers, represents an original contribution that aims to further understanding of various types of trade-related private sector partnerships. Half of the projects examined belong to the donor-led category (15), followed by the coalition model (6), company-led (5), business-NGO alliance (3), and NGO-led (1).

It is important to note that, in nearly all instances, regardless of the model involved, the projects examined in this research represent a *hybrid development model*. By this, we mean that: i) they bring together public sector, private sector and civil society partners; and ii) they aim to support sustainable development (Figure 2). Sustainable development, as defined by the United Nations, is fundamentally about recognising the interconnections between economic development, social development and environmental protection.<sup>8</sup> Poverty reduction is one goal among many. Almost all projects, with some exceptions for those in the artisanal sector, take into consideration the pillars of sustainable development and report on progress in terms of economic, social and environmental outcomes. In the models that were identified, the role of each partner (civil society, private sector and public sector), including the extent to which they are directly involved in the project, varies. However, in general, most projects include all three partners to some extent.

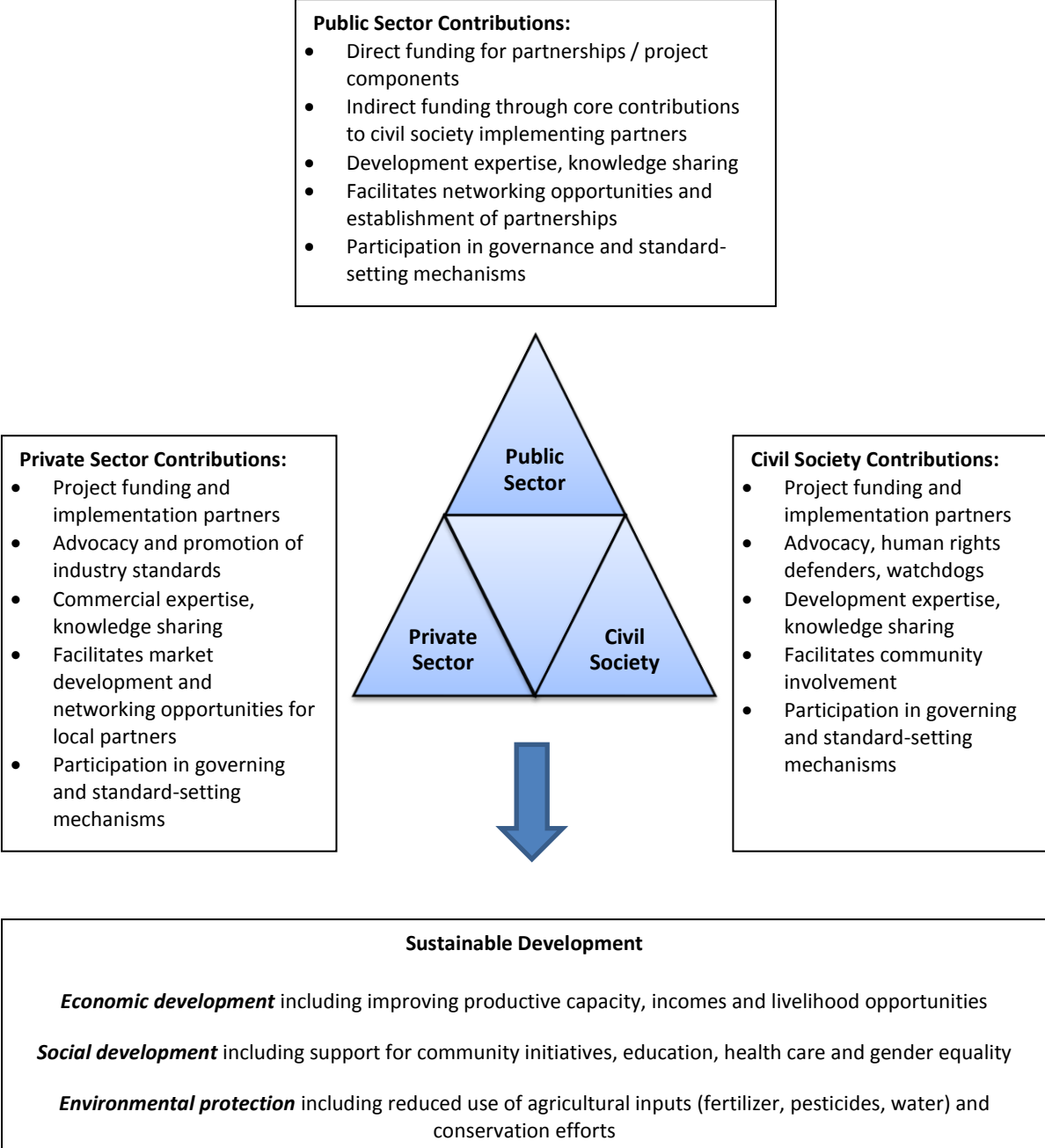
An important insight made during the November Symposium is that many of the projects examined in the research appear to be what one participant referred to as “hero models.” The hero model refers to partnerships that have been successful “against all odds” or in other words, due to historic efforts by specific actors involved in them. In the hero model, the focus is on what individual actors can do or should do to make their individual projects more successful. The hero model stands in contrast to more systemic approaches, which include broader efforts to address trade, regulatory and policy barriers that prevent businesses and others from easily supporting and benefitting from responsible and sustainable product lines. According to one participant, the key challenge is moving from hero model approaches which focus on what individuals can do in devising responsible sourcing initiatives that tackle barriers to improving business-as-usual and making responsible sourcing easier. The increasing role of certification (nearly two thirds of the projects examined included a certification component of some kind) in responsible sourcing, for example, is part of system-based thinking. It is considerably easier for retailers to connect and work with producers in developing countries to address responsible sourcing issues as a

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<sup>8</sup> See Higgins and Chenard (2012) for a full review.

result of certification schemes. An improvement in trade policy is another area where systems-based solutions could be used. For example, agricultural subsidies in developed countries have been a longstanding issue for suppliers from the developing world. Cotton is an often-cited example in this regard. It is heavily subsidized in the US, which makes it difficult for producers in developing countries to compete. The hero model focusses on what individual retailers, donors and NGOs can do to improve cotton production in developing countries, but this does not address the systemic factors that inhibit producers in developing countries from competing with counterparts in the US on a fair playing field.

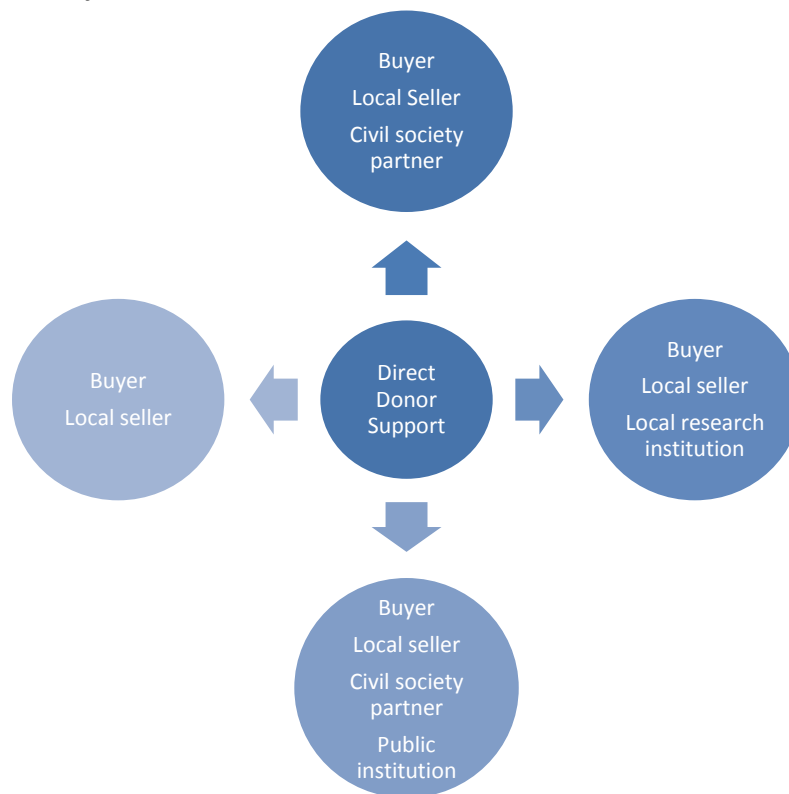
**Figure 2: Hybrid Model of Trade-Related Private Sector Partnerships**



## Donor-led model

The **donor-led model** refers to projects that are the result of bilateral donor initiatives aimed at establishing private-public partnerships. In most cases, donors have a specific program or fund directed at leveraging private sector funds and/or innovations in development interventions. Examples include the United Kingdom's Food Retail Industry Challenge Fund (FRICH) and Germany's DeveloPPP.de program. The projects are generally carried out by private sector and other implementing partners; the donor essentially provides partial funding for the initiative. A key goal of these programs is to leverage private sector funds, expertise, and in some cases, promote innovative private sector solutions which generally have a high level of risk but whose success could mean substantial positive development outcomes and in turn, further up-scaling. Here the donor takes on part of the risk. While these funding mechanisms vary by donors in terms of their criteria for partnership, funding requirements, expected development outcomes, and timelines, what links them is that they fall under a donor program of some kind. It is important to note that these programs do not target trade-related private sector partnerships specifically but rather private-public partnerships that have positive commercial and development outcomes more generally. The projects included in this research are those that happen to have a trade-related component that meets the criteria for project inclusion. Figure 3 provides an example of the types of partnerships supported by donors.

**Figure 3: Donor-led Projects**

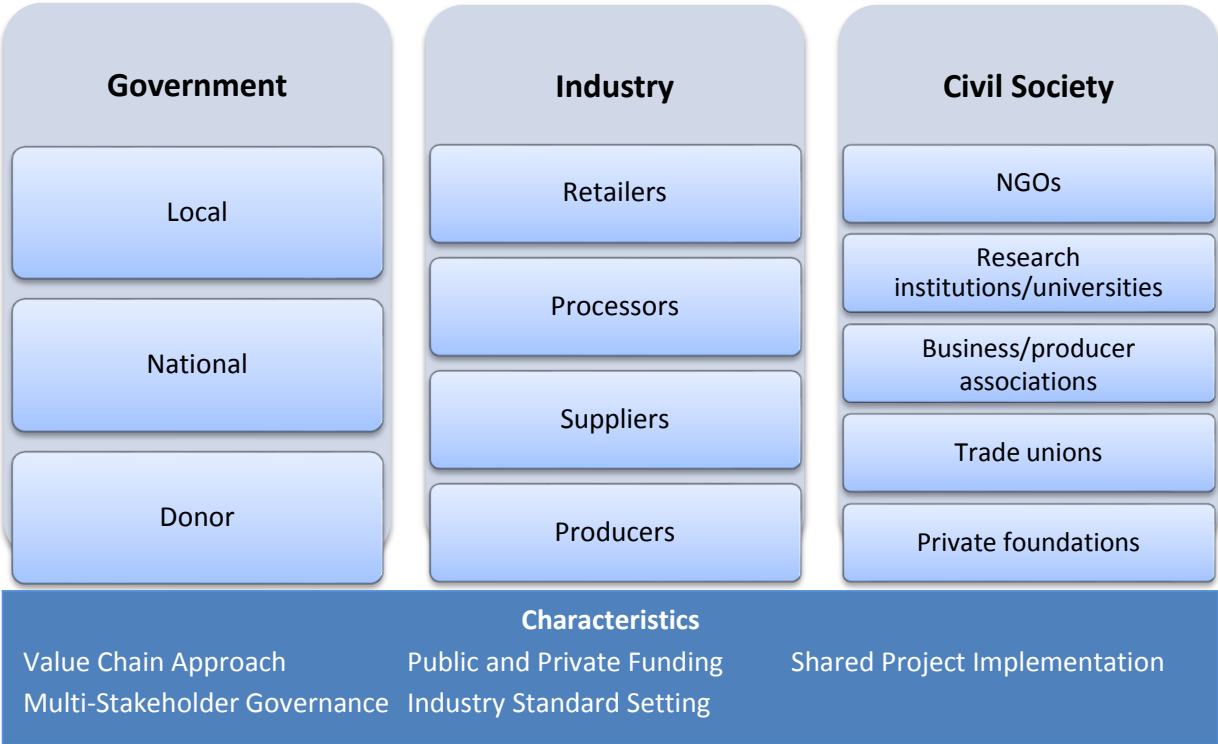


Source: Adapted from Laiggard Schneider(2012)

# Coalition Model

The **coalition model** refers to multi-stakeholder initiatives that often include developing country governments, donors, private sector actors from developed and developing countries, civil society organizations, research institutions and private sector associations (Figure 4). Coalitions tend to target improvements along the entire value chain or at key levels (such as producer level) to enhance development outcomes and improve the environmental sustainability of business transactions. They often make use of certification systems as a key indicator of change. Initiatives tend to be governed by multi-stakeholder structures, such as steering committees, which work to create and improve industry standards or certification schemes, and decide on strategic directions for programming. These initiatives are also funded by contributions from the private and the public sector under terms that aim to leverage significant private funds. One indicator of success (and sustainability) for these initiatives is increasing private sector funding contributions and/or decreasing reliance on public funding through membership fees.

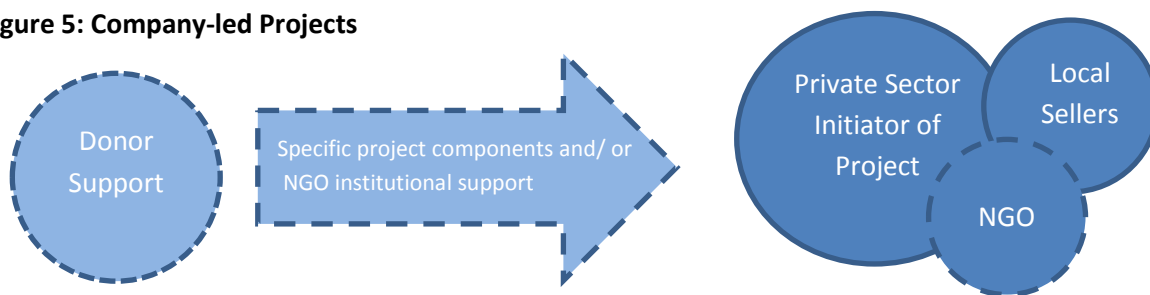
**Figure 4: Coalition Model Projects**



## Company-led Model

The **company-led model** includes five projects (Figure 5). The Cocoa Partnership was established to ensure Cadbury has a secure and sustainable supply of good quality cocoa from Ghana. The Tim Hortons Coffee Partnership works to enable smallholder farmers in Latin America to produce more and better quality coffee, leading to improved incomes. The remaining three projects were established in partnership with for-profit fair trade companies. While foundations and donors have supported various components of the projects, donors enter the projects at different times; projects do not necessarily have their roots in a donor initiative. These projects also tend to include NGO development intermediaries as implementing partners.

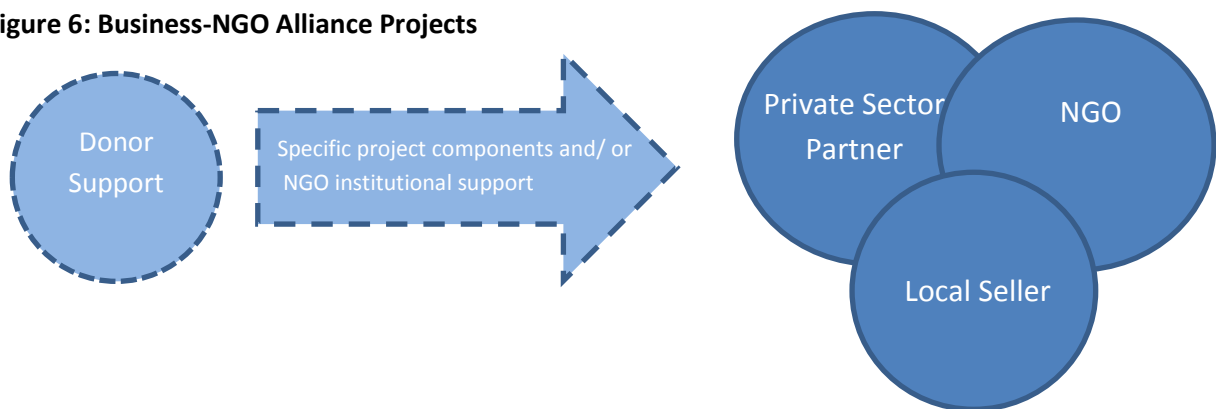
**Figure 5: Company-led Projects**



## Business-NGO Alliance Model

The **business-NGO alliance model** refers to cases where NGOs have sought out or been sought out by private sector actors to partner on development interventions. In these cases, the NGOs may receive support for various components of the project from a bilateral donor, however the donor is not a primary motivator of the project per se. Rather, donors enter the initiative to support certain components once it has been established or provide core support to the NGO (Figure 6). In some cases, donor support to a previous project or project phase serves as an important enabler for later partnerships. Box 1 provides an example of this dynamic.

**Figure 6: Business-NGO Alliance Projects**



### **Box 1: Coffee Exporters from Honduras**

CARE's PROMEXPORT project (2001-2008), which aimed to improve the livelihood conditions of coffee producers in Honduras, links 800 Honduran coffee farmers of the Montaña Verde Cooperative with Van Houtte, Quebec's largest coffee retailer. The original CARE project was conducted in two phases. The first phase was supported by the United States' (US) Department of Agriculture and the second by CIDA. Over the course of the project, private sector partners included Van Houtte, Kenn Gabbay Coffee Importers, and Café Bermego. During PROMEXPORT I, the project focussed on farming techniques and best practices. PROMEXPORT II focused on building capacity of Montaña Verde to process, export and market coffee to Canada.

When the project ended in 2008, Van Houtte began looking for a new partner. It started discussions with SOCODEVI in 2010 that led to a project in 2011 called "Improving living conditions of coffee producer communities." When Van Houtte was bought out by Green Mountain Coffee in 2010, Green Mountain Coffee was keen to continue with the SOCODEVI project. Funding from CIDA to SOCODEVI is also contributing. While the buyer-seller relationship continues, the goal of the new project is to reduce the multidimensional aspects of poverty and food insecurity in the coffee producing committee. To a certain extent, this new stage of the project could be seen as a corporate social responsibility initiative for the private sector partner.

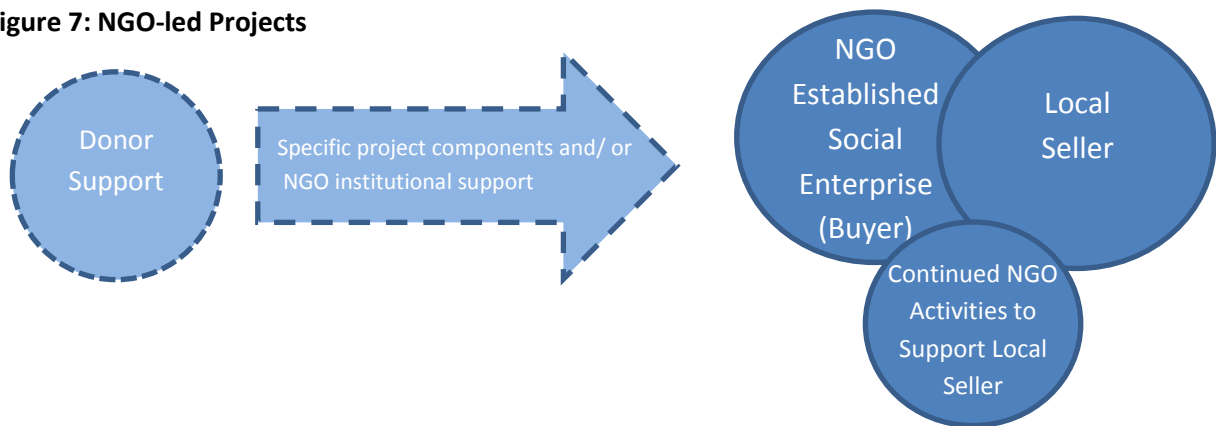
When Van Houtte approached SOCODEVI, it explained that they were not interested in just supporting coffee production and building capacity in the co-op, but improving the livelihoods of all members of the community. They explained that Van Houtte would be supporting the co-ops in management, marketing, and quality – essentially all aspects related to coffee – regardless because they are buying the coffee. Van Houtte wanted to show that they were not only benefiting coffee producers but members of the community more broadly. Part of the project has also included crop diversification which has enabled the community to sell its first vegetable crops in 2012.

*Sources: PROMEXPORT I and II project template; personal communication with SOCODEVI staff.*

## NGO-led Model

The **NGO-led model** refers to NGO initiatives that lead to the creation of a viable social enterprise or for-profit company which either purchases exports from developing countries to sell in developed countries or purchases goods to export to developed countries from producers in developing countries. Over the course of the research, a number of examples of the latter approach were identified. However they were not included in the final list of projects because they lacked an international buyer from the onset of the project. In the former case, only one example was found – Ten Thousand Villages – which was originally a project of the Mennonite Central Committee (MCC). It is now its own entity in the US but continues as a project of MCC in Canada.

**Figure 7: NGO-led Projects**



The project templates are presented in the annexes at the end of the report based on these models. Where appropriate, each annex also includes an introductory section that explains the various organizations and programs that accompany specific projects. For example, the 'donor-led' annex includes a description of each donor program or fund from which projects have been selected. It explains what the program or fund is and how it operates. Table 1 below presents the list of projects selected by model type, and provides basic information on the projects, namely their duration, budget and a brief description.

## Projects

Table 1: Projects by Model Type			
Project	Duration	Project Budget	Description
Donor-led			
Denmark - African Organic	2004-12	3,383,558 DKK (DANIDA support)	The project is a collaboration between Amfri Farms, an organic farm that began producing and selling organic products under the brand “African Organic” in 1999, and Sohjulet, a Danish biodynamic and organic foods company, to develop organic products for export.
Denmark - Trading Vanilla Responsibly	2007-11	4,787,104 DKK (DANIDA support)	The project is a partnership between the Uganda Vanilla Associations (UVAN), a Ugandan vanilla processing and exporting company, and Firmenich Denmark, a subsidiary of Swiss food flavours and fragrance company Firmenich. It aims to build the market for Ugandan vanilla and secure and increase Ugandan vanilla production.
Germany - Mali Shea Butter		€200,000	Annemarie Börlind, a German natural cosmetics producer, wants a reliable partner that is capable of supplying high-quality shea butter in the quantity required. The project partners Börlind with German NGO, Houses of Hope, in creating a women’s cooperative in Mali to address these difficulties. The project aims to enable the cooperative to produce roughly 20 metric tons of bio-certified shea butter annually.
Germany - Organic Farming in Côte d’Ivoire	2008-10	€425,000	BioTropic, a German importer and seller of organic fruit and vegetables, and processed food, wanted to qualify its suppliers in Côte d’Ivoire to meet strict organic standards in order to secure high-quality organic products for importing to Germany. The BMZ supported project qualified farmers in organic production of fruit to open up new markets for them.
IDB - Small Farmer Sunflower Supply Chain Program	2010-19	US \$5 million (IDB support)	IDB provides a partial credit guarantee of up to US\$5 million to support small sunflower producers in Mexico. The main goals of the program are to improve small farmers’ productivity and make them self-sufficient entrepreneurs. The partnership includes Sabritas (a subsidiary of PepsiCo), which purchases sunflower oil from a network of domestic small producers, finances costs related to supply chain management, and is willing to cover a portion of losses. Acción Banamex, a financial institution, provides 2,000 microloans to give farmers access to required capital to purchase seeds and expand production.

ITC - Ethical Fashion	2008 - present	n/a	The program promotes trade of sustainable fashion products between international companies and micro-manufacturers in order to reduce poverty, create sustainable livelihoods, and minimize negative environmental externalities. It includes large European fashion houses like Vivienne Westwood and Stella McCartney.
The Netherlands - Adding Value to Vietnamese Pomelo	2011-12	€1,491,850 (50% donor support)	The project aims to establish a GlobalGAP certified pomelo fruit chain of 100 contract farmers and a state-of-the-art fruit warehouse including a fresh-cut room for processing pomelo. Pomeles that do not meet export quality requirements will be processed and sold on local fruit markets.
The Netherlands - Pilot Export of Tropical Fruit Carpaccio from Ghana	2005-07	€1,074,000 (50% donor support)	The project aimed to test the processing of pineapple to carpaccio (very thinly cut tranches of pineapple for deserts) through the establishment of a processing plant in Eastern Ghana. The project aimed to improve quality to meet standards for export to European markets. The project partners aimed to have production capacity of 1,800 tons per year in 2009.
Sweden - From the Field	2012-14	n/a	The Sida supported project will enable From the Field Trading Company (FTF) to develop a diverse vanilla product line through direct sourcing from rural farmer cooperatives in Madagascar. The project aims to enable FTF to increase their market share by moving past bulk sales of vanilla beans through the creation of new vanilla products and by including additional Malagasy farmers and communities in their sourcing model. The project aims to increase farmer incomes.
UK - Bettys & Taylor of Harrogate	2009-12	n/a	The project aims to develop a sustainable supply of tea by introducing a business model that guarantees sustained high-quality tea and contributes to improved social and environmental outcomes. This is by sharing higher returns equitably among tea producers, factory operators and Bettys & Taylors of Harrogate.
UK - Sainsbury's and Twin	2009-12	GBP 573,00	The project aims to develop two coffees for export to the UK and link smallholder farmers from marginalized and impoverished areas with long histories of Arabica coffee production in the Democratic Republic of the Congo and Malawi to the high value market of gourmet coffee.
UK - Waitrose LEAF Marque Guarantee	2009-15	GBP 388,180	The project, which includes private sector partners Waitrose and Green Shoots Productions, aims to improve the prosperity and sustainability of small farmers in Africa through the adoption of Integrated Farm Management to the LEAF Marque Standard.
US - AMARTA Sulawesi Kakao	2007 - ongoing	US \$2.5 million	The project, which includes private sector partners Olam International and Blommer Chocolate Company, aims to increase productivity and incomes for rural

Alliance			farmers in Sulawesi.
US - Brazil Responsible Sourcing Partnership	2007-10	US \$2 million	The project, supported by Walmart, aimed to increase the incomes and thereby improve the lives of smallholder farmers in Brazil by providing coffee-growing cooperatives with the resources and expertise to expand and improve the quality of Brazilian Fair Trade Certified coffee supply.
US - Rwandan Pyrethrum Value Chain Alliance	2009-12	US\$327,437	Working with SC Johnson, the program aims to support a sustainable and responsible Rwanda pyrethrum flower industry which will in turn create employment opportunities for Rwandans, enable farmers to increase their families' income, and contribute to creating a sustainable supply of pyrethrum.
<b>Coalition</b>			
Better Cotton Initiative (BCI)	2013-18	€38 million	BCI is a multi-stakeholder initiative aimed at market transformation to ensure that cotton production worldwide is more sustainable economically, environmentally and socially based on the Better Cotton Standard (BCS). The initiative aims to improve the livelihoods of 6 million farmers and their families by 2015. BCI includes 250 members composed of producer organizations, NGOs, retailers and brands, suppliers and manufacturers and associate members.
Cotton Made in Africa	2005 - 2015	US \$55 million over 2009-15	The initiative seeks to improve the incomes and livelihood conditions of African smallholder cotton farmers and their families and contribute to environmental protection by promoting sustainable farming methods by promoting sustainable farming methods; providing finance; and co-financing community projects to improve education, health and empower women. It includes private sector partners such as the Otto Group, PUMA, Tchibo, C&A and others. The initiative currently reaches out to 480,000 smallholder farmer households in seven Western and Southern African countries.
World Cocoa Foundation - Cocoa Livelihoods Program	2009-13	US \$40 million	The program is working to double the income of 200,000 smallholder, cocoa-growing households in West and Central Africa. Committed to sharing benefits throughout the cocoa supply chain, the program aims to ensure sustainability of supply and empower farmers to foster prosperous cocoa communities. Industry partners include companies like the Hershey Company, Mars Inc, Blommer Chocolate Company, Cargill and others.
Sustainable Trade Initiative - Better Cotton Fast Track Program	2011-15	€30 million	The program works to accelerate the implementation of the Better Cotton Standard in order to transform the global cotton market into a sustainably producing market and includes private sector partners like IKEA, Marks & Spencers, Walmart and others.

Sustainable Trade Initiative - Cashew Program	2012-15	≈ €5 million	The program is aimed at making the production, processing and trade of cashews more sustainable. It includes private sector partners like Olam International and Intersnack.
Sustainable Trade Initiative - Responsible Soy	2008-15	€24 million	The program aims to transform the soy sector based on the standards as developed by the Round Table on Responsible Soy, which target the negative impacts associated with soy cultivation. The four countries targeted by the program contribute to roughly 60% of global soy production. It includes over 25 private sector partners such as Unilever and Cargill Brazil.
<b>Company-led</b>			
BrandAID Project	2009 - ongoing	n/a	BrandAID Project, founded in 2009, is an integrated marketing company whose mission is to bridge the gap between consumers and artisan microenterprises in developing countries. It does this by designing commercially viable collections, applying modern branding and marketing, and launching them to major retail distributors in North America and Europe. It receives in-kind contributions from leading ad agencies, law firms and others.
Cadbury/Kraft - Cocoa Partnership	2008-18	US \$73 million	The Cocoa Partnership (CP) encourages the development of thriving cocoa communities in Ghana by promoting sustainable livelihoods and helping to improve crop yields. The project, launched by Cadbury, also aims to ensure sustainable supply of cocoa.
Macy's, Fair Winds Trading - Heart of Haiti	2010 - present	n/a	Heart of Haiti refers to a 20,000 piece collection of Haitian artisanal goods sold by US retailer, Macy's. The collection has been supported by BrandAID and Fair Winds Trading.
Macy's, Fair Winds Trading - Rwanda Peace Baskets	2005 - present	n/a	Through trade, the Rwanda Path to Peace project seeks to put income directly into Rwandan women's hands and empower them to take an active role in shaping their future. The project brings together 2,500 basket-weavers in Rwanda and a buyer, U.S. retailer Macy's.
Tim Hortons Coffee Partnership	2005 - ongoing	n/a	The Tim Hortons Coffee Partnership supports small-scale coffee farmers to build sustainable coffee communities through improved farming practices and the more efficient production of higher quality coffee. The partnership supports communities by taking a balanced approach across economic, social and environmental areas.
<b>Business-NGO Alliance</b>			
CARE Bangladesh, KikTextilien	2008 - ongoing	n/a	This initiative aims to benefit women artisans in regions in Bangladesh where many experience limited access to marketable skills, profitable markets and support

- Women's Empowerment on the Road to Export Markets			services, and live in extreme poverty. It also works to address challenges faced by small and medium-sized enterprises (SMEs) at the heart of the export industry for home decor, textiles and crafts, by creating access to markets and services. It includes private sector partner KikTextilien.
CARE Canada, Van Houtte - PROMEXPORT I & II	2001-04 / 2004-08	n/a	The project aims to improve the livelihood conditions in the San Luis Planes region through rural entrepreneurial development. It links 800 Honduran coffee farmers of the Montana Verde Cooperative with Van Houtte, Quebec's largest coffee retailer.
TechnoServe, Coca-Cola, Bill & Melinda Gates Foundation - Project Nurture	2010-13	US \$11.5 million	The project aims to double the incomes of more than 50,000 fruit farmers in Kenya and Uganda and provide sustainable local sourcing for Coca-Cola. The company seeks to more than double its total daily servings and triple its global juice business by 2020, and so is working with smallholder farmers to source enough juice to meet these targets.
NGO-led			
Mennonite Central Committee - Ten Thousand Villages	Early 1970s - present	n/a	Ten Thousand Villages' (TTV) mission is to create opportunities for artisans in developing countries to earn income by bringing their products and stories to markets through long-term, fair trading relationships. As a fair-trade organization, the business operates based on fair trade principles as defined by the World Fair Trade Organization (WFTO) of which it is a founding member. TTV sources from Africa, South and Southeast Asia, Latin America, Caribbean and the Middle East, benefiting approximately 60,000 people in over 26 countries (2011).

Table 2 lists the projects selected against their sector and geographic region. It reveals that the bulk of projects included are in the agriculture sector (24), followed by the artisanal sector (6). Of the projects in the agriculture sector, 16 focus on food commodities for human consumption while 8 focus on other types of commodities such as cotton or soy. All of the donor-led and coalition model projects, with the exception of Ethical Fashion, are in agriculture. The remaining projects in the artisanal sector can be found in the company-led and NGO-led models. The geographic focus of the projects is heavily in Africa (17), followed by Latin America (4), global initiatives (4), Asia (3) and the Caribbean (2). In all cases project beneficiaries include smallholder farmers (in the case of agriculture) and, for artisanal goods, local artisans.

<b>Table 2: Projects by Sector, Product and Geographic Region</b>		
Project	Sector/Product	Geographic Region
<b>Donor-led</b>		
Adding Value to Vietnamese Pomelo	Agriculture / pomelo	Asia
African Organic	Agriculture / various	Africa
AMARTA Sulawesi Kakao Alliance	Agriculture / cocoa	Asia
Betty's and Taylors of Harrogate	Agriculture / tea	Africa
Ethical Fashion	Artisanal / textiles	Africa
From the Field	Agriculture / vanilla	Africa
Organic Farming in Côte d'Ivoire	Agriculture / various	Africa
Pilot export of tropical fruit Carpaccio from Ghana	Agriculture / carpaccio	Africa
Responsible Sourcing Partnership Project	Agriculture / coffee	Latin America
Rwandan Pyrethrum Value Chain Alliance	Agriculture / pyrethrum	Africa
Sainsbury's and Twin	Agriculture / coffee	Africa
Shea Butter in Mali	Agriculture / shea butter	Africa
Small Farmer Sunflower Supply Chain Program	Agriculture / sunflower	Latin America
Trading Vanilla with Responsibility	Agriculture / vanilla	Africa
Waitrose LEAF Marque Guarantee	Agriculture / various	Africa
<b>Coalition</b>		
Better Cotton Initiative	Agriculture / cotton	Global
Better Cotton Fast Track Program	Agriculture / cotton	Global
Cashew Program	Agriculture / cashews	Africa
Cocoa Livelihoods Program	Agriculture / cocoa	Africa
Cotton made in Africa	Agriculture / cotton	Africa
Responsible Soy	Agriculture / soy	Latin America
<b>Company-led</b>		
BrandAID Project	Artisanal / handicrafts	Caribbean
Cocoa Partnership	Agriculture / cocoa	Africa
Heart of Haiti	Artisanal / handicrafts	Caribbean
Coffee Partnership	Agriculture / coffee	Latin America
Rwanda Peace Baskets	Artisanal / handicrafts	Africa

NGO-led		
Ten Thousand Villages	Artisanal / handicrafts	Global
NGO-Business Alliance		
Project Nurture	Agriculture / fruit	Africa
PROMEXPORT I and II	Agriculture / coffee	Latin America
Women’s Empowerment on the Road to Export Markets	Artisanal / handicrafts, textiles	Asia

## 4. Comparing Models

This section compares various aspects of the projects across the different models, analysing funding strategies, key activities, commercial and development results, aid exit strategies, and potential for replication and scaling up.

### Funding Strategies: Leveraging the Private Sector

The donor-led and coalition models tend to have clear funding strategies. This may be because both models are explicitly based on harnessing private sector funds and private sector innovations. The donor programs included are Danish International Development Agency’s (DANIDA) Business to Business program (B2B), which became DANIDA Business Partnerships in 2011, Germany’s develoPPP.de program, the Inter-American Development Bank’s (IDB) Opportunities for the Majority program, the International Trade Center’s (ITC) Ethical Fashion program, the Netherland’s Cooperation Emerging Markets (PSOM) program which became the Private Sector Investment (PSI) program in 2009, Sweden’s Innovations Against Poverty (IAP) program, the UK’s Food Retail Industry Challenge Fund (FRICH) and the US Agency for International Development’s (USAID) Global Development Alliance (GDA) program.<sup>9</sup> Half of the programs – DeveloPPP.de, IAP, FRICH and GDA – employ a minimum 50% matching criteria although they encourage private sector partners to make larger contributions if possible. Under B2B, DANIDA offered between 75-90% funding, depending on the stage of project development (contact, pilot and implementation). The DANIDA Business Partnership program that replaced B2B in 2011 lowered public contributions to 50% and 75%, depending on project stage. The Netherland’s PSOM and PSI programs allow for between 50-60% match-funding, depending on the country involved (60% match-funding is offered for projects in least developed countries). It is also worthwhile to note that out of these initiatives only Germany, The Netherlands, Sweden and the US are open to domestic and foreign private sector partners, although The Netherlands’ programs do include “tied countries” for which a Dutch company must be involved to receive funding. The IDB offers loans, access to the Risk Sharing Facility and technical assistance. Each donor sets a maximum cap on their contribution levels.

<sup>9</sup> Details for each scheme are discussed in Annex 1.

The ITC Ethical Fashion program is an outlier in this context. It does not seem to harness private sector contributions and has a different funding structure depending on the country where program activities occur. Out of the three country programs that exist under the initiative, two receive funding from the ITC Trust Fund. In the case of the Ghana program, Switzerland's State Secretariat for Economic Affairs and the Government of Ghana fund program activities.

Donors vary in terms of the development related requirements they set for private sector partnerships. For example, USAID requires that proposals align with the agency's development priorities as articulated in its Annual Program Statement for the GDA. For example, the 2012 priorities include food security, climate change, and health (USAID 2012). Proposals may also coincide with USAID broader priorities, namely water, education, science and technology, and innovation. Partners must commit to achieve significant development impact directly and attributably through the partnership in areas such as job creation, better access to products, services, technology for poor people, etc.

Denmark, on the other hand, has a very detailed application process. Partners must demonstrate that the proposal will lead to new and decent jobs (must comply with the International Labour Organization's Declaration on Fundamental Principles and Rights at Work) and have a positive effect on society in terms of the realisation of human rights, or better health, education, and environmental outcomes for example. Figure 8 depicts the criteria used by DANIDA to assess proposals.

In the case of FRICH, the challenge fund takes a competitive approach to bidding. Funding depends on the extent to which proposals test an innovative concept or business model, or scale up a successful pilot project, and are likely to continue once donor funding has ended. Applicants submit a concept note and must demonstrate how poor African farmers, workers or small scale entrepreneurs are likely to benefit from the project.

**Figure 8: Expected Development Impact Criteria for DANIDA Support**

Source: Laiggard Schneider (2012)

The coalition models included are the Better Cotton Initiative (BCI), Cotton Made in Africa (CmiA), Sustainable Trade Initiative (IDH) and the World Cocoa Foundation (WCF).<sup>10</sup> All initiatives receive public and private funding, are private public partnerships and seek to leverage private sector funds.

BCI and CmiA use a fee structure that garners private sector contributions in addition to receiving public funds. BCI, which is an industry led coalition, receives membership fees. Implementation of actual projects is carried out largely by the IDH sponsored Better Cotton Fast Track Program (BCFTP) which seeks to leverage private sector contributions through a call for proposal process that matches private sector contributions up to 50%.<sup>11</sup> Private sector partners also agree to buy cotton under BCI and CmiA's respective licensing schemes. Both initiatives aim to decrease their reliance on public funding over time. The eventual goal for BCI is for the cotton industry to take over the costs of implementing the BCS

<sup>10</sup> Full details on BCI, IDH and the World Cocoa Foundation are available in Annex 2. The details for CmiA are available in its project template and as such, an introductory paragraph on the initiative has not been included.

<sup>11</sup> See BCI template for further information.

(personal communication with BCI staff). CmiA aims to become fully self-sustaining through its licencing fee structure. Private sector partners pay fees to the Aid by Trade Foundation (AbTF), which oversees CmiA, for the right to produce garments / home textiles labelled “CmiA.” The fees are based on sales, which means that as demand for CmiA increases, so will the fees, enabling the initiative to decrease its reliance on public funds (personal communication with AbTF staff).

IDH, a private public partnership based in the Netherlands, builds coalitions between governments, civil society and private sector actors across key sectors to improve the development and environmental sustainability impacts of trade. Three programmes were selected for this research – cotton, cashews and soy. All programs selected seek to harness private sector contributions through match-making schemes. The BCFTP was discussed above. The cashew program is funded equally by public and private contributions. Under the Responsible Soy program, IDH recently announced the creation of a five year Soy Fast Track Fund which seeks to leverage private sector investments through match funding to a maximum of 50%. Across IDH programming, one of its results indicators is the amount of private sector funding it leverages. For IDH, the ultimate goal for their programs is the eventual absorption of costs into the value chain.

The World Cocoa Foundation’s (WCF) Cocoa Livelihoods Program (CLP) is supported by the Bill & Melinda Gates Foundation, cocoa buyers, and other stakeholders like IDH. As the WCF-CLP moves into its second phase, it is looking to decrease reliance on public funding (personal communication with WCF staff). A grant-matching scheme was introduced in 2011 with the aim of putting onus on national governments and industry partners to assume responsibility for long-term sustainability and poverty reduction.

The funding strategies across the remaining models are less clear. For example, in the case of Macy’s which falls into the company-led model, sales of artisanal products allow for a continued trade relationship with project beneficiaries. The lack of a clear ‘funding strategy’ makes sense in this instance as the link between producers and Macy’s is through a fair trade for-profit company. The relationship is firmly grounded in a business relationship. In the case of the Heart of Haiti project, however, public funding did come from the Clinton Bush Haiti Relief Fund. This occurred in the wake of the 2010 earthquake and was aimed at enabling Haitians to fill a large order for Macy’s. BrandAID is also a for-profit company though it does receive in-kind contributions from ad agencies and other companies. It has received significant media coverage and endorsements by partnering with high powered individuals and companies and working with major retailers such as Selfridges and Macy’s. This coverage has enabled BrandAID to garner further support, including from CIDA.

As for the Cocoa Partnership, Cadbury (and now Kraft, which bought Cadbury in 2010) funds the program. Tim Hortons funds the Tim Hortons Coffee Partnership.

The NGO-business alliance model examples are based on project funding for individual initiatives. In the case of Ten Thousand Villages (TTV), all sales revenue is retained by TTV and surpluses are used to finance the growth of the TTV retail network and increase purchases from artisans.

## Key Activities

Key activities are listed in the project templates. As such, this section characterizes the broad trends. All projects, with the exception of four – BrandAID Project, Heart of Haiti, TTV and Waitrose LEAF Marque Guarantee – explicitly target improving the quality of the export good. All projects include increasing productivity and training or technical support for producers in developing countries in their objectives. Twenty-three of the projects found across various models also included improving the producers’ business model either through smallholder aggregation and/or technical assistance on business practices. Models for training tend to be based on the “train the trainer” model whereby local participants are trained by implementing partners who then in turn train fellow beneficiaries although exceptions exist. For example, the Tim Hortons Coffee Partnership provides training directly to all farmer participants.

A number of projects also included facilitating access to inputs, such as IDB’s sunflower project, Project Nurture, PROMEXPORT I and II, and the WCF-CLP. Thirteen of the projects explicitly target adding value to products in developing countries prior to export.<sup>12</sup> Two thirds (20) of the projects selected either make use of fair trade or organic certification systems, aim to establish some kind of certification system or include social and environmental standards in the production processes as a key component of the project. Across the models, half (15) of the projects included services or programming that went beyond improving export capacities, such as the provision of education or health services.

## Role of Private Sector Partners

Under the donor-led and coalition models, private sector partners essentially serve as funders, buyers and in a large number of cases, implementing partners. In 10 projects, private sector partners offer expertise during project implementation, engage in training activities and/or offer extension services. Six projects were implemented largely by universities, fair trade organizations or NGOs. In six projects, private sector partners also made commitments in terms of purchases or a price guarantee.

For the coalition models, private sector partners engage in a number of ways. In addition to acting as funders, buyers and implementing partners, they participate in the overall governing of initiatives and in the development and promotion of industry standards. All initiatives also include non-profit implementing partners on the ground.

In the projects supported by Macy’s under the company-led model, Macy’s essentially plays the role of buyer. Fair Winds Trading, a for-profit fair trade company that purchases artisanal goods from artists in Rwanda and Haiti for sale at Macy’s, provides technical support to artists as well. In the case of the

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<sup>12</sup> Adding Value to Vietnamese Pomelo, AMARTA Sulawesi Kakao Alliance, Bettys & Taylors of Harrogate, BrandAID Project, Pilot Export of Tropical Fruit Carpaccio from Ghana, PROMEXPORT, Heart of Haiti, IDH cashew and soy programs, Pyrethrum Value Chain Alliance, Responsible Sourcing Partnership Project, Sainsbury’s and Twin, Trading Vanilla with Responsibility.

Cocoa Partnership, Cadbury led on the creation of the initiative, in collaboration with the United Nations Development Programme. It provides funding and participates in the governing structure of the Cocoa Partnership, which also includes government officials, NGO representatives and other organizations, such as farmer associations. The project is implemented by the FairTrade Foundation and other NGOs such as CARE, World Vision and Voluntary Service Overseas. BrandAID Project, a profit-sharing social enterprise, works directly with ad agencies, designers, law firms and other private sector actor, which offer in-kind contributions, and local artisans to develop products for the global market. In the case of Tim Hortons, it funds the coffee partnership and works with NGO implementing partners, though most of the on the ground work is carried out by the NGOs.

In the business-NGO alliances, the private sector partner provides financial support (PROMEXPORT, Women's Empowerment on the Road to Export Markets) and/or in-kind services such as technical expertise (Project Nurture). In Project Nurture and PROMEXPORT, the NGO partner takes the lead on implementation while responsibilities are more shared between NGO and private sector partners in the Women's Empowerment on the Road to Export Markets project.

## Role of Donors

Donors play a number of important roles across the partnership models. In addition to project support, a number of donors have mechanisms in place to assist with research and feasibility studies and proposal development. Sweden and the UK offer advisory support free of charge<sup>13</sup> while Denmark includes feasibility studies and market research as eligible expenses under its program.

At a broad level, donors also contribute expertise and promote knowledge sharing. Sweden and the UK have established 'The Practitioner Hub for Inclusive Business' which also contributes to knowledge sharing on inclusive business models and directly engages with practitioners.<sup>14</sup> The hub highlights projects, new innovations and lessons learned. The Bill and Melinda Gates Foundation, which funds the WCF-CLP, created a platform for knowledge sharing. IDH has also made knowledge sharing a priority across its programming.

In the coalition and donor-led models, donors also play an important role as neutral convener and facilitator of partnerships. In the WCF-CLP, for example, the Bill and Melinda Gates Foundation has played a critical role in convening broad industry support for the initiative (Budiansky 2012). IDH has convened over 200 companies, 30 civil society organizations, numerous governments from developed, emerging, and developing economies, multinationals like the World Bank and other stakeholders to accelerate sustainable production and consumption and up-scale sustainable trade. Bilateral donors have also played an important role in facilitating private sector partnerships through their support for supply-side and match making initiatives, including through trade fairs. DFID actively engaged the

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<sup>13</sup> UK support is offered through the Business Innovation Facility under DFID, which is not exclusively tied to the FRICH program.

<sup>14</sup> <http://businessinnovationfacility.org/>

business community when establishing its private sector programming (personal communication with FRICH staff). USAID brings on the ground facilitation capacity to its partnerships, enabling private sector partners to build relationships in country (Jurgens 2012).

Donors also play an important role in ensuring that development outcomes are central component of private sector trade-related development interventions. During the Symposium in November, participants engaged in a lively discussion on the added value that donors bring to partnerships with the private sector. Some presenters were asked, for example, if private sector interventions would have happened without donor support and what role they see for public financing. Presenters agreed that in many cases, private sectors actors would have engaged in improving their value chains or in community initiatives regardless of whether or not donors provided funding. However, participants stressed that the initiatives would have been narrower in focus; donors encourage initiatives that have heightened development impact, leveraging private sector resources to this end. Participants also stressed that public funding can be key to scaling up good initiatives that the private sector otherwise would not take forward owing to their pre-competitive nature or the risks associated with scaling up. One private sector participant pointed out that without donor funding, their company would not have communicated the project results in a polished way.

Donors have a role to play in ensuring that projects have a development impact, take into consideration good development practice, and in establishing the right incentives to bring intermediaries together for development outcomes.

## Development and Commercial Results

It is important to recognize that the trade-related private sector partnerships examined in this report represent a hybrid development model that brings together economic, social and environmental considerations. In many ways, these projects are about sustainable development (as it is defined by the United Nations): economic development, social development and environmental protection.<sup>15</sup> This means that the projects examined include poverty reduction as one goal among many (see Box 2). Almost all projects included take into consideration elements of sustainable development and report on progress in these areas.

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<sup>15</sup> See Higgins and Chenard (2012) for a full review.

**Box 2: Cotton made in Africa's Community Projects**

Cotton made in Africa pursues its goal of improving the living conditions and incomes for African smallholder farmers by training them in good agricultural practice (including those that improve environmental outcomes) and marketing their cotton in developed markets. The initiative also runs Community Projects that support the development of the rural cotton growing communities on a sustainable basis. These projects focus on primary and adult education as well as strengthening women's rights by supporting women's cooperatives on their path to economic independence. The projects are organized as public-private partnerships. They are conducted and financed in cooperation with retail partners, government organizations involved in development cooperation, local cotton companies and smallholder farmers. These partners give time, expertise, labour and material to the projects, which is crucial for success. All Community Projects aim to give immediate and tangible "payback" to CmiA farmers for their efforts to comply with CmiA criteria and thus build the value proposition of the CmiA label. Retail partners appreciate the possibility that these projects offer with regards to communicating their commitment for CmiA to their customer base.

Currently, 5,000 adults benefit from a literacy program in Burkina Faso. Twenty-six schools in Benin and Zambia are being built or renovated along with new school canteens, school gardens and libraries. Twenty-five women's cooperatives in Ivory Coast are being co-financed from which more than 12,000 dependents benefit. More community projects – in cooperation with CmiA's partners – are planned.

*Source: Personal communication with AbTF staff.*

Nevertheless, it has been difficult to assess the commercial and development results. This is because many of the projects are relatively new and public information is lacking. Researchers were able to identify results largely through personal communication with project participants. Where researchers were able to obtain development results, quantitative results reported tended to focus on outputs rather than outcomes – for example, the number of beneficiaries participating in the program, the number of people trained and environmental outputs in terms of hectares of sustainably produced exports. In many cases sex-disaggregated data was presented. By and large, available results were qualitative in nature and reporting focused on living conditions, job creation (often with no figures provided on exact number of jobs created), capacity development, environmental outcomes, pilot phase completion, and infrastructure development (Table 3).

One of the research objectives was also to obtain a better understanding of how trade-related private sector partnerships are transformational for communities. Again, it was difficult to assess this, especially since outcomes of this nature require a longer time period to come to fruition. Nevertheless, the majority of the projects included capacity building and training components, which are important tools for empowering individuals, promoting self-reliance and ensuring sustainability of outcomes once projects come to an end; the development intermediaries leave while beneficiaries with improved capacity remain (see Box 3 for an example). Researchers also found that a number of the projects

worked to train members of local organizations and cooperatives, who could in turn continue training activities once the project ended.

**Box 3: Capacity Building Enables Artisans to Become Direct Vendors**

Fair Winds Trading, a for-profit fair trade company, was established in 2005. It uses business as a strategy for economic empowerment of people living in poverty. Fair Winds has been supplying Macy's with artisanal products from Rwanda and Haiti since 2005 and 2010 respectively. In its work with artisans in Rwanda and Haiti, Fair Winds has contributed to building artisans' capacity to bring their products to market. Based on this work, and recognizing the improved capacities that now exist in both contexts, Fair Winds is exiting from its relationships with Macy's and artisans as the middleperson; artisans will now work directly with retailers as direct vendors. Fair Winds recognizes that there is a trend towards eliminating the middleperson in global retail value chains. As such, it will shift more into consulting on supply chains and market access, rather than continuing to purchase goods from artisans for sale to major retailers.

*Source: Personal communication with Fair Winds Trading staff.*

In terms of commercial results, researchers were able to obtain some information although in many cases it was at the generic level (e.g. sales have increased without providing any figures). The Rwanda Peace Basket Project however, has publically available figures. In 2007, sales grew to \$1.5 million, an increase from \$150,000 in 2005. It was only reported in one instance that development results had been achieved and private sector partners had yet to receive a return on their investment (Organic Farming in Côte d'Ivoire) (personal communication with DeveloPPP.de staff). However, the company is still active in Côte d'Ivoire and plans to expand its activities in the area. On the whole, researchers were unable to assess the rate of return from the private sector partnerships examined. As development partners move forward on trade-related private sector partnerships, collecting reliable quantitative and qualitative data that reflects commercial and development results will be an important challenge to address.

Table 3 below demonstrates the anticipated and achieved results for the projects examined in the report. It shows that there is a lack of information regarding both commercial and development results. There is less information regarding commercial results and it should be noted that no results reported does not necessarily mean that no commercial results were achieved. Rather, it means that reserachers were unable to obtain this information. Following Table 3, the remainder of this section highlights examples of good practice.

**Table 3: Available Development and Commercial Results, by Model Type**

Project	Description	Development Results	Commercial Results
<b>Donor-led</b>			
African Organic 2004-12 3,383,558 DKK	The project is a collaboration between Amfri Farms, an organic farm that began producing and selling organic products under the brand “African Organic” in 1999, and Sohjulet, a Danish biodynamic and organic foods company, to develop organic products for export.	<ul style="list-style-type: none"> <li>• Incomes increased for those involved in production</li> <li>• Employees and out-growers trained</li> <li>• Environmental and workplace certification completed in 2009</li> <li>• On-site daycare service established, training in HIV/AIDs and malaria awareness</li> </ul>	<ul style="list-style-type: none"> <li>• 27 of 46 new crops found commercial export success</li> <li>• New initiatives explored, such as pulp production, which is now in a well-known yogurt brand in Denmark</li> </ul>
Trading Vanilla Responsibly 2007-11 4,787,104 DKK	The project is a partnership between the Uganda Vanilla Associations (UVAN), a Ugandan vanilla processing and exporting company, and Firmenich Denmark, a subsidiary of Swiss food flavours and fragrance company Firmenich. It aims to build the market for Ugandan vanilla and secure and increase Ugandan vanilla production.	<ul style="list-style-type: none"> <li>• Incomes increased for farmers directly involved in production</li> <li>• Village Savings and Loans Associations have more than 2500 members with approx. 70% women enabling people to invest in farms and other ventures</li> </ul>	<ul style="list-style-type: none"> <li>• Exports increased from 22.3 tons to 72.7 tons over 2008-11 (which is higher than initial project goal of 35 tons)</li> </ul>
Mali Shea Butter 2011-13 €200,000	Annemarie Börlind, a German natural cosmetics producer, wants a reliable partner that is capable of supplying high-quality shea butter in the quantity required. The project partners Börlind with German NGO, Houses of Hope, in creating a women’s cooperative in Mali to address these difficulties. The project aims to enable the cooperative to produce roughly 20 metric tons of bio-certified shea butter annually.	<ul style="list-style-type: none"> <li>• Skills improvements are projected for the project</li> <li>• Income increases projected for 300 members of the cooperative</li> <li>• Literacy and hygiene training, as well as HIV/AIDS awareness-raising is benefiting 7 villages</li> </ul>	<ul style="list-style-type: none"> <li>• Laboratory built to test shea butter</li> </ul>
Organic Farming in Côte d’Ivoire 2008-10 €425,000	BioTropic, a German importer and seller of organic fruit and vegetables, and processed food, wanted to qualify its suppliers in Côte d’Ivoire to meet strict organic standards in order to secure high-quality organic products for importing to Germany. The BMZ supported project qualified farmers in organic production of fruit to open up new markets for them.	<ul style="list-style-type: none"> <li>• Farmers participated in HIV/AIDS workshops</li> <li>• Training and certification of farmers for the organic market</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain successfully certified according to EC Council Regulations No. 834/2007 (organic production and labelling of organic products)</li> <li>• Biotropic has not seen a return on their investment</li> </ul>

Project	Description	Development Results	Commercial Results
Small Farmer Sunflower Supply Chain Program 2010-19 US \$5 million	IDB provides a partial credit guarantee of up to US\$5 million to support small sunflower producers in Mexico. The main goals of the program are to improve small farmers' productivity and make them self-sufficient entrepreneurs. The partnership includes Sabritas (a subsidiary of PepsiCo), which purchases sunflower oil from a network of domestic small producers, finances costs related to supply chain management, and is willing to cover a portion of losses. Acción Banamex, a financial institution, provides 2,000 microloans to give farmers access to required capital to purchase seeds and expand production.	<ul style="list-style-type: none"> <li>• Increased incomes for small producers</li> <li>• Improved quality of life for small producers and their immediate communities</li> <li>• Pricing predictability and environmental benefits</li> <li>• Better health outcomes for Mexicans</li> </ul>	<ul style="list-style-type: none"> <li>• Sabritas is reducing its use of more expensive and unhealthier imported palm oil</li> </ul>
Ethical Fashion 2008 – present n/a	The program promotes trade of sustainable fashion products between international companies and micro-manufacturers in order to reduce poverty, create sustainable livelihoods, and minimize negative environmental externalities. It includes large European fashion houses like Vivienne Westwood and Stella McCartney.	<ul style="list-style-type: none"> <li>• More than 7,000 for women in marginalized communities</li> <li>• New, dignified fair paying jobs established</li> <li>• Cooperatives and small enterprises developed</li> <li>• Improved livelihoods with 80-90% of program beneficiaries able to make improvements on their homes, make independent financial decisions and gain access to fresh foods</li> <li>• Export capacities developed and manufacturers positions strengthened in domestic and regional markets</li> </ul>	<ul style="list-style-type: none"> <li>• Products delivered according to industry standards</li> </ul>
Adding Value to Vietnamese Pomelo 2011-12 €1,491,850 (50% donor)	The project aims to establish a GlobalGAP certified pomelo fruit chain of 100 contract farmers and a state-of-the-art fruit warehouse including a fresh-cut room for processing pomelos. Pomelos that do not meet export quality requirements will be processed and sold on local fruit markets.	<ul style="list-style-type: none"> <li>• Project expected to create 2300 jobs</li> <li>• Warehouse complies with Ethical Trade Initiative standards and goes beyond them by paying employees 15% more than official minimum wage</li> <li>• Global GAP certification achieved for 100 farmers</li> </ul>	<ul style="list-style-type: none"> <li>• €1 million turnover achieved</li> <li>• Fresh-cut production process and packaging protocol developed</li> </ul>

Project	Description	Development Results	Commercial Results
Pilot Export of Tropical Fruit Carpaccio from Ghana 2005-07 €1,074,000 (50% donor)	The project aimed to test the processing of pineapple to carpaccio (very thinly cut tranches of pineapple for deserts) through the establishment of a processing plant in Eastern Ghana. The project aimed to improve quality to meet standards for export to European markets. The project partners aimed to have production capacity of 1,800 tons per year in 2009.	<ul style="list-style-type: none"> <li>• Employment generation (3 staff and 40 casual workers)</li> <li>• 400 out growers to produce pineapple</li> <li>• Value-addition</li> <li>• Fresh juice supplied at cost price to street children in Accra</li> </ul>	
From the Field 2012-14 ≈ €50,000	The Sida supported project will enable From the Field Trading Company (FTF) to develop a diverse vanilla product line through direct sourcing from rural farmer cooperatives in Madagascar. The project aims to enable FTF to increase their market share by moving past bulk sales of vanilla beans through the creation of new vanilla products and by including additional Malagasy farmers and communities in their sourcing model. The project aims to increase farmer incomes.	<ul style="list-style-type: none"> <li>• Community projects launched</li> <li>• Technical assistance provided to farmers in areas such as environmental sustainability, and improving productivity and quality</li> </ul>	<ul style="list-style-type: none"> <li>• Product line developed</li> <li>• Improved sales with FTF seeing a three-fold increase in demand for their vanilla from 2011 – 2012, projecting another tripling of product volume in 2013</li> <li>• Operations expanded to two new regions in Madagascar</li> </ul>
Bettys & Taylor of Harrogate 2009-12 n/a	The project aims to develop a sustainable supply of tea by introducing a business model that guarantees sustained high-quality tea and contributes to improved social and environmental outcomes. This is by sharing higher returns equitably among tea producers, factory operators and Bettys & Taylors of Harrogate.	<ul style="list-style-type: none"> <li>• 40% increase in agreed minimum wage in the tea sector</li> <li>• Improved work environment for 2,500+ workers through establishment of better health and safety and sanitary conditions</li> <li>• 10,000+ smallholder farmers trained on sustainable agriculture</li> <li>• Improved environmental outcomes with Rainforest Alliance certification for 1,500+ hectares and 1,700+ producers</li> <li>• Over 10,000 smallholder farmers apply better environmental practices</li> <li>• Improved biodiversity with over 64,000 indigenous trees planted over 2010-11</li> </ul>	<ul style="list-style-type: none"> <li>• Higher volumes of sales (B&amp;T has doubled its purchases of Rwandan tea)</li> </ul>
Sainsbury's and Twin 2009-12 £573,000	The project aims to develop two coffees for export to the UK and link smallholder farmers from marginalized and impoverished areas with long histories of Arabica coffee production in the Democratic Republic of the Congo and Malawi to the high value market of gourmet coffee.	<ul style="list-style-type: none"> <li>• Improved incomes and security for 3,500 farmers in Eastern DRC receiving double the prices offered prior to the project</li> <li>• Sustainable production systems introduced</li> <li>• Cooperative in DRC made net profit of US \$ 56,244 in 2010 and US \$ 137,000 in 2011</li> <li>• Fairtrade certification achieved</li> </ul>	<ul style="list-style-type: none"> <li>• Higher sales to Europe, North America and Japan in 2011</li> <li>• 36% of sales in 2011 sold at 273 Sainsbury's supermarkets</li> </ul>

Project	Description	Development Results	Commercial Results
Waitrose LEAF Marque Guarantee 2009-12 £388,180	The project, which includes private sector partners Waitrose and Green Shoots Productions, aims to improve the prosperity and sustainability of small farmers in Africa through the adoption of Integrated Farm Management to the LEAF Marque Standard.	<ul style="list-style-type: none"> <li>• 370 farmers have received training on LEAF, increasing capacity</li> <li>• Improved livelihoods</li> </ul>	
AMARTA Sulawesi Kakao Alliance 2007 – present US \$2.5 million	The project, which includes private sector partners Olam International and Blommer Chocolate Company, aims to increase productivity and incomes for rural farmers in Sulawesi.	<ul style="list-style-type: none"> <li>• Improved quality and increased productivity resulting from farmer training</li> <li>• Participating farmers have seen yields increase between 50-100%.</li> <li>• Increased incomes between 75-117% for participating farmers</li> </ul>	
Brazil Responsible Sourcing Partnership 2007-10 US \$2 million	The project, supported by Walmart, aimed to increase the incomes and thereby improve the lives of smallholder farmers in Brazil by providing coffee-growing cooperatives with the resources and expertise to expand and improve the quality of Brazilian Fair Trade Certified coffee supply.	<ul style="list-style-type: none"> <li>• Improved skills and earnings</li> <li>• Improved community outcomes</li> <li>• Infrastructure upgrades were given to over 680 farmers and family members</li> </ul>	<ul style="list-style-type: none"> <li>• Walmart introduced two Fair Trade Certified coffees from Brazil in more than 600 Sam's Club locations in the US in 2009</li> <li>• 167% increase in Fair Trade Certified sales</li> </ul>
Rwandan Pyrethrum Value Chain Alliance 2009-12 US \$ 327,437	Working with SC Johnson, the program aims to support a sustainable and responsible Rwanda pyrethrum flower industry which will in turn create employment opportunities for Rwandans, enable farmers to increase their families' income, and contribute to creating a sustainable supply of pyrethrum.	<ul style="list-style-type: none"> <li>• Increased production leading to higher incomes for farmers</li> <li>• 20-40% higher pay for farmers over 2008</li> </ul>	<ul style="list-style-type: none"> <li>• Improved quality and higher yields (critical for sustainable supply)</li> </ul>
<b>Coalition</b>			
Better Cotton Initiative 2013-18 €38 million	BCI is a multi-stakeholder initiative aimed at market transformation to ensure that cotton production worldwide is more sustainable economically, environmentally and socially based on the Better Cotton Standard (BCS). The initiative aims to improve the livelihoods of 6 million farmers and their families by 2015. BCI includes 250 members composed of producer organizations, NGOs, retailers and brands, suppliers and manufacturers and associate members.	<ul style="list-style-type: none"> <li>• Improved livelihoods through higher yields</li> <li>• Increased production of Better Cotton (which means more sustainable practices used) with 125,000 farmers participating in Better Cotton projects</li> </ul>	

Project	Description	Development Results	Commercial Results
Cotton Made in Africa 2005 – 2015	The initiative seeks to improve the incomes and livelihood conditions of African smallholder cotton farmers and their families and contribute to environmental protection by promoting sustainable farming methods by promoting sustainable farming methods; providing finance; and co-financing community projects to improve education, health and empower women. It includes private sector partners such as the Otto Group, PUMA, Tchibo, C&A and others. The initiative currently reaches out to 480,000 smallholder farmer households in seven Western and Southern African countries.	<ul style="list-style-type: none"> <li>Over 480,000 farmers trained to improve agricultural practices</li> <li>Improved life conditions, higher yields and higher incomes</li> <li>Benin farmers say yield increases of up to 14% with related income increases of about 35%</li> </ul>	<ul style="list-style-type: none"> <li>Higher sales of CmiA's products from 440,000 garments in 2007 to 10,000,000 in 2010</li> </ul>
Cocoa Livelihoods Program 2009-13 US \$40 million	The program is working to double the income of 200,000 smallholder, cocoa-growing households in West and Central Africa. Committed to sharing benefits throughout the cocoa supply chain, the program aims to ensure sustainability of supply and empower farmers to foster prosperous cocoa communities. Industry partners include companies like the Hershey Company, Mars Inc, Blommer Chocolate Company, Cargill and others.	<ul style="list-style-type: none"> <li>Improved marking efficiency, competitiveness and quality with 36 farmer organizations representing 12,500+ members trained in good governance practices and business management</li> <li>Improved capacity of farmers trained in good agricultural practices, farm management and annual household budgetary planning and nutritional needs</li> </ul>	
IDH Better Cotton Fast Track Program 2011-15 €30 million	The program works to accelerate the implementation of the Better Cotton Standard in order to transform the global cotton market into a sustainably producing market and includes private sector partners like IKEA, Marks & Spencers, Walmart and others.	<ul style="list-style-type: none"> <li>Increased production of Better Cotton (more sustainably produced) with 124,000+ producers participating in the initiative as of 2011</li> <li>Improved livelihoods through higher yields with farmers in Mali and India seeing on average 20% and 37% higher yields than farmers without support respectively</li> </ul>	
IDH Cashew Program 2012-15 ≈ €5 million	The program is aimed at making the production, processing and trade of cashews more sustainable. It includes private sector partners like Olam International and Intersnack.	<p>Goals of:</p> <ul style="list-style-type: none"> <li>Increasing incomes and productivity for at least 375,000 farmers</li> <li>ensuring that 20% of European cashew imports are sustainably produced</li> <li>increasing value-added in Africa within the cashew supply chain by increasing the amount of cashews proceeded to 240,000 metric tons</li> </ul>	

Project	Description	Development Results	Commercial Results
IDH Responsible Soy 2008-15 €24 million	The program aims to transform the soy sector based on the standards as developed by the Round Table on Responsible Soy, which target the negative impacts associated with soy cultivation. The four countries targeted by the program contribute to roughly 60% of global soy production. It includes over 25 private sector partners such as Unilever and Cargill Brazil.	<ul style="list-style-type: none"> <li>Increased production of RTRS certified soy (430,000 metric tons in 2011)</li> <li>Improved social outcomes through production of RTRS certified soy which ensure legal compliance, fair labour conditions and community relations</li> </ul>	<ul style="list-style-type: none"> <li>288,000 metric tons of RTRS certified soy purchased in 2011</li> </ul>
Company-led			
BrandAID Project 2009- present n/a	BrandAID Project, founded in 2009, is an integrated marketing company whose mission is to bridge the gap between consumers and artisan microenterprises in developing countries. It does this by designing commercially viable collections, applying modern branding and marketing, and launching them to major retail distributors in North America and Europe. It receives in-kind contributions from leading ad agencies, law firms and others.	<ul style="list-style-type: none"> <li>Improved incomes and income security for artisans</li> </ul>	<ul style="list-style-type: none"> <li>Development of new product lines (VoduNuvo, Croix-de-Bouquets and Carnival Jakmè)</li> </ul>
Cocoa Partnership 2008-18 US \$73 million	The Cocoa Partnership (CP) encourages the development of thriving cocoa communities in Ghana by promoting sustainable livelihoods and helping to improve crop yields. The project, launched by Cadbury, also aims to ensure sustainable supply of cocoa.	<ul style="list-style-type: none"> <li>Higher capacity for more than 100,000 farmers in 100 communities trained</li> <li>Improved incomes</li> <li>US \$5.5 million in premiums have been generated for farmers from sales of fair-trade products</li> <li>Education and empowerment programs have improved business skills and increased awareness about child labour and gender equality</li> </ul>	<ul style="list-style-type: none"> <li>Fair trade certification has generated up to \$350,000 million in additional revenues for Kraft Foods</li> </ul>
Heart of Haiti 2010 – present n/a	Heart of Haiti refers to a 20,000 piece collection of Haitian artisanal goods sold by US retailer, Macy's. The collection has been supported by BrandAID and Fair Winds Trading.	<ul style="list-style-type: none"> <li>Higher incomes and expansion of employment opportunities</li> <li>Total impact of the collection is approximately 5,600 jobs created</li> </ul>	<ul style="list-style-type: none"> <li>30,000 units have been ordered to date</li> </ul>

Project	Description	Development Results	Commercial Results
Rwanda Peace Baskets 2005 – present n/a	Through trade, the Rwanda Path to Peace project seeks to put income directly into Rwandan women’s hands and empower them to take an active role in shaping their future. The project brings together 2,500 basket-weavers in Rwanda and a buyer, U.S. retailer Macy’s.	<ul style="list-style-type: none"> <li>• Sustainable long-term employment opportunities created</li> <li>• Weavers can earn up to US \$10/day</li> <li>• 3,000 weavers benefited from the initiative in 2009</li> <li>• Improved livelihoods as earnings are used for food, clothing, school supplies, health care, etc.</li> <li>• Reductions in domestic violence reported as husbands embrace wives’ income-earning capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Increased sales with initial Macy’s order selling out quickly</li> </ul>
Tim Hortons Coffee Partnership 2005 –present n/a	The Tim Hortons Coffee Partnership supports small-scale coffee farmers to build sustainable coffee communities through improved farming practices and the more efficient production of higher quality coffee. The partnership supports communities by taking a balanced approach across economic, social and environmental areas.	<ul style="list-style-type: none"> <li>• Improved farming practices leading to more sustainable environmental outcomes and higher productivity</li> <li>• Average of 3,021 hectares of land under environmentally responsible management from 2009-11 and in 2011, 80% of water was recycled or treated on project farms</li> <li>• Improved social outcomes, including participation by students in education programs (see template for exact figures)</li> </ul>	<ul style="list-style-type: none"> <li>• Tim Hortons is preparing to launch a 100% traceable and verified whole bean line of coffee in its restaurants in 2013</li> </ul>
<b>Business-NGO Alliance</b>			
PROMEXPORT I & II 2001 – 2008 n/a	The project aims to improve the livelihood conditions in the San Luis Planes region through rural entrepreneurial development. It links 800 Honduran coffee farmers of the Montana Verde Cooperative with Van Houtte, Quebec’s largest coffee retailer.	<ul style="list-style-type: none"> <li>• Over 2001-2006 coffee producers’ annual income increased by approximately 30%</li> <li>• 50 direct jobs created</li> <li>• Movement up the value chain from cherry buyer to green coffee processor to exporter</li> </ul>	
Women’s Empowerment on the Road to Export Markets 2008 – present n/a	This initiative aims to benefit women artisans in regions in Bangladesh where many experience limited access to marketable skills, profitable markets and support services, and live in extreme poverty. It also works to address challenges faced by small and medium-sized enterprises (SMEs) at the heart of the export industry for home decor, textiles and crafts, by creating access to markets and services. It includes private sector partner KikTextilien.	<ul style="list-style-type: none"> <li>• Improved incomes with women now increasing their incomes from roughly US \$17 to between US \$50-55 per month</li> <li>• Health delivery systems supported by the project and health camps to be established where people can access free health consultations and treatments</li> <li>• Increased assets and household expenditures</li> </ul>	

Project	Description	Development Results	Commercial Results
<p>Project Nurture 2010-13 US \$11.5 million</p>	<p>The project aims to double the incomes of more than 50,000 fruit farmers in Kenya and Uganda and provide sustainable local sourcing for Coca-Cola. The company seeks to more than double its total daily servings and triple its global juice business by 2020, and so is working with smallholder farmers to source enough juice to meet these targets.</p>	<ul style="list-style-type: none"> <li>• Improved capacity of farmers who are now increasingly ready for export and local market interactions</li> <li>• 36,700+ farmers trained by the end of 2011 building capacity to increase the quantity and quality of fruit produced</li> </ul>	<ul style="list-style-type: none"> <li>• Minute Maid Mango Nectar became the first Coca-Cola product in Kenya to use locally sourced juice puree</li> </ul>
<p>NGO-led</p>			
<p>Ten Thousand Villages Early 1970s – present n/a</p>	<p>Ten Thousand Villages’ (TTV) mission is to create opportunities for artisans in developing countries to earn income by bringing their products and stories to markets through long-term, fair trading relationships. As a fair-trade organization, the business operates based on fair trade principles as defined by the World Fair Trade Organization (WFTO) of which it is a founding member. TTV sources from Africa, South and Southeast Asia, Latin America, Caribbean and the Middle East, benefiting approximately 60,000 people in over 26 countries (2011).</p>	<ul style="list-style-type: none"> <li>• Sustainable, fair wages for artisans</li> <li>• US \$13.5 million in purchases was made in FY 2010 by TTV US and Canada combined</li> <li>• Fair wages ensures artisan groups to develop business models that incorporate women’s empowerment, workplace and environmental standards and various social programs</li> </ul>	<ul style="list-style-type: none"> <li>• US \$40.9 million in sales in FY 2010 for US/Canada TTV stores</li> </ul>

Coalition initiatives under IDH provide figures that measure targets against results in terms of key indicators such as number of beneficiaries reached, land cultivated under the program and private sector funding leveraged. IDH provides annual and cumulative data, complimented by qualitative information and a discussion on lessons learned to date. The BCI and CmiA report quantitative figures as well as case stories from the field. Both initiatives have adopted a progress-oriented monitoring approach. This means that apart from unacceptable practices based on legal norms and international conventions, participants must demonstrate continuous improvement along social, economic and environmental criteria, rather than achieve predefined benchmarks (Bird et. al, 2009). Box 4 discusses BCI's experience with this process-oriented results monitoring.

**Box 4: Continuous Improvement in the Better Cotton Initiative and Cotton made in Africa**

The Better Cotton Standard (BCS) and Cotton made in Africa Standard (CmiA)) are based on a combination of entry level or exclusion criteria and a number of criteria supporting and monitoring continuous improvements of farming practices. Both initiatives employ a self-assessment system that is in turn subject to regular third party verifications. The principle of continuous improvement encourages partners to change their mindset away from focusing on check lists and compliance processes whereby failure results in lack of licensing. Rather, success is determined by how projects are implemented and how continuous improvements and learning are ensured. In fact, retailers were encouraged to buy from participating projects in the pilot phase (2009-13) even if full compliance with the BCS had yet to occur. Farmers are not penalized for not meeting minimum criteria; there is a need to demonstrate to participants the value of implementing the BCS.

For BCI, this approach has meant that it must exercise patience in working with partners to change their mindset. Many organizations have had experience working with fair trade where there is a checklist and failure to comply is penalized (no licence given). Based on experiences from the pilot phase, BCI will be implementing a new strategy in 2012 which will work to ensure that the right incentives are in place to encourage learning and continuous improvement.




Both initiatives will continue to focus on medium to long-term improvements through capacity building at the smallholder level.

*Source: Personal communication with BCI and AbTF staff.*

Some projects include interesting mechanisms for feedback loops. The WCF-CLP is overseen by a multi-stakeholder steering committee. Implementing partners provide insights to the steering committee from the ground, respond to committee member's questions and ask questions of their own (personal communication with WCF staff). The IDH Responsible Soy program's Fast Track Fund includes a formal feedback loop. Twice per year, IDH asks strategic supply chain actors and external experts to advise on policies and the strategic approach to producer support, the supply chain, market, and responsible soy system. This means that the intervention strategy is constantly evaluated and improved.

IDH makes use of a number of Key Performance Indicators (KPIs) across its work. As demonstrated by Table 4, IDH measures its performance at the institutional level and has developed specific KPIs for each program. The KPIs reflect a sustainable development agenda, incorporating economic, social and environmental aspects. They also look at partnership more broadly in terms of the amount of financing that has been leveraged by the public sector and the number of partners engaging in an area of programming. The KPIs align with IDH's focus on Millennium Development Goals (MDGs) 1, 7 and 8, which target reducing poverty and hunger, improving environmental outcomes and establishing a partnership for development respectively.

**Table 4: IDH Key Performance Indicators<sup>16</sup>**

Millennium Development Goals (MDGs)	 1	 7	 8
	MDG 1: Eradicate extreme poverty and hunger	MDG 7: Ensure environmental sustainability	MDG 8: Global partnership for development
<b>Key performance Indicators (institutional)</b>	Increased income for farmers/producers through increasing quality and quantity of yield and better input management	# ha of tropical forest sustainably managed. Less environmental impact through better water, fertilizer and pesticide management	% of global or EU import/procurement that is sustainable.
Cocoa	<ul style="list-style-type: none"> <li>• Number of producers in training<sup>1</sup></li> <li>• Volume of certified cocoa available (tons)</li> <li>• Increase in productivity</li> <li>• Maintain 25% increased yield per farmer</li> </ul>	<ul style="list-style-type: none"> <li>• Address bottlenecks in improving sustainable cocoa production</li> </ul>	<ul style="list-style-type: none"> <li>• Purchases of certified cocoa</li> <li>• Number of company partners</li> <li>• Number of countries where consumers can buy (UTZ) certified cocoa and chocolate products</li> <li>• Quality of collaboration with cocoa stakeholders</li> </ul>
Tea	<ul style="list-style-type: none"> <li>• Increase in volume of quality tea and certified tea from smallholders (tons)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of smallholders adopting more sustainable practices and meeting standards</li> </ul>	<ul style="list-style-type: none"> <li>• Increase volumes of certified tea in new markets</li> <li>• Collaboration between standard setting bodies on pre-competitive issues</li> </ul>
Cotton	<ul style="list-style-type: none"> <li>• Volume of verified Better Cotton (tons)</li> <li>• Number of farmers involved in projects</li> <li>• Number of farmers licenced to produce Better Cotton</li> <li>• Increase of income</li> </ul>	<ul style="list-style-type: none"> <li>* Better Cotton Standard includes improved environmental practices – KPIs for MDG1 also apply for MDG8</li> </ul>	<ul style="list-style-type: none"> <li>• Brands commit to purchase 50% production</li> <li>• BCI is model of choice</li> </ul>

<sup>16</sup> Adapted from IDH (2011a) and <http://www.idhsustainabletrade.com/what-we-do>. Figure includes only a sample.

## Aid Exit Strategies

Aid exit strategies for donor-led models tend to be straight forward because most funding (with one exception – Ethical Fashion), is project based. The donor’s involvement is already pre-determined by the project timelines and terms. At the same time, all donors are funding projects they see as having potential for long-term sustainability, and hope that when the donor exits, the project will continue. The UK’s FRICH does include mechanisms to end projects mid-stream however. FRICH is meant to drive innovation and catalyze change by supporting business models that will expand after donor funding has ended. However, these projects tend to be risky. Given the nature of FRICH’s programming, project participants must meet performance-based milestones in order to receive funds. This allows the fund manager to assess whether projects should continue throughout the project lifecycle and allows private sector partners to renegotiate milestones should new challenges arise (personal communication with FRICH staff).

In the two DANIDA projects examined, sustainability was part of the overall project strategy, though DANIDA did not have a specific exit strategy beyond monitoring the partnership during the project phases and after they were completed.

Sida’s IAP and the Netherland’s PSI program do not allow participants to apply for additional large grants once projects have been completed, regardless of their outcomes (personal communication with Sida and PSI staff). This is due to EU regulations on state aid to companies. However, there is often still a need for capital when grantees want to scale up their initiatives. As such, in the case of IAP, it makes use of its third funding component, a Swedish state guarantee, which is provided through Sida in collaboration with Sweden’s development finance institution, Swedfund. Nevertheless, there can still be a gap between the IAP grant and the state guarantee which has to be filled by philanthropists or impact investors. Sida is looking into ways to deal with this challenge. In the case of the Netherlands, an initial result looked for in proposals is that projects have a bankable business plan that can be used to obtain follow-up financing. PSI provides project partners with a list of potential interesting financing institutes and funds which can help finance follow-up activities (personal communication with PSI staff).

The aid exit strategies for coalitions are more complex. These initiatives are large in scale, involve a significant number of stakeholders, and generally include a number of specific projects. In the long term most coalitions (which tend to focus on mainstream market transformation) aim to see program costs absorbed within the value chain. This is especially so for the initiatives that include or aim to develop certification or licensing schemes. This goal was made clear across personal communication with individuals working on coalition initiatives in cotton, soy and cashews. How this will actually occur however, was not always clear. In one instance – BCI – it was suggested that the standards could be nationally owned by shifting training and licensing processes to national level organizations through a decentralized approach (personal communication with BCI staff). Similarly, the WCF-CLP aims to shift extension services to national organizations (personal communication with WCF staff).

In the case of company-led projects, researchers received feedback from two private sector representatives regarding the question of exit strategies. For the Tim Hortons Coffee Partnership, the projects it supported over 2005-10 were on a three year basis. After this initial time period, Tim Hortons realized that three years was not long enough and there was a need to move to a five year commitment. When establishing projects, Tim Hortons takes a grassroots approach and makes it clear to project participants (for whom participation is free) that support, which includes economic, social and environmental components, will only continue for a finite time period. Nevertheless, Tim Hortons takes steps to ensure that the infrastructure developed through their projects is self-sustaining. They do this by supporting farmers to improve their business practices (which are meant to be self-sustaining by the end of the project) and working with established NGOs that will continue the work once Tim Hortons has left.

When asked about what mechanisms are in place to phase out support, From the Field Trading Company (FTF) pointed out that it is not a dependency building organization, explaining that “we want to see success stories and success stories aren’t built around dependency” (personal communication with FTF staff). As such, in its work with farmer associations, FTF focuses on empowerment and enabling farmers to advocate for their own needs, including technical assistance. It also promotes capacity within its cooperative partner to enable it to carry out training, write up grant applications, etc. At the same time, working in Madagascar where many challenges exist means that FTF makes use of all resources available to them, working with local and international partners. Nevertheless, FTF points out that NGOs often come in and out of existence in Madagascar, which means that they cannot necessarily be counted on as a long-term partner. Rather, FTF works with NGOs on an *ad hoc* basis to meet certain needs at a specific time.

## Replicability and Scale-Up Potential

During the November Symposium, participants raised a number of important issues for thinking through how trade-related private sector partnerships can be replicated and scaled up. Participants recognized that the public sector has a role to play in funding innovative *new* ideas, as well as scaling up innovative initiatives that have already demonstrated success. This raises an important question for donors in terms of how they balance support for replicating and scaling models that have demonstrated success, and funding new approaches to sustainable development. One participant pointed out that by taking a combined approach, donors can spread risk, ensuring that they support already successful initiatives which demonstrate results and innovations that could fail.

In regards to the replicability of the models examined by this research, given that all of the projects are relatively new initiatives, more time is likely needed to measure results and deem them successful before they are replicated; in other words, models should not be replicated prematurely. It is also important to recognize that the very nature of particular projects makes them less or more amenable to scaling up or replication. For example, donor-led projects aimed at testing new innovations are meant to be scaled up by the private sector partners. While additional support for scaling up may be possible

from other donors (as discussed in the section on aid exit), the objective of donor funding is to reduce risk for private sector partners to test an initial idea or inclusive business model – funds are not meant to subsidize ongoing operations. In the case of coalition projects, they serve as good examples for modeling new private-public partnerships aimed at mainstream market transformation. However, the danger in this instance is duplicating efforts should new initiatives be established for sectors that already have substantial ongoing coalition work (such as cocoa or cashews). Coalitions are also highly amenable to scaling up and the public sector can have an important role in this regard. Initiatives such as the BCI and the WCF-CLP are in the process of being scaled up through the creation of match-funding schemes, which match private contributions.

At a general level, projects under the donor model have the potential to be replicated and, depending on their success, could be scaled up. This is largely because the purpose of these projects is to try innovative approaches to business relationships that have a positive impact on development. If projects are not successful, donors have only invested relatively small amounts into them. If they are successful, the commercial and development outcomes should, at least in theory, lead private sector partners to consider expansion of activities and provide a model for other interventions. Where successes occur, the onus is on the private sector partners to scale up.

A number of the projects examined under the donor-led model are currently being replicated or scaled up, or are seen as having the potential to do so by project partners. Based on the Sainsbury's and Twin project, originally supported by FRICH, one of Twin's partners in Malawi received an additional €500,000 from the Flemish Development Cooperation Agency to introduce practices Twin piloted to an additional 1,500 coffee farmers. Additional FRICH funding was received for a second partnership between Sainsbury, Finlays and Twin aimed at increasing the income of 4,500 farmers, working with an additional cooperative, and establishing a quality control coffee laboratory and 8 micro processing stations in the DRC.

The Netherland's support for the pomelo project in Vietnam is also likely to lead to additional investments on the part of the local private sector partner. When the project is completed in 2012, the local partner plans to invest an additional €800,000 by 2015 to expand physical infrastructure needed to accommodate demand from local and Asian markets.

Based on the success with the Small Farmer Sunflower Supply Chain Program in Mexico, the IDB is looking to scale up this initiative throughout Mexico and to replicate the contract-based supply chain model that underpins the program. The program is based on a risk-sharing model. It includes a partial guarantee from IDB to support Acción Banamex, a financial institution, to provide 2,000 microloans to farmers to purchase seeds and expand production. The risk-sharing model includes PepsiCo, which agrees to take first loss under the model. The model is not based on a traditional guarantee from IDB. IDB's contribution serves more as line of credit which guarantees pools of small borrowers. The guarantee is only activated if the pool dips lower than expected. If not, it rolls forward for use in other pools, with the potential of supporting a US \$50 million supply chain over the long term. Before IDB agreed to partner with PepsiCo, the company was responsible for demonstrating proof of concept. It is

also responsible for purchasing physical capital such as harvesting equipment (US \$2 million) (personal communication with IDB staff).

In the case of coalition models, they are, by their very nature, less amenable to replication and highly amenable to scaling up. Given that coalitions are already in place for key agricultural commodities, donors interested in engaging in the sector would be better placed to provide additional support to them, rather than seek to replicate them. Such initiatives can be an excellent vehicle for donors to invest in a large number of smallholders in rural areas without high transaction costs. Donors can play a key role in investing in pre-competitive issues in the supply chain that private sector actors are unwilling to address. In terms of scaling up, all coalitions currently have projects underway in a select number of countries and are looking to expand based on their previous experiences to date and lessons learned. For example, BCI's new expansion phase targets 9 million hectares under the BCS, improving livelihoods of 5 million farmers, 4 million tonnes of BCS cotton in supply chain and 100% organisational sustainability by 2020. As noted by one participant at the Symposium, a representative from BCI, there is a need to scale up good initiatives quickly and show success, otherwise they risk losing partners.

The company-led, business-NGO alliances and NGO-led projects seem to be more *ad hoc* in nature. They can, and most likely, will be replicated in the future by private sector actors concerned with being a good corporate citizen and/or securing a sustainable supply of key inputs. As aid budgets stagnant, it is also likely that NGOs will continue to seek partnerships with the private sector.

## 5. Lessons Learned and Key Challenges

Information on success factors was gained largely through personal communication and the November Symposium, rather than documentation. There was no correlation between the model type and the lessons and key challenges identified. As such, the section below teases out insights that could apply across models and identifies factors that contribute to success, as well as factors that posed challenges or limited the effectiveness of initiatives.

### Managing Risk While Supporting Innovation

The question of risks – financial, reputational and to success – was highlighted throughout the research process and received significant attention during the November Symposium.

From a donor perspective, a number of insights emerged relating to risk. Donors need to have a good understanding of how much risk they are willing to take on and what steps they will take to mitigate it. But donors also must acknowledge that by their very nature, innovative models come with some level of risk. Indeed, if all projects succeeded there would be a problem: it would suggest that the donor is in fact being risk-averse and limiting the number of truly innovative projects funded (personal communication with FRICH staff).

The success of a project will be determined by many factors outside the donor or the project participants' control, such as weather events, market fluctuations, the cost of money, human capacity, and egos and personalities (personal communication with DANIDA staff; personal communication with Waitrose, LEAF and Green Shoots Productions staff). In some cases, projects will fail because the business concept was wrong, the project was not effectively communicated to producers, or partners do not work well together (personal communication with FRICH staff). In some cases, projects never get off the ground because of changes in the market or the targeted country. Some projects have also been hindered by changes in developing country government policy (personal communication with FRICH staff).

As such, donors need, to the best of their ability, to assess the 'chemistry' between partners and ensure that all the right incentives are in place for a successful partnership including a sensible business plan, clear understanding of what is required, and what the donor-funded program can and cannot do. "There is never a guarantee of success but paying attention to these factors can improve the chances" (personal communication with DANIDA staff). In this context, participants in the Symposium highlighted the importance of ensuring flexibility in partnerships and on agreed activities and expected outcomes. For example, Waitrose staff set very strict timelines for project activities only to find that a lot had changed over the course of the project lifecycle, requiring them to be flexible.

A key challenge for donors and other partners is communicating risk and failures. This is not only necessary for improving best practices and developing lessons learned, but also for communicating why partnerships with the private sector are necessary for sustainable development and what they hope to achieve. USAID dialogues with partners on these issues; however the agency does not broadcast failures (Jurgens 2012). DANIDA staff point out that there is a need for transparency and accountability in partnerships, and that donors must strike a balance between risk taking and documentation to national auditors and the public (Laiggard Schneider 2012).

At the Symposium, participants discussed the question of reputational risks associated with private-public partnerships for civil society, public and private sector partners at length. The question of reputational risk was seen from the perspective of the extent to which private sector engagement in development is linked to corporate social responsibility activities or, put more colloquially, "green-washing." The concern in this instance is the extent to which a private sector partner is a good corporate citizen in the broad sense, regardless of their role in development partnerships. USAID has a due diligence process for assessing potential partners, however it tends to be informal and depends on assessments by USAID employees in country or at headquarters (depending on the nature of the partnership). Sweden, on the other hand, has a set of criteria that potential partners must meet in order to be eligible for funding. Under "Ethical Considerations," the IAP policy states that it cannot work with certain types of companies. In particular, those that are "in violation of fundamental human rights or international labour standards, including forced, bonded or child labour [... or] are involved in manufacturing, distribution or sales of arms, tobacco or gambling products and services" (Sida 2012, 6).

While IDH is “not in the business of green-washing” (comment made by IDH staff at November Symposium), it recognizes that it is better to engage with key market players than to exclude them owing to reputational risks. If large retailers or traders are excluded, then the kind of mainstream market transformation IDH aims to achieve would be less possible. IDH expects, however, that its partners will subject themselves to appropriate grievance mechanisms should incidents arise.

## Private Sector Partners

Discussions at the November Symposium highlighted the importance of selecting the right private sector partners to leverage resources, tap into experience and catalyze markets. USAID stressed the importance of identifying development priorities first, and then looking at where private interests align with agency priorities (Jurgens 2012). This means that while leveraging additional funds for development matters, it is not the starting point for partnership; i.e. USAID does not engage in partnerships for the sake of partnering, but rather to leverage resources when it makes sense to reach a desired outcome. USAID then selects partners, working on the basis of shared responsibility and a process of project co-creation. In this context, a challenge for donors and other development partners like civil society is ensuring that agendas between the private and the public sector align. For donors, this means establishing the right incentives for fruitful partnerships with the right partners.

Indeed, differences exist in terms of the types of corporate actors engaged. For example, FRICH staff found that there were differences between engaging with major retailers versus commodity importers. In the UK, retailers have a strong interest in supply chains and ethical trade because they aim to position themselves as ethical private sector actors.

Sida’s IAP program has targeted start-ups and small and medium-sized enterprises. As such, limitations exist when it comes to co-funding. While the grants are very attractive to smaller businesses, they are almost as expensive for Sida to manage as large grants. Sida plans to focus the IAP program increasingly on large grants, which are more cost efficient (personal communication with Sida staff). Similarly, DANIDA staff point out that it is important for donors to consider what can be outsourced when establishing private sector programming owing to the potentially heavy administrative burden (Laiggard Schneider 2012).

In addition to working with different sized businesses, the IAP program is also open to domestic (developing country) and international private sector actors. According to Sida staff, Sida is looking for the best private sector partners, regardless of their nationality. It has found that domestic actors are often more aware of the local context while international actors are sometimes more skilled.

FRICH and USAID also highlighted flexibility in working with the private sector to develop solutions to challenges as they arose. During implementation of the Bettys & Taylors of Harrogate project, child labour on the tea estates was identified as an issue. In response, a subsidiary project was established working with Save the Children to support education programs geared at different age groups. For USAID, it was recognized over the course of the project that better communication tools were needed

to reach farmers during peak season. SC Johnson provided additional funding to support a radio show directed towards this end.

One challenge to working with private sector partners is ensuring that the ‘right people’ are around the table. Some development intermediaries pointed out that in their initial partnerships with the private sector, their main contact person was from the corporate social responsibility department. This creates challenges when programs are directed at engaging with and harnessing core business practices. For example, the IDH Better Cotton Fast Track Program (BCFTP) targets the core business practices of companies and seeks to change their perspectives in this area. When IDH began its cotton program, companies that joined were sending representatives from their CSR department rather than someone within the company responsible for sourcing. Three years after the start of the program, IDH staff observed a shift in the company representatives, who now tend to be those responsible for sourcing (personal communication with IDH staff).

In the case of the IDB, the original genesis of its sunflower project came from conversations with the PepsiCo Foundation (personal communication with IDB staff). However, in order to support a program that targeted the sunflower value chain, IDB needed to work with the right PepsiCo buyers. As an IDB representative pointed out, companies like PepsiCo are huge, which may mean that from the company’s perspective, the logical contact point for engaging development intermediaries is someone working on corporate social responsibility or for the company foundation. Yet, if a company is serious about launching a supply chain initiative that is strategic and important for the company, the right contacts must be made through the purchasing and (in this instance) agronomic business units of the company. A challenge that IDB has faced in this regard is shifting ownership for the project into the necessary business units within PepsiCo.

Competition between private sector partners in multi-stakeholder initiatives can also be a problem. In order to address this challenge, Budiansky (2012) suggests that what is needed is an incentive structure for governance and knowledge sharing that helps to keep partners committed to a shared agenda.

Another important issue for development intermediaries to consider when engaging private sector actors is the extent to which partnership supports the triple bottom line (i.e. will lead to profits, positive impacts on the poor and take into consideration environmental outcomes). From a donor perspective, assessments of potential investments in trade-related private sector partnerships may require that partners demonstrate their business plan is viable, will positively impact the poor and will (at the very least) not have negative effects on the environment.

## The Value of Multi-Stakeholder Partnerships

IDH staff identified one of the key opportunities that arises from working in a multi-stakeholder environment is the way different types of knowledge and inputs come together to influence how programs are structured. Similarly, participants in the November Symposium recognized that partners have different expertise. Private sector actors know their business model, supply chains and commercial

interests but do not necessarily have development expertise. Donors, civil society partners, local partners and beneficiaries bring knowledge of good development practice to partnerships. By engaging actors along the supply chain and development intermediaries, the end program is based on a business approach rather than focussing solely on poverty reduction, though development outcomes are given due consideration. This leads to transformations in terms of how production occurs.

Another benefit to the multi-stakeholder partnerships is that they tend to distribute accountability, which provides better assurance for the achievement of project outcomes; all stakeholders have a vested interest in succeeding.

Representatives working on the Waitrose LEAF Marque Guarantee project noted out that by engaging multiple suppliers, crossover between suppliers can occur where it has not happened before. For example one supplier helped another with an air freighting solution. The same supplier offered to share national expertise regionally by sending a bilingual fruit pack house manager working in Ghana to visit and advise producers in Senegal.

An important challenge to the multi-stakeholder model however, is building trust (personal communication with Sida staff) and ensuring that partners “speak the same language” (personal communication with Twin staff; Laiggard Schneider 2012). This issue relates to the question of varied expertise, capacity and experience across partners, a point raised repeatedly over the November Symposium. A representative from SOCODEVI explained, just as commercial considerations are not key issues for development intermediaries, there is a need to “accept that gender and governance are not the main competencies of business partners; the public sector can provide this expertise.” It is the different expertise and capacities of partners that makes partnership so important to achieving sustainable development outcomes. In IDH’s experience, the NGOs and private sector actors look favourably towards partnership because it combines their expertise. However, these differences do present challenges. Sida has experienced a cultural mismatch between people working in the development cooperation community and people working in the business community, and has seen widespread mistrust mainly (though not only) on the development cooperation side. Symposium participants highlighted that the differences between partners means that monitoring and evaluation systems need to take into account the needs and capacities of different partners. It is also important for partners to establish clear expectations. In Twin’s experience, it took time to establish clear, shared understandings of each partners’ commitments under the Sainsbury’s and Twin project. However, working through the implementation of the project enabled all partners to build trust, and establish solid working relationships and shared expectations. As a result of this process, the next phase of FRICH funding the partners will receive is based on a more active role for private sector partners in project activities.

Finally, one issue discussed at the Symposium, which is not captured in the project templates, is the role of power. Participants recognized that participants in multi-stakeholder initiatives have different levels of power. This can be seen in buyer-seller relationships. Problems can emerge when beneficiaries

become empowered and wish to break away from old buyer-seller relationships to start their own businesses (Lacasse 2012).

## Crowding-Out Private Investment

One of the challenges IDH experienced in establishing its cashew program was the interest by public donors in the sector. This created challenges for harnessing private investments. IDH was able to address this issue by clearly demonstrating the benefits of investing to private sector partners. This suggests that there may be a need for greater coordination among donors and coalitions engaged in the same sectors.

## Holistic Approaches

An important challenge identified in the Symposium is ensuring that development interventions in agriculture take a holistic approach. Representatives from SOCODEVI, Amfri Farm and Montaña Verde highlighted ongoing financing and infrastructure challenges as key constraints for smallholder producers. Access to capital is a main challenge for exporters in developing countries seeking to grow and diversify. Money tends to be available for training but donors are skeptical about providing loans, investments and lines of credit to producers.

## Farmer Aggregation

A number of interviewees highlighted specific challenges at the farm level. Farmer aggregation was raised by three respondents (personal communication with IDH staff (cashews); USAID staff; WCF staff). Where this issue was raised, interviewees pointed to the difficulty in creating the right incentives for farmers to come together to receive training, negotiate with buyers, and provide feedback to and receive feedback from upstream actors. At the Symposium, one participant highlighted a number of challenges at the cooperative level including: lack of proper management; lack of loyalty to private sector business partners, such as using their funds and selling to another buyer; different visions between what the business partner and cooperative want; and lack of long term planning with efforts aimed at quick fixes rather than developing sustainable and strategic business partnerships (Lacasse 2012). A major lesson learned from the PROMEXPORT project was the need to ensure that farmer aggregates have a competitive, well-managed structure and consolidated capital in order to make the most of negotiations with international buyers.

In the case of cashews, the partnership focuses on the whole supply chain and brings in key players from farmers to processors, traders, and retailers, with the aim of convening more private sector partners in the future. IDH has found that the traditional cooperative model does not seem to work and looked for an innovative aggregation model. They found it was better to organize farmers into groups that have active involvement with the private sector at the processor level; the relationship with the processors and the feedback loops incentivize farmers to work together. The cooperative model, on the other hand,

often requires significant donor support and external resources to become sustainable (personal communication with IDH staff (cashews)). PROMEXPORT also showed that challenges exist to the cooperative model when there are considerable differences in individual production capacity across producers and decisions were taken jointly by all members.

## Gender

Two interviewees highlighted the importance of placing more significant emphasis on gender. In the first phase of the Rwandan Pyrethrum Value Chain Alliance, the partners did not capture gender dynamics well. Gender-disaggregated baseline data was not collected although the purchase of drying tables for flowers likely helped women who tend to spend more time engaged in drying processes at the farm level. Drying tables reduce labour time spent at the farm level (personal communication with USAID staff). The second phase of the project will also gear efforts to improve soil fertility at women because they often take care of maintenance at the farm level.

Similarly, the WCF-CLP did not include a gender assessment to inform the first phase of programming, which meant that many women were excluded from the program. The second phase of their programming will target women much more explicitly (see Box 5). CARE's PROMEXPORT I and II project was also limited in terms of its focus on gender. The subsequent SOCODEVI project targets women in an explicit way.

### **Box 5: Bringing Gender into the Cocoa Livelihoods Program**

When the WCF-CLP was first devised, it aimed to double the income of cocoa farming households. In order to participate in the program, farms had to be within a certain age range and size. Farm managers are usually men though there are some women. In general however, women mostly participate as labourers on farms. By working with managers and not actively targeting women, the program was ultimately targeting men. This has an impact on poverty reduction and the ability to reach project goals. Even though women are not managers, they engage in about 50% of labour and they are typically more responsible for livelihood outcomes than men.

In addition, farmer organizations tend to be controlled by men. This means that if the program targets farmer organizations, it is again ultimately targeting men.

The WCF-CLP is making gender a more substantive focus moving ahead. It includes not only changing criteria for program participation and using quota systems for training, but perhaps more importantly, taking a system's thinking approach to increasing the gender component. This means assessing the gender dynamics within the system, rather than focussing solely on women as farm labourers, for example. According to WCF staff, "If you want to have an impact on poverty, you have to target women."

*Source: personal communication with WCF staff*

## Importance of the ‘Story’

The Waitrose LEAF Marque Guarantee project makes use of innovative communication tools, such as short videos, to showcase impacts and results, as well as farmers’ stories. Partners in this project see this as an important way to give voice directly to those involved in development, making them feel empowered. It also provides a means through which people can respond to and connect with people in the films. As a training tool, project partners have also found that African farmers enjoy hearing from other African farmers. Challenges, however, include language barriers and limited access to internet. Content can also be determined by realities on the ground and availability of speakers.

For its part, Tim Hortons will be launching a 100% traceable and verifiable whole bean coffee sourced completely from Coffee Partnership participants in 2013. Tim Hortons plans to emphasize the story behind the coffee in the launch.

However, while the story is important, it cannot be overstated. FTF sees the story is a key component of marketing and generation of consumer demand. FTF focuses on food industry sales (as opposed to grocery store retail), which means that the company participates in a business-to-business-to-consumer relationship; FTF sell to business who in turn sell products to customers. For many of these businesses, “the story and the sustainability component of what [FTF provides] them is very important in deciding on a flavor source in their products” i.e. FTF’s vanilla versus another company’s vanilla (personal communication with FTF staff). Nevertheless, FTF emphasizes that it must first compete on price and quality, then use the story as an additional component. FTF does not see the story as sustainable in itself for marketing a food product, nor does it see itself as being in the business of creating and marketing a ‘good story.’ Rather, it is in the business of “creating and marketing the best vanilla in the world at the best price [... and] developing the best business models to create sustainable commodity supply chains” (personal communication with FTF staff).

In many projects focusing on the artisanal sector, “the story” was highlighted as important for selling the product. However, staff from Fair Winds Trading, which supplies Macy’s, point out that the case for the story cannot be overstated, similar to FTF staff. In their experience, the individuals’ stories tend to matter more than stories about groups as consumers can relate better to individuals. Nevertheless, the quality of the product is more important. As pointed out by Fair Winds Trading staff, a good story with a bad product will not sell but a good product without a story will.

## Importance of Relationships: The ‘Human Factor’

Several respondents highlighted mutual respect and good communication as important factors determining project success (personal communication with DANIDA staff; personal communication with Börlind staff). Börlind staff suggested that their success with the Mali Shea Butter project was due in part to personalities, willingness for mutual learning, and friendships with some of the partners in Mali.

Staff from Waitrose, LEAF and Green Shoots Productions emphasized the importance of working with locally based people. They found that locally based people are best at delivering training because they are able to tailor their speech to the audience more acutely and do not have issues with accents or dialect that other English speakers from other countries have. They are also more approachable when clarity is required. In many cases, they will have also worked in the identification of participants for training so they have a rapport with the audience prior to commencement of training commencing.

## 6. Cross-Cutting Themes

A number of issues arose over the course of the research that apply across the models examined. This section looks more closely at sustainability, the business case for private sector engagement, global initiatives and long-standing trade issues.

### Understanding Sustainability

It became clear over the course of the research that projects are based on a variety of understandings of sustainable and sustainability. Researchers saw reference to project sustainability, sustainable supply, sustainable supply chains, sustainable demand, sustainable production, sustainable income generation, sustainability of results, and environmental sustainability. Table 5 lists the various types of sustainability found most often and their definitions as they were used across the projects.

<b>Term</b>	<b>Definition<sup>17</sup></b>
Project Sustainability	Refers to the sustainability of activities on the ground once the development intervention has ended, often by shifting responsibilities to national organizations. Can also refer to the long-term funding model necessary for the initiative to continue with less reliance on public funding.
Sustainable Results	Refers to results that continue following the development intervention.
Sustainable Supply	Refers to international buyer(s) securing access to more and often better quality inputs.
Sustainable Supply Chains	Refers to creating sustainable procurement mechanisms by improving supply chains from both social and environmental perspectives.
Sustainable Demand	Refers to the creation of sufficient demand to ensure long-term stability of commercial and development outcomes.
Environmental Sustainability	Refers to the mitigation of negative and enhancement of positive environmental outcomes that occur as a result of various stages in the value chain.

<sup>17</sup> Based on researchers' interpretation. Researcher's thanks to Tara Leitan for adding 'sustainable supply chains.'

Project sustainability understood in terms of long-term funding strategies was discussed above in the section on aid exit strategies, and as such, is not revisited here. Sustainability of project activities was also discussed above in the section on development and commercial results.

In terms of sustainability of project activities, most projects included training activities geared towards this end. Training farmer or cooperative leaders, who could in turn train other farmers, was seen as one way to build capacity and enhance knowledge sharing. A number of projects also aim to shift the responsibility for extension services away from NGO and other technical partners carrying out project implementation towards national organizations (such as product boards), processors or cooperatives. These training and capacity building activities seem to be some of the key ways through which projects are and can be transformational in nature, or in other words, have sustainable results. The inclusion of local beneficiaries as trainers can also provide a sense of greater ownership over project outcomes. USAID staff pointed out that this process means that training is delivered in a way that is more culturally and context sensitive than it may have been if conducted through a foreign implementing partner. It also builds local capacity. The continuation of the buyer-seller relationship, a critical goal across projects, was also seen as a key contributor to sustainable results, both commercial and development

Fourteen projects included securing sustainable supply for international buyers as a key goal<sup>18</sup> (this is discussed in greater detail below in the section on understanding the business case for engagement). The goal of generating sustainable demand was also found in 12 projects. In the case of specialty products, such as artisanal goods or fair trade certified beverages, developing consumer demand and loyalty was seen as key to ensuring the sustainability of results.

Nearly all of the projects examined included references to environmental sustainability. Training activities and certification systems tend to include provisions for improving environmental outcomes resulting from production.

## Market-Based Approaches

The research identified the market-based approaches taken within projects as contributing to the sustainability of projects and results. There are significant differences across the projects in terms of the extent to which they target mainstream market transformation, at one end of the spectrum, or niche markets, at the other. Six of the projects – BCI, CmiA, IDH cashew, cotton and soy programs, and Ethical Fashion – target mainstream market transformation. This means that while they may make use of a certification system, producers do not necessarily receive a premium for their products. In these examples, transforming the value chain to secure sustainable supply is critical. In light of their focus on mainstream market transformation, these projects also tend to include creating consumer or industry

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<sup>18</sup> Better Cotton Initiative; Bettys & Taylors of Harrogate; Cocoa Livelihoods Program; Cocoa Partnership; Cotton made in Africa; IDH Cashew program; Organic Farming in Côte d'Ivoire; Project Nurture; Responsible Sourcing Partnership Project; Rwandan Pyrethrum Value Chain Alliance; Shea Butter from Mali; Trading Vanilla with Responsibility.

demand for their respective products as a key goal. All projects, with the exception of Ethical Fashion, which is a donor-led initiative, fall into the coalition model. While the goal of mainstream market transformation is lofty, if successful, these initiatives have the potential for significant long-term results. The goal of shifting program costs to the private sector has the potential of ensuring that project activities and certification schemes continue without support from the public sector. Approaches to mainstream market transformation also mean engaging with private sector actors upstream and downstream in the value chain. This helps to create consensus within the coalitions on key priorities and strategies, which makes the initiatives more likely to be successful owing to their broad-based and holistic support. This approach also means that interventions are targeted along the value chain, rather than focussing solely on producers in developing countries.<sup>19</sup> However, a key challenge to this approach is ensuring that the coalition initiatives involve a sufficient number of key players within the value chain willing to change their core business practices in ways that result in mainstream market transformation.

Five of the projects explicitly target premium niche markets, generally through fair trade or organic certification. Perhaps unsurprisingly, three of the projects focus on the beverage sector (coffee or tea); the fourth is in organic food. All projects, with the exception of one NGO-Business Alliance, are donor-led models. The premium niche market approach has the potential to create significant gains for beneficiaries and buyers; however, it does not have the same transformational possibilities as the previous approach. These projects tend to benefit a small region and are in partnership with one buyer. Nevertheless, consumer demand for fair trade and organic certified products is growing which bodes well for the sustainability of this approach over the longer term.

It is important to also note, however, that this approach does not necessarily mean fundamental changes to core business practices. For example, while a number of beverage retailers have committed to selling only fair trade and/or organic certified coffee, a coffee retailer could just as easily choose to carry only few lines of certified coffee. In this example, the retailer is able to have a potentially significant impact on one community but may still be engaging in value chains that are unsustainable from the environmental and/or development perspective.

Researchers identified a final approach found in the artisanal sector projects, which focuses on the creation of demand for a particular set of products. TTV, BrandAid, and the two Macy's projects both target creating consumer demand for artisanal goods in developed country markets. TTV, whose *raison d'être* is the creation of trade relationships with artisans in developing countries on fair terms, is a sustainable model insofar as demand for fair traded artisanal goods continues. If past experience is any indication, this model will continue to be a success. TTV began in the early 1970s and has grown substantially since with over 100 TTV stores across Canada and the US. In the case of Macy's, the sustainability of its Heart of Haiti and Rwanda Peace Baskets lines is less clear and the projects do not mean changes to Macy's core business practices (as in ensuring that all products are fair trade, for example). While the projects are transformational in terms of their impact on the livelihood

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<sup>19</sup> Although, the challenge of engaging consumers in developed countries remains as coalitions do not have funding for these efforts in general.

opportunities of artists in Rwanda and Haiti, they have less impact on supporting sustainable core business practices.

## Certification

While it is outside the scope of this report to provide an in-depth review of certification processes and their challenges, opportunities and implications for sustainable development, given their prevalence in the projects examined, it is worth briefly discussing some of the key issues to which they relate. Certification is an important mechanism for promoting more sustainable and development friendly practices along supply chains. They serve as one way to formalize good practices and provide a guarantee to consumers that the products being purchased meet a specific set of standards.

However, a number of challenges exist. There are currently over 400 sustainability labels and recent studies suggest that their proliferation has confused consumers and businesses alike (Watanatada 2011; Steering Committee 2012). This means that people have trouble understanding the value of different sustainability labels. In the case of Waitrose, the company found that there was only 3% brand recognition of the LEAF Marque with consumers (Yarrow 2012).

SustainAbility,<sup>20</sup> an independent think tank and strategic consultancy firm which operates globally, published a study of sustainability certification schemes in 2011. The study found that standards, certification and labelling all play an important role for businesses and referred to the 4D approach – define, deliver, demonstrate, demand. Standards *define* criteria and processes for performance; certification ensures *delivery*; and labeling and certification *demonstrate* to consumers and civil society the better sustainability outcomes are being achieved and respond to or create *demand* for more sustainable practice (Watanatada 2011). The report highlights six key findings.

First, it stressed the need for businesses to think in terms of the 4D approach when deciding when and where to use sustainability assurance schemes. Second, it noted that value varies between schemes. Standards help to define criteria for business practices that result in better outcomes and allow access to experts, however they can be slow to implement and the challenge of creating demand for more sustainable products and influencing consumers remains. Third, the current model has challenges for scaling up. While promoting governance and fostering inclusiveness and consensus based standards is good for collective action, such processes can slow down companies that want to move more quickly. Moreover, certification is a snapshot in space and time – it can never reach all farmers and all producers – and only a minority of consumers know the labels (and look for them).

Fourth, broad uptake of certification processes by businesses reduces their value for companies wanting to differentiate themselves in a competitive market place. As such, certification is evolving. Retailers and brands are looking to simplify complexity, deal directly with supply chain challenges, engage with consumers and communicate their leadership in this regard within the marketplace. The report found

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<sup>20</sup> See <http://www.sustainability.com/>.

that companies are taking two approaches in this regard. The first is strategic use of certification and standards to manage supply. The second is making use of their own campaigns to make emotional connections with consumers; certification labels are increasingly being relegated to the 'back of the pack' literally and metaphorically.

Fifth, the report emphasizes that the classic label approach was inspired and innovative when it was first designed. It is important to keep in mind that in order to scale up voluntary standards to transform global markets, one must look beyond labelling, which is only part of a broader tool box.

Finally, based on these findings, the report envisions a shift to a new model in the future based on collaboration and competition. Businesses will continue to collaborate to define pre-competitive standards. This reflects the fact that certification is increasingly seen as "business as usual." It represents an innovation towards a more systemic approach to addressing responsible sourcing. At the same time, they will compete to deliberate the standards, integrating them to transform behaviour and supply chains. Labels will increasingly be of less importance and it will be brands themselves that will use their marketing expertise to influence consumer behaviour. Companies will need to not only respond to demands for more sustainability, but also help create it.

## Understanding the Business Case for Engaging in Partnerships for Development

One of the limitations of the research is around understanding the key business motivations for engaging in development partnerships. In the researchers' experience, useful insights from project participants were gained through personal communication. People often sighted reasons and issues that went past publically available information. As discussed in the methodology section, response rates from private sector partners were very low. Nevertheless, researchers were able to uncover some insights from available project information and conversations with other program participants.

Thirteen projects cited securing sustainable supply of inputs as an important motivator for private sector engagement. Here, the promotion of more sustainable development and environmental outcomes is seen as a key mechanism to secure more and better long-term supply of key inputs. Six projects referred to company commitments to more sustainable sourcing of key inputs as an important factor. Under this rationale, companies are able to market themselves to socially conscious consumers and position themselves to cater to future needs as consciousness about sustainability is fast becoming mainstream.

In a number of donor-led projects, private sectors partners were also motivated by the potential of investments in developing countries abroad. Indeed, most of the donor-led funding models promote access to new markets and investment returns as a key benefit to participants. Without further communication with project partners however, it is unclear how many saw this as a key motivator for engagement.

Regardless of the private sector motivations, it was clear from presenters at the November's Symposium that donors are generally only interested in partnering with the private sector when it means harnessing core business practices. Presenters from BCI, IDH and DANIDA all stressed that they are not interested in CSR activities, only core business. DANIDA turns down 'feel good projects' because their funding can only go to projects that make business sense (Laiggard Schneider 2012).

## Collaboration and Duplication

A number of the initiatives examined by this research were for commodities in the same sector. Three projects were in cocoa (two of which were coalition models) and two in cotton (coalition models). In the case of cocoa, other multi-stakeholder initiatives exist that were not included in this research. The IDH cashew program was included, but two other coalition model initiatives exist that were not, namely, the Africa Cashew Alliance (ACA) and the African Cashew Initiative (ACi). It is important to note that many of the same private sector partners are involved across various initiatives (for example, Olam International is involved in all of the cocoa projects examined). Nevertheless, the proliferation of multi-stakeholder initiatives in various sectors raises concerns over their potential duplication of efforts.

When asked about the potential for duplication, representatives for the projects in the cashew, cotton and cocoa sectors highlighted that forms of collaboration already exist to reduce potential for duplication. IDH has its own cocoa initiative but they are also a funder of the WCF-CLP and work with the same industry partners; they work very closely with the WCF-CLP (personal communication with WCF staff). In the cashew sector, IDH works with ACi and ACA and a *de facto* division of labour exists between the initiatives. ACA is more of an industry forum and its key area of intervention is a seal which focuses on food safety and is implemented at the processor level only. IDH works on the supply chain as a whole. ACi is funded by the Bill and Melinda Gates Foundation and focuses on building producers' productivity, relationships between farmers and cooperatives, and management capacity at the processor level. IDH collaborates with them through a core partnership wherein IDH and ACi work on a strategic level through pre-defined areas of intervention. ACi and IDH meet on a regular basis to ensure that there is no overlap (personal communication with IDH staff). In the case of cotton, BCI and CmiA have established a new partnership agreement. BCI recognizes CmiA's cotton as complying with the BCS. The organisations are working to ensure that they do not duplicate efforts or implement parallel standards (personal communication with BCI staff).

In addition to ensuring collaboration among initiatives, there is potential for ensuring that lessons learned are shared *across* commodity sectors. An important strength of IDH is that the organization looks into other commodities for lessons learned. For example, knowledge from Soy and other commodities can be shared within the cotton sector (personal communication with IDH staff). Similarly, in the Rwanda Pyrethrum Value Chain project, the program benefited from taking advantage of lessons learned from a USAID coffee initiative in the country. USAID drew from work done on other projects when developing the initiative with S.C Johnson (personal communication with USAID staff). The WCF-CLP found that a lot of knowledge sharing was occurring on different projects coming out of the Bill and

Melinda Gates Foundation through its knowledge platform. In the second phase of the WCF-CLP, WCF is considering developing its own knowledge platform for sharing best practices.

## Global Initiatives

Coalition initiatives that target mainstream market transformation must necessarily take a global approach both in terms of working across regions where production occurs and upstream with international buyers. An important challenge these types of initiatives face is engaging producers outside the developing world. Soy and cotton provide useful examples given that a significant amount of each is produced in the US (see Box 5). In both the soy and cotton examples, the programs target important producing regions in the developing world. However, the questions of improving global sustainable production and market transformation will require some kind of approach to engaging with producers in the developed world. This presents challenges for initiatives that are funded not only for environmental and supply sustainability reasons, but also to improve development outcomes in developing countries.

### **Box 6: Global Soy and Cotton Production**

IDH's Responsible Soy program has the long term goal of transforming the mainstream market to ensure that the production of soy is more environmentally sustainable. In the medium term, the program has set a goal of 10-15% of EU imports sustainably produced by 2015. The US is the largest producer (91,417,300 metric tons) and exporter (40,505,700 metric tons) of soy internationally. Brazil and Argentina, the main focus of the IDH program, are second and third, producing just over one half and one third of US production levels respectively. Brazil however, exports almost half of what it produces at 28,562,700 metric tons. Argentina is a smaller player internationally exporting 4,291,710 metric tons. China imports a significant amount of soy from the US, followed by imports from Brazil and Argentina. Twelve countries in the EU account for a significant amount of soy from Brazil (8,357,807 metric tons, though this figure is just over half of what China imports). EU imports from the US are about a fourth of figures for Brazil.

The BCI currently has activities underway in Brazil, India, Mali, Mozambique, Pakistan and China. With the exception of the US, the program is currently working in four of the top five cotton producing countries in the world in 2011: China, India, Pakistan, and Brazil. The top five exporters of cotton are the US, India, Brazil, Australia and the Republic of Uzbekistan.

*Sources: IDH n.d; National Cotton Council of America 2012*

Recognizing the importance of establishing a global standard for Responsible Soy, IDH would like to engage the US and some attempts have been made (personal communication with IDH staff 2012). However, it is unclear whether US producers would need financial support to comply with the standard or improve their practices. Generally speaking, IDH would not fund producer support in the US, as the

program has the mandate to only fund activities related to developing countries and the achievement of the Millennium Development Goals.

Similarly, the BCI recognizes the importance of engagement in developed countries, as well as private sector actors in emerging economies, such as China (China is the largest producer of cotton but not the largest exporter meaning that it would be important for the BCI to engage actors in the domestic value chain on Better Cotton). It is working to bring Better Cotton to the US and Australia (which is also a significant producer of cotton). It is BCI's expectation however, that they would self-fund activities to bring cotton production up to the BCS (personal communication with BCI staff, 2012). BCI is also trying to engage with corporate partners in emerging economies, such as Brazil, India and China, that supply domestic demands; it aims to move past European and North American retail companies. This engagement however, will require the BCI to look at the business case for these companies to engage. There may be other drivers and it will be important for BCI to involve people on the ground that know the countries well and can articulate the business case for involvement. Corporate social responsibility is on the rise in some of these countries; however there are different interpretations of what it means (personal communication with IDH staff, 2012).

Scaling up these initiatives may prove challenging in the future, especially where it means working in developed countries and in contexts where considerable expertise is needed for engaging with new corporate partners, like in emerging economies. Nevertheless, the development of truly global initiatives will mean engaging producers in low, middle, emerging and developed economies. Coalitions may have to find alternative funding sources for this type of engagement.

Market transformation will also require generating consumer demand in developed countries for more sustainably produced products. This may present another challenge however. In their experiences, CmiA staff found that development agencies do not support marketing in developed countries, even though selling sustainably produced cotton is what ultimately benefits farmers and the initiative most (personal communication with CmiA staff). As noted by a representative from IDH at the November Symposium, 'if you want to transform markets, you have to work on the demand side as well.'

## Preferential Trade Access and Agricultural Subsidies

When the research project was conceived, it was expected that researchers would find examples of partnerships under various trade initiatives aimed at providing certain groups of developing countries with preferential market access to developed country economies. As such, researchers examined the EU's Everything But Arms initiative, which provides duty-free quota-free access to European markets for Least Developed Countries. They also examined the US's African Growth and Opportunities Act (AGOA) and the Haitian Hemispheric Opportunity through Partnerships Encouragement Act, which provide preferential access for certain products from Africa and Haiti, respectively. The extent to which trade-related private sector partnerships take explicit advantage of these trade initiatives is unclear. AGOA is only mentioned in the background documents for the Rwanda Peace Basket project (see project template).

Another issue that seems to be largely unaddressed across the projects examined is the question of agricultural subsidies in developed countries. This is a longstanding and well-known issue in trade and development circles. From the development perspective, agricultural subsidies undermine the ability of producers in developing countries to compete in global markets. Their ability to compete is already lower given that many producers have limited capacity, and access to finance and agricultural inputs, issues that a number of the projects examined seek to address. Nevertheless, improving development outcomes requires a two-fold approach: one that addresses on the ground constraints to export as well as unfair trading regimes.

## 7. Conclusions and Recommendations

This research has sought to better understand models of trade-related private sector partnerships for development. It has identified and examined 30 examples of trade-related private sector partnerships and developed five categories of partnership models on which to base the analysis. These **models were compared**, based on their funding strategies, activities, the role of private and public partners, development and commercial results, aid exit strategies and potential for replicability and scaling up. **Key lessons learned and key challenges** identified include, amongst others, the need to recognize that different partnerships yield different results and the value of multi-stakeholder partnerships as well as manage risk while supporting innovation. The report also identifies a number of **cross-cutting thematic issues**, relating to conceptions of sustainability, the use of different market-based approaches, certification, the business case for engaging in development partnerships, the importance of collaboration to avoid duplication of efforts, and the challenges of engaging at a truly global level and addressing outstanding trade issues.

Through the analysis presented in this report, a number of recommendations can be made for donors interested in engaging with private sector partners in trade-related development programming.

In terms of **donor strategy on investments** in trade-related private sector partnerships for development, we recommend that donors:

- **Recognise that different models will yield different types (i.e. economic, social and environmental) and levels (i.e. micro through to macro) of developmental impact:** Donors seeking to test innovative business models should establish donor-funded risk sharing mechanisms that have the potential to promote innovations (e.g. Sweden's Innovations Against Poverty program or the UK's FRICH). Donors seeking to contribute to mainstream market transformation and improve the environmental sustainability of supply chains should support coalition models of partnership. Coalition work tends to be industry-led and target transformations across global supply chains, reaching a broad number of beneficiaries and engaging with key economic actors within the supply chain.

- **Avoid duplication of effort:** In order to avoid duplication of efforts, particularly in market transformation initiatives, donors should have a good understanding of ongoing coalition model initiatives which are engaging in an increasing number of value chains. Rather than replicate existing coalition work, new donors entering this field should consider supporting activities that are already ongoing.
- **Support innovation, but acknowledge that with this comes some risk:** Donors need to acknowledge that innovation can yield new and substantial impact, but is accompanied by risk. They also should know the level of risk they are willing to accept and develop programming on this basis. Donors can manage risk by putting in place the right incentives for a successful partnership, including clear guidelines on what is required of participants and sensible monitoring and evaluation systems that allow for innovation and risk-sharing.
- **Link trade-related private sector partnerships with broader trade context:** Donors should actively work to link their trade-related private sector partnerships with national and regional market access initiatives, and address domestic tariff and non-tariff barriers to trade, for developing countries exporters to make the most of their trade relationships. Initiatives can also be linked with other trade development activities including infrastructure and trade facilitation, capacity-building of local enterprise/agricultural support institutions and financing for enterprises including trade financing, particularly for small and medium-sized enterprises and cooperatives.

In terms of **operationalizing** trade-related private sector partnerships for development, we recommend:

- **Donors value and harness the differing skills and expertise of different partners:** Donors must recognise that while motivations may differ, private sector partnerships can be strategic and attractive to all partners - the private sector (as suppliers and buyers) and development intermediaries (bilateral or multilateral donor, foundation, non-governmental organization, or international financial institution). These partners bring different skills and capacities to the partnership, which should be valued and harnessed in project design, implementation and monitoring and evaluation.
- **Evaluate and communicate development and commercial results:** Donors should evaluate and effectively communicate the development, and where possible, commercial results of projects to provide a basis for knowledge sharing and lessons learned. The collection of reliable quantitative and qualitative results on outcomes is an important potential long-term goal for partnerships. Donors also need to think through how to manage and communicate the risk associated with partnerships.
- **Be clear on the type of private sector partnership that is most appropriate:** Donors should be clear on the types of private sector partnerships they seek to establish and acknowledge that the private sector is multifaceted in terms of its composition and motivations. This means having a solid understanding of the motivations of private sector actors for engaging in development. Engagement must make good business sense for private sector partners while achieving the development impact that donors seek.

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# 1. Annex: Donor-led models

- *Danish International Development Agency (DANIDA) – Business-to-Business Programme*

Aimed at improving living conditions for people in developing countries through economic growth, the Business-to-Business Programme<sup>1</sup> (B2B) supports long-term and mutually committing partnerships between Danish companies and companies in DANIDA's program countries.<sup>2</sup> The program assists companies in developing countries to find Danish partners that can assist with gaining access to Danish technology and know-how. The benefits for Danish companies are access to new markets, products and production opportunities.

B2B does not implement projects but rather facilitates them by offering support during the process of establishing and maintaining partnerships. It supports companies during the initial contact phase, pilot phase and project phase. A maximum of DKK 100,000, representing a 90% share of expenses, is available for the contract phase; DKK 1 million for the pilot project phase representing 75% and 90% share of expenses for a study or pilot project, respectively; and DKK 5 million (including previous support) representing a 90% share of expenses for the project phase. In the contact phase, B2B supports partner identification, study visits and cultural workshops or pre-investment meetings. Support is available for training and technical assistance, environmental measures, corporate social responsibility, pre-investment meetings/cultural workshops, cost of establishment and equipment during the pilot phase. During the project phase, B2B supports all components in the pilot phase, with the exception of pre-investment meetings/cultural workshops. At each phase, applicants are provided with comprehensive guidelines, application documents and planning tools. Some provisions also exist for reimbursement of up to 90% of costs for consultancy services used for successful applications.

In order to be eligible for funding, cooperation must be commercially based with joint partners taking on all risks involved. The partnership must have a long-term perspective and comply with DANIDA's development objectives. Companies in developing countries must have legal registration, substantial local ownership or management, experience in the field of business, positive economic results and sufficient resources to engage in the partnership. Danish companies must supply audited accounts showing pre-tax profit in at least two of the preceding three years, equity of at least 15% of the balance-sheet total for the most recently completed auditing accounts, have good credit, have necessary in-house expertise to complete projects, and have been in business in the field covered by the partnership for at least five years (although some exceptions can be made for emerging industries). In general, companies may only hold one B2B partnership at a time. All partners must also comply with national work and environment regulations and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

In 2011 the B2B program was replaced by the Business Partnerships Programme,<sup>3</sup> which offers more flexibility in terms of the types of activities supported. It has an increased focus on results and sustainability and greater requirements on competences and resources of participating partners. It also

reduced DANIDA's matching components. In the contact phase, it grants up to 75% of expenses to a maximum of DKK 750,000. In the implementation phase it will cover up to 50% of expenses to a maximum of DKK 5,000,000, which can be extended to DKK 10,000,000 for regional partnerships or exceptionally large partnerships.

Two projects were selected from the B2B program:

- African Organic
- Trading Vanilla With Responsibility

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<sup>1</sup>. All information, unless otherwise stated, available at <http://um.dk/en/danida-en/activities/business/partnerships/b2b-programme>.

<sup>2</sup>. Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Egypt, Ghana, Kenya, Mali, Mozambique, Nepal, Nicaragua, South Africa, Tanzania, Uganda, Vietnam, and Zambia.

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<sup>3</sup>. For information on Danida Business Partnerships see: <http://um.dk/en/danida-en/activities/business/partnerships>.

## African Organic

**Objective:** Through its Business-to-Business (B2B) program (now Business Partnerships program), the Danish International Development Agency (DANIDA) aims to contribute to economic growth and social development in Uganda through support for long-standing and sustainable private sector relationships. DANIDA is supporting collaboration between Amfri Farms, an organic farm that began producing and selling organic products under the brand “African Organic” in 1999, and Solhjulet, a Danish biodynamic and organic foods company, to develop organic products for export. In 2003, Amfri Farms was invited to a **networking meeting** hosted by DANIDA and created a **trading relationship** with Solhjulet. This relationship became a **partnership** in 2004 under DANIDA’s B2B program.

**Architecture:** Amfri Farms **grows and produces** fresh and dried fruits, vegetables, and herbs. It **sells** these to Ugandan supermarkets and exports them mainly to Denmark, Ireland, and Dubai. Solhjulet is a **trading company** that trades in locally manufactured and imported organic produce to supply supermarkets, stores, caterers, and producers. In February 2005, DANIDA initiated a **pilot phase** that provided 500,000 DKK for **technical assistance from Solhjulet to Amfri Farms and marketing in Denmark**, building on the existing trading relationship between the partners. In June 2006, DANIDA approved a six-year **project phase** with support of 2,533,558 DKK for **technical assistance** to improve production processes and **corporate social responsibility activities**. An additional **grant** worth 350,000 DKK was approved in 2009 for a **feasibility study**—completed in 2011—for improvements in the cooling chain between partners.

**Key activities:** The partnership worked on **improving Amfri Farms management structures, transportation, marketing in Denmark, investments in processing facilities, and the introduction of new crops, training of local employees and out-growers, and health and safety training**. Amfri Farms funded all physical capital investments in production. Solhjulet paid for most of the marketing and focused on **training** Ugandan workers in organic growing methods and product treatment prior to export. Partners instructed workers on developing new products for export providing information on relevant products for the European market and cultural attitudes to certain types of fruits. The B2B program **funded** some of this training and supported study visits to Denmark and other areas in Uganda in order to share experiences, train others, and manage cooperation between partners. Twenty percent of the production for African Organic comes from Amfri Farms, while 80 percent is bought from **local out-growers** (on fixed contracts with fixed prices), since the Ugandan farm owner, Amin Shivji, wanted to benefit as many Ugandans as possible. A field coordinator from Amfri Farms trains and monitors these small suppliers.

### Impact:

- **Employees and out-growers trained, production increased, and new commercially viable crops grown.** Out-grower **network consolidated** and training included HIV/AIDS and malaria awareness. Environmental and workplace **certification** completed in 2009 and maintained. Production increased from about 100 tons per year to around 600 tons annually. 27 of 47 new crops found commercial export success (particularly herbs and frozen fruit).
- **Business growth, women employed, and new initiatives developed.** Incomes increased for people directly involved in production. With growth came the introduction of a new water system and logistical system for storing and cooling as well as more frequent use of air freight. Amfri Farms established on-site daycare service to allow women to seize employment opportunities. Partners explored new initiatives like production of pulp, which is now in a well-known brand of yogurt in Denmark.

**Insights:** Not specifically focusing on poverty reduction, DANIDA intended to support good production practices to **create growth** and increase the profitability of production. **Danish market for organic and fair trade products** was a key factor in the development of the partnership and Solhjulet has put effort into developing the market and creating new partnerships. DANIDA brought two companies to meet each other by hosting a networking event and **only provided**

**Model Type:** Donor-led  
**Total Project Budget:** 3,383,558 DKK (DANIDA)  
**Duration:** 2004–12  
**Beneficiaries:** Over 100 Ugandan Amfri Farms employees, 150 out-growers, and their families (2009 figures)  
**Location:** Uganda  
**Sector/Product:** agriculture /organic food

**support when a trading relationship was already in place**; support strengthened and deepened that relationship and funding acted as an **accelerator**. The partners continue to trade following DANIDA's exit and the relationship appears relatively **stable**. DANIDA emphasized the importance of good **chemistry** between partners, **motivators** that drive cooperation, a sensible **business plan**, and an understanding of what the **partnership mechanism** can and cannot do for them. Solhjulet emphasized that **many, shorter visits** improved communication between partners. **Keeping constant temperature** during transportation from producer to importer was a problem that necessitated investments and a feasibility study. DANIDA did not have a specific exit strategy beyond monitoring the partnership during the project phases and after they were completed, though the **sustainability** of the project was part of overall project strategy.

**Sources:** DANIDA (2012a); Ministry of Foreign Affairs of Denmark (n.d.[a]); OECD (2011); personal communication with staff at the Royal Danish Embassy in Kampala, Uganda

## Vanilla Trade With Responsibility

**Objective:** The Danish International Development Agency (DANIDA) supported the “Vanilla Trade With Responsibility” project, which has an overall goal of **supporting Ugandan vanilla farmers to improve their living conditions and protect them against volatilities in the global vanilla market**. Following a decade of high prices in the 1990s and a price bubble between 2002 and 2004, world market prices for vanilla fell to unsustainable lows. Prices have rebounded since 2005 and prices paid to Ugandan farmers have risen at least three-fold. DANIDA played a key role in this rebound with its **Business-to-Business (B2B) Partnership** between the Uganda Vanilla Associations (UVAN), a Ugandan vanilla processing and exporting company, and Firmenich Denmark, the Danish subsidiary of Firmenich, a Swiss food flavours and fragrance company. The partnership helped to **build the market for Ugandan vanilla and secure and increase Ugandan vanilla production**.

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> 4,787,104 DKK
<b>Duration:</b> 2007–2011
<b>Beneficiaries:</b> ≈ 6,500 smallholder farmers and their families
<b>Locations:</b> Uganda
<b>Sector/Product:</b> agriculture / vanilla

**Architecture:** When the flavours division of Danisco was bought by Firmenich in November 2007, it was in a B2B Partnership with UVAN, receiving support from DANIDA worth 4,537,104 DKK (in addition to a 250,000 DKK grant for a feasibility study on sustainable Ugandan vanilla production). Firmenich continued the partnership. UVAN bought vanilla from approximately 6,500 smallholder vanilla farmers, cured it, and sold it to Firmenich, which made vanilla extracts for the food and fragrance industries. Originally extension services were delivered by a contracted third party (Danish NGO Mellemfolkeligt Samvirke). Due to problems with delivery, Firmenich arranged it so that UVAN delivered extension services through “zone leaders” who also act as buyers and bulkers for UVAN.

**Key activities:** UVAN engaged in **outreach and promotional efforts, invested in advanced production facilities, and delivered training in good agricultural practices, diversification activities, and microfinance through Village Savings and Loans Associations (VSLAs)**. Firmenich provided **additional investment and a minimum price guarantee** on a forward basis. DANIDA **funded technical assistance** from Firmenich and outside consultants. It supported improvements in **management, and health and safety systems**. In response to higher demand and prices, the partnership **integrated** work on improving vanilla quality, developing extension services and a range of **social programs** which **emphasized community ownership** and included the distribution of mosquito nets and HIV/AIDS awareness workshops.

### Impact

- **Production, exports, and incomes increased.** Processing facilities and production quality and management improved resulting in higher vanilla production and exports by UVAN. Exports increased from 22.3 tonnes in 2008 to 72.7 tonnes in 2011, which is much higher than the initial goal for the project at 35 tonnes. Incomes increased for farmers directly involved in production.
- **VSLAs reduced vulnerability.** Currently VSLAs have more than 2,500 members. Approximately 70% are **women**. Members receive support to form savings groups and are enabled to invest in their farms and other ventures.

**Insights:** DANIDA’s intention was to **create growth** to help the economy on a small scale. The focus was less on poverty reduction and more on supporting good production practices, securing good relationships with suppliers, and improving the profitability of production. Firmenich’s customers demand **high-quality sustainable vanilla**, so the companies—recognizing the profit incentive in promoting social responsibility—have to **deliver products consistently and pay farmers well**. The social responsibility orientation, especially the inclusion of women, directly impacts marketing and **opened up new commercial opportunities with major partners**. Firmenich supplied a vanilla blend (branded as “sustainable”) to Costco and that relationship remains **secure**. As such, Firmenich’s trading relationship with UVAN is firm and farmers see benefits from branding. Firmenich’s **minimum price guarantee** reduces farmers’ exposure to price volatility, which is key to keeping them out of poverty. The model shows how **businesses can improve living standards for smallholder farmers and profit from being socially responsible**, though this hinges on customers’ demand

orientation. Much of the cost of building the relationship was borne by the partners; DANIDA added value through **social development** and **contributing to discussions** that conceptualized various approaches. Best results with **extension services** were seen when they were delivered by the local partner. Following completion of the project, DANIDA continues to support the partners with a **new grant** focused on CSR sustainability activities, though partners largely must find their own funding to continue with the partnership. **Environmental degradation** was a concern during the project however and led UVAN to distribute tree seedlings to farmers in 2011. Keys for success were **mutual respect, good communication**, and a **pricing agreement** between partners that increased predictability. **Sustainability** of the project was part of overall project strategy, though DANIDA did not have a specific exit strategy beyond monitoring the partnership during the project phases and after they were completed.

**Sources:** DANIDA (2012b); Ministry of Foreign Affairs of Denmark (n.d.[b]); personal communication with staff at the Royal Danish Embassy in Kampala, Uganda

- *UK Department for International Development (DFID) – Food Retail Industry Challenge Fund*

The UK Food Retail Industry Challenge Fund (FRICH),<sup>1</sup> launched in 2006, is aimed at supporting innovative, sustainable business models that increase African developing country exports to the United Kingdom. The fund invites UK food businesses to submit proposals with the goal of increasing the benefits of trade to the poor by creating jobs and income for farmers in Africa through supporting supply chains. The fund, now in its 4th round, is managed by Nathan Associates Ltd., while DFID determines the objectives and rules of the fund. Businesses submit proposals on a competitive basis. With the goal of reducing poverty in Africa by improving incomes of the rural poor, applicants must demonstrate how their proposals will benefit the livelihoods of African smallholders and the local economy, and get more African produce into UK and European markets (DFID 2010). The maximum award size is £250,000 which is to be matched by at least the same amount by private sector partners. Owing to the success of the fund, the UK government increased support to the fund by £5 million in 2011, making its total contributions £7.4 million (DFID 2011a).

Three projects were selected from the FRICH fund:

- Bettys & Taylors of Harrogate Tea
- Sainsbury's and Twin
- Waitrose LEAF Marque Guarantee

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<sup>1</sup>. Unless otherwise stated, all information from: <http://www.nathaninc.com/projects-and-cases/africa-food-retail-industry-challenge-fund> and <http://www.dfid.gov.uk/work-with-us/funding-opportunities/business/frich>.

## Bettys & Taylors of Harrogate Tea

**Objective:** The project aims to develop a sustainable supply of tea by introducing a business model that guarantees sustained high-quality tea and contributes to improved social and environmental outcomes. This is by sharing higher returns equitably among tea producers, factory operators and Bettys & Taylors of Harrogate (B&T). The main goal is to strengthen tea business models by establishing the right incentives for farmers, estates and factories to improve the quality of their tea through better production and processing techniques, in ways that result in higher value and protect the environment. Other goals include:

- **Increasing the availability of consistently high quality tea** for use in B&T's Yorkshire Gold and Yorkshire blends.
- **Achieving Rainforest Alliance Certification** through the implementation of the Sustainable Agriculture Network Standard (SAN).

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> n/a
<b>Duration:</b> 2009–12
<b>Beneficiaries:</b> 10,395 small holders and three tea processing factories
<b>Location:</b> Rwanda
<b>Sector/Product:</b> Agriculture/ tea

**Architecture:** The project is based on a partnership between the UK's Food Retail Industry Challenge Fund (FRICH) (donor); B&T (donor and international buyer); OCIR Thé (the Rwandan national tea authority) factory owners, farmers (sellers); and Rainforest Alliance (implementing partner). **Over 10,400 smallholders are associated** with the Gisovu, Kitabi and Mata Tea Factories which participated in the project. Rainforest Alliance is helping farmers to implement SAN, which **combines environmental, social and economic best management practices**. The use of SAN criteria and indicators results in the Rainforest Alliance Certified seal for products.

**Key activities** include: **identifying and advising on key issues affecting tea quality** in partnership with tea processing factories; implementation of the SAN standards starting with **training on sustainable agriculture** within factories and on estates; initiating an internal management system which includes **train-the trainer approaches** which enable more farmers to learn about SAN and to audit themselves; and investments in equipment.

### Impact:

- **Higher volumes of sales and higher minimum wage.** B&T's purchases of Rwandan tea have doubled as a result of the project and the agreed minimum wage in the tea sector has risen by 40%.
- **Significant knowledge sharing and improved work environment.** 10,398 smallholders have been trained on sustainable agriculture. The working environment has improved for over 2,500 workers through establishment of better health and safety, and sanitary conditions.
- **Improved farming practices, environmental and social outcomes.** Rainforest Alliance certification has occurred for 1,554 hectares and 1,786 producers with another 8,612 producers recommended for certification. A total of 3,600 hectares will earn certification. Since the project ended, Rainforest Alliance is now working to improve standards on another eight Rwandan tea estates. Over 10,000 smallholder farmers apply **better environmental practices**. 15 million litres of wastewater is now being treated per year. Over 64,000 indigenous trees were planted over 2010-11 to **improve biodiversity**. During implementation of the project, child labour on the tea estates was identified as an issue. In response, a subsidiary project was established working with Save the Children to support education programs geared at different age groups.

**Insights:** The **approach aims to foster systemic change** in Rwanda through the introduction of mutually beneficial business models. This means a shift for B&T from their old approach of buying tea from auctions to working with factories and buying tea directly. Part of their goal was to have a closer relationship with producers. Over the course of the project lifecycle, the factories that participated in the project—originally owned by OCIR Thé—were privatized. The factories were keen to continue the relationship with B&T, which is now continuing and strengthening. While the project began based on a minimum 50/50 contribution between private and public partners, over the course of the project the planned ratio improved as additional private sector investments were made (such as the education programs).

**Sources:** DFID (2012a); Yorkshire Gold in Rwanda (2012); personal communication with FRICH staff

## Sainsbury's and Twin

**Objective:** The project aims to develop two coffees for export to the UK and link **smallholder farmers from marginalized and impoverished areas** with long histories of Arabica coffee production **to the high value market of gourmet coffee**. The project responds to the challenge farmers have historically had in gaining access to international markets. The main objectives include:

- **Intensive supply chain development** aimed at ensuring quality, traceability, and socially and environmentally sound production meeting Fairtrade certification standards.
- **Creation of consumer demand and loyalty for coffees** through consistent and reliable production and delivery and effective marketing.

**Model Type:** Donor-led

**Total Project Budget:**

GBP 573,000

**Duration:** 2009–12

**Beneficiaries:** ≈ 6,100 farmers from two coops

**Location:** Democratic Republic of the Congo and Malawi

**Sector/Product:** Agriculture / coffee

**Architecture:** The project, funded in part by the UK's Food Retail Industry Challenge Fund (FRICH) (donor, GBP 249,924), is **based on a supply chain approach** which includes a partnership between Sainsbury's (donor and international buyer), Finlays (roaster and buyer), Twin (donor, implementing partner and local buyer), and two farmers' cooperatives, Sopacdi in the Democratic Republic of Congo (DRC) and Mzuzu in Malawi (beneficiaries). Twin carries out the **capacity building and training activities and imports coffee**, which is sold to Finlays, Sainsbury's supplier. Twin works with a network of local associates to deliver training.

**Key activities include:** training for farmers and cooperative management to **improve quality, productivity and business practices**; *Malawi*- trials of new productive and sustainable production systems for one of Mzuzu's zones; and *DRC*- construction of a processing facility and technical assistance on operation.

### Impact:

- **Improved income security.** 3,500 farmers in Eastern DRC have secured regular income for their families and have access to international markets. Sopacdi pays double the prices offered prior to the project and made a net profit of USD56,244 in 2010 and USD137,00 in 2011.
- **Improved coffee sales to the UK and buyer diversification.** Launch of Sopacdi and Muzu blended coffee at Fairtrade Fortnight, an event aimed at promoting Fair Trade, in 2011. Higher sales to Europe, North America and Japan in 2011 with 36% of sales sold at 273 Sainsbury's supermarkets. Coffee supplied to seven different buyers.
- **Fairtrade Certification.** Fairtrade certification achieved for Sopacdi coffee in 2011. The project also enabled partners to secure additional funding to support organic conversion. Certification was achieved in 2012. Mzuzu achieved Fairtrade certification in 2009 and a container of Fairtrade certified coffee shipped to the UK in 2010.
- **Improved production.** Average yields increased from 300 kg per hectare to 900 kg for Sopacdi producers. Production volumes rose from 15 tonnes to 76.8 tonnes in 2010 with estimates of 153 tonnes in 2011.
- **Project expansion.** The Flemish Development Cooperation Agency has provided additional support of €500,000 to Twin's partner in Malawi, Mzuzu, to introduce the piloted practices to an additional 1,500 coffee farmers. In the DRC, Twin persuaded buyers to pay an additional two cents per pound which is used to support empowerment of women co-op members. This includes the introduction of a gender methodology for a second producer organisation which will engage men and women in analysing, assessing and changing gender roles to improve livelihood outcomes. Additional FRICH funding was received for a second partnership aimed at increasing the income of 4,500 farmers, working with an additional cooperative, and establishing a quality control coffee laboratory and 8 micro processing stations in the DRC.

**Insights:** The partnership model brought together the UK government, a relatively small implementing partner and big players in the UK coffee value chain. The diversity of these actors and their different expectations of the partnership and ways of operating led to a **learning process**. Partners **constantly assessed project progression and working methods**. This **led to strong relationships and shared expectations** which have been critical for project expansion. The next phase of FRICH funding will also include a more active role for private sector partners in project activities.

**Sources:** DFID (2012c); FICA (n.d.); internal FRICH document, personal communication with FRICH and Twin staff

## Waitrose LEAF Marque Guarantee

**Objective:** The project aims to **improve the prosperity and sustainability of small farmers in Africa through the adoption of Integrated Farm Management (IFM)<sup>v</sup> to the LEAF Marque Standard.<sup>vi</sup>** Waitrose has committed to ensure all suppliers operate in a productive and environmentally sustainable way, meeting the LEAF Marque Standard. The LEAF Marque certification, which applies to the whole farm, guarantees that members employ IFM principles to **improve productivity and environmental sustainability**. Farmers also work to meet the GlobalGAP<sup>vii</sup> certification for specific export crops. Working with Green Shoots Productions, a specialist communication and production company, the project also includes a component to bring farmers' voices, through films, photos and audio clips, to consumers, school children, and opinion influencers (such as farmers) in the UK.

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> GBP 388,180
<b>Duration:</b> 2009–12
<b>Beneficiaries:</b> Farmers
<b>Location:</b> Kenya, Ghana, and Senegal
<b>Sector/Product:</b> Agriculture / various

**Architecture:** With support from the UK's Food Retail Industry Challenge Fund (FRICH) of £194,090, 50% of the project budget (donor), the project brings together Waitrose (donor and international buyer), Green Shoots Productions (GS) and Linking Environment and Farming (LEAF) (implementing partners), and African suppliers, Blue Skies, British & Brazilian, KHE, Sunripe and Wealmoor. Waitrose Category Managers, responsible for ensuring a sustainable supply of agriculture products for Waitrose, **provide technical direction to growers and carry out project implementation** on the ground, which includes training farmers in LEAF standards. The project also included **collaboration with grower groups and agronomists** in the development of LEAF's IFM and the use of innovative communication tools. LEAF provided initial training materials and these were enhanced by the production of training films. Following training, third party audit inspections by accredited certification bodies are carried out. Once LEAF Marque Certification is achieved, growers can use the LEAF Marque logo on their produce. GS is responsible for **documenting and communicating** farmers' and African suppliers' experiences with LEAF. It has also helped Waitrose shape messages better to target audiences.

**Key activities** include: **training farmers** to understand and adapt IFM principles through the use of workshops; **providing day-to-day extension services**; developing **innovative communication tools**; **promoting the use of low-cost farming solutions**, such as solar-powered irrigation and charcoal coolers; and delivering Open Farm Days, where farmers **exchange ideas and best practices** and visit each other's farms and communities.

### Impact:

- **Successful pilot phase resulted in expansion.** Following success with three farms in Kenya, project will be rolled out across Sub-Saharan African countries that supply Waitrose.
- **Increased capacity.** As of 2010, 70 farmers amongst KHE and Sunripe producers have received LEAF-initiated training. More than 300 KHE farmers received KHE-initiated training.
- **Improved livelihood.** A 15-28% increase in margins is evident from the spreadsheets monitoring variable costs per crop of three clusters in one farmer group.
- **Improved communication of farmers' experiences.** 17 videos have been produced to date showing farmers' stories.

**Insights: Communicating farmers' voices and views on a wider scale is an innovative aspect of this project.** Schools welcome the actual case studies of farmer stories to use in classroom study. There is **potential for retailers to scale up** the use of farmer stories (short info-packages, films, blogs, diaries, etc.). The fresh produce supply – and all the places, people and processes in it – change, which can happen quite quickly. This occurred over the three year project due to weather events, group dynamics, retailer trends and behaviour, *inter alia*. From the communications side, this made it difficult to know who should be featured in videos. Another important challenge in the project is reassuring customers that production standards outside Europe are as good as within.

**Sources:** LEAF (n.d.); DFID (2010; 2012d); personal communication with FRICH, Green Shoots, Waitrose and LEAF staff.

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<sup>v</sup> Integrated Farm Management employs traditional methods and modern technology to ensure high productivity and low environmental impact. LEAF describes IFM as a framework for sustainable business solutions that are “economically viable, socially acceptable and environmentally responsible.” The goal of IFM is a whole farm policy providing efficient and profitable production which is economically viable and environmentally responsible. IFM integrates beneficial natural processes into modern farming practices using the most appropriate technology, and aims to minimise the environmental risks while conserving, enhancing and recreating that which is of environmental importance.

<sup>vi</sup> Full information on LEAF Marque Certification here: <http://www.leafuk.org/leaf/farmers/LEAFmarquecertification/How.eb>

<sup>vii</sup> The GlobalG.A.P, is a private sector body that sets voluntary standards for the certification of production processes of agricultural products aimed at ensuring food is produced on the farm in a way that minimizes detrimental environmental impacts, reduces chemical inputs and ensures worker health and safety, and animal welfare. See [http://www.globalgap.org/cms/front\\_content.php?idcat=9](http://www.globalgap.org/cms/front_content.php?idcat=9).

- *Federal Ministry for Economic Cooperation and Development (BMZ) – develoPPP.de*

The develoPPP.de program<sup>1</sup>— funded by BMZ and implemented by GIZ,<sup>2</sup> the German development bank DEG, and sequa<sup>3</sup>—works with German and European companies operating abroad. With the goal of promoting sustainable development, develoPPP.de offers a number of options for cooperation. “DeveloPPP.topic” supports private sector engagement in development work where action is needed or special opportunities exist. “DeveloPPP.innovation” promotes innovative project ideas of the private sector while “develoPPP.alliance” supports larger strategic alliances, usually between several companies that often operate internationally.

Several times a year DEG, GIZ and sequa hold ideas competitions for interested companies. In order to qualify for develoPPP.de support, projects must be in line with principles of German development policy and have acceptable environmental and social terms. Public and private contributions must be complimentary in that working together allows both partners to reach their goals more quickly and cost-effectively. Financial additionality must be demonstrated. In other words, public funding will only be given if the private partner would otherwise not have carried out the project. Private partners must contribute substantial funding, in general at least 50% of the overall project budget to a maximum of €193,000, and cannot gain a competitive advantage as a result of the project. In 2013, the maximum public contribution will be increased to €200,000. For 2011, private sector partners contributed 60.8% to projects, which represents €37.5 million. Comparatively, public-sector contributions are €24.1 million.

Two projects were selected from the develoPPP.de program:

- Organic Farming in Côte d’Ivoire
- Shea Butter from Mali

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<sup>1</sup>. All information available from [http://www.bmz.de/en/what\\_we\\_do/issues/wirtschaft/privatwirtschaft/ppp/develoPPP/index.html](http://www.bmz.de/en/what_we_do/issues/wirtschaft/privatwirtschaft/ppp/develoPPP/index.html) and <http://develoPPP.de/en/index.html?PHPSESSID=0t1o2qlter4mpj1i9mgv33g74ohhtg79>.

<sup>2</sup>. German Agency for International Cooperation (GIZ) executes technical cooperation contracts placed by the German government.

<sup>3</sup>. Sequa is a non-profit company funded by BMZ and other national and international donors.

## Organic Farming in Côte d'Ivoire

**Objective:** BioTropic, a German importer and seller of organic fruit and vegetables, and processed food, wanted to **qualify its suppliers in Côte d'Ivoire to meet strict organic standards in order to secure high-quality organic products for importing to Germany**, while the German Federal Ministry for Economic Cooperation and Development (BMZ) was looking to **qualify farmers in organic production of fruit to open up new markets** for them.

**Model Type:** Donor-led  
**Total Project Budget:** €425,000  
**Duration:** 2008–10  
**Beneficiaries:** Farmers in local cooperative Bio Ivoire  
**Location:** Côte d'Ivoire  
**Sector/Product:** Agriculture / organic food

**Architecture:** BMZ's develoPPP.de program provides €180,000 in **co-financing**. BioTropic formed a **development partnership** together with sequa, and the Abobo Adjamé University in Côte d'Ivoire. Under the original project conception, the university was responsible for training farmers with BioTropic support (financial and human resources). However, owing to challenges in the partners, **BioTropic provided the training directly** and worked with farmers to **establish a cooperative**, Ivoire Organics. BioTropic provides a **guarantee of purchase and price**.

**Key activities** included: **production and marketing training** for farmers, certification to comply with European standards, and health workshops. The development partnership developed a **product certification system**. It also resulted in the creation of a **new university department** for innovative agricultural technologies and organic cultivation practices, and on-site **extension services** to educate farmers about ecological cropping methods.

### Impact:

- **Training and certification of farmers for the organic market.** The farmers of Bio Ivoire were trained during more than 10 workshops and local visits by BioTropic personnel and university experts in the fields of biological farming, certification, and marketing of agricultural products. The farmers also participated in HIV/AIDS workshops. Bio Ivoire's fields and the whole supply chain were successfully certified according to European Commission Council Regulation No. 834/2007, which covers organic production and labelling of organic products. Biotropic then successfully imported the first organic products—pineapples—from Cote d'Ivoire.
- **Overall, the project was not economically viable.** Although the implementation of the qualification measures and certification was successful, problems occurred due to a fatal accident of the local project manager. The university was unable to continue participating for political reasons. Challenges relating to climate, namely heavy rains that led to soil erosion and dry periods, led to crop failures. BioTropic has not yet achieved a return on its investment, but the company is still active in Cote d'Ivoire and has plans to expand its activities.
- **Continued partnership and benefits to farmers:** Since the project ended, BioTropic has continued its relationships with Ivoire Organics and continues to work closely with it. Farmers have benefited from these efforts. Nearly 350 farmers are now producing organic food and are benefiting from BioTropic's purchase guarantee. Despite challenges in the first two years of the projects, the commercial outcomes of the project have improved.

**Insights:** This project highlights the role of external factors in determining project success and the importance of establishing shared expectations amongst partners. Two university employees were qualified in the area of organic production to build up a respective department at the Abobo Adjamé University, however, this was not sustainable for political reasons. BioTropic found that university staff did not have the same expectations for the partnership as the company. This led to training activities being carried out by BioTropic, which had the internal expertise to do so. This approach has been successful and BioTropic has gradually reduced its role in training processes, shifting training over to the cooperative.

**Sources:** BioTropic (n.d.); BMZ (n.d.[b]); sequa (n.d.); personal communication with sequa and BioTropic staff

## Shea Butter from Mali

**Objective:** Annemarie Börlind, a German natural cosmetics producer, **wants a reliable partner that is capable of supplying high-quality shea butter in the quantity required.** The “Shea Butter from Mali” project is a result of Börlind’s experiences with difficulties in securing this scarce resource in sufficiently good quality and an interest, partnering with German NGO Houses of Hope, in creating a women’s cooperative in Mali to address these difficulties and have a social project to showcase. Börlind is keen to develop a **long-term relationship with suppliers to ensure consistent quality and supply.** The project’s **main goals** are to:

- Launch organic and fair-trade production standards in Mali together with the cooperative Jigiya Bon Siokoro, which includes women from Siokoro and six surrounding villages.
- Create a fair-trade certification system for shea butter production.
- Enable the cooperative to produce about 20 metric tons of bio-certified shea butter annually in an environmentally friendly way and on a self-sufficient basis.

**Model Type:** Donor-led  
**Total Project Budget:** €200,000  
**Duration:** June 2011–May 2013  
**Beneficiaries:** Members of Siokoro community; local cooperative Jigiya Bon Siokoro  
**Location:** Mali  
**Sector/Product:** Agriculture / shea butter

**Architecture:** The German Federal Ministry for Economic Cooperation and Development’s (BMZ) develoPPP.de program provides up to 50 percent of **funding** for the project (€100,000, though funding is ongoing to a maximum that can be spent by the ministry of €193,000), with Börlind investing its own funds and taking the lead in project organization. To advance the project and create a certification system, the German company formed a **development partnership** together with sequa. House of Hope **trains** the Jigiya Bon Siokoro cooperative.

**Key activities:** Börlind organizes **certification courses for women**, who by tradition harvest and process the shea nut. These courses cover how to grow, harvest, process, and then market the nut in line with ecological standards. Houses of Hope, which built a training centre, trains women about machinery, literacy, and health with Börlind. Börlind also equipped a **laboratory** in the training centre to test the quality of shea butter and the butter-making process. Börlind **trains Malian men and women in its own lab in Germany.** It encourages the use of **solar wells** and **hot water collectors** to generate the required energy. Börlind and sequa continue to work on a **certification system** for shea butter production, with Ecocert certification being the goal as it is important in the cosmetics industry.

### Impact:

- **Project is still getting started.** A laboratory in Mali has been built and should function by the end of 2012. Shea butter that has been produced is being tested in Germany. Börlind has not yet purchased shea butter from Mali (though it will begin a test phase with shea butter in a soap); it continues to source it from Burkina Faso. Börlind supports building trade relations and worldwide marketing of the shea butter through presentations and exhibitions, and encourages the cooperative to search for other customers.
- **Certification and training have so far been successful.** More than 200 women are enrolled in the certification courses. Twenty cooperative personnel, two technicians, and 14 extension workers (people from villages who then return to their villages to train others) have been trained. Two Malians were trained in Germany. One was trained in production and hygiene training. The other, who was trained to make analyses in the laboratory, quit three months later without a statement, a problematic trend in Africa. Another person has been identified for training.
- **Long-term economic and health benefits anticipated.** Skills improvements and certification are projected to help secure jobs and increase incomes for 300 members of the cooperative. The populations of seven villages are motivated to work and are benefiting from literacy and hygiene training and HIV/AIDS awareness-raising.

**Insights:** **Training and certifying women** has the potential to lead to business sustainability and poverty reduction over the medium to long term. Training workshops can be complemented by **health workshops** to improve knowledge about health risks and increase the probability that workers will stay productive and healthy. Training extension workers has

been found to not be optimal; **educating directly in villages** is preferred. One challenge for the cooperative is **finding more customers**. A company can be interested in a long-lasting positive return from a country because of its resources, so **governments** should promote types of agribusiness—especially those types that primarily involve women—where they have a **comparative advantage** in order to attract investment from leading companies.

**Sources:** BMZ (n.d.[a]); Annemarie Börlind (n.d.); sequa (n.d.); personal communication with sequa and Börlind staff

- *Inter-American Development Bank (IDB) – Opportunities for the Majority*

IDB's Opportunities for the Majority<sup>1</sup> program was launched in 2007 to promote and finance market-based sustainable business models that engage private sector actors, local governments and communities. It supports their engagement in development and on the delivery of quality products and services to the base of the pyramid. In general, projects work to increase productivity, bring low-income populations into the formal economy, create jobs and address market failures that make costs prohibitive to the people who are least able to afford them. The program funds projects in agriculture, education, energy, financial services, health, housing, information technology and communication, infrastructure, private sector development and retail services.

The projects supported by the program are financially sustainable, and employ innovative approaches that can be increased to scale. This often requires companies to rethink their business models, products and distribution channels. The program offers loans, partial credit guarantees or a risk-sharing facility, and technical cooperation that are available to companies, financial intermediaries and non-profits engaging on the base of the pyramid. Loans are between US\$3 million–20 million with up to 15-year maturity, come with technical assistance, and are expected to cover between 25% and 40% of the total project costs. On a second-loss basis, the risk-sharing facility covers part of a portfolio's potential write-offs. This enables IDB clients to cap their potential losses and reduce risks. Finally, regarding technical assistance, from US\$100,000 to US\$500,000 is available in non-reimbursable financing to finance pilot business models and conduct market research and feasibility studies.

In order to be eligible for funding, projects must be financially and structurally sound, innovative, replicable and have the potential for scaling up once proven successful, carried out by an organization in one of the member countries of the IDB, engage multiple stakeholders and range between \$3 million and \$10 million per operation. Project impact is measured by commercial and development indicators, using Impact Reporting and Investment Standards.<sup>2</sup>

One project was selected from this program for inclusion:

- Small Farmer Sunflower Supply Chain Program

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<sup>1</sup>. All information available from <http://www.iadb.org/en/topics/opportunities-for-the-majority/idb-opportunities-for-the-majority-serving-the-base-of-the-pyramid-in-latin-america,1377.html>.

<sup>2</sup>. The standards establish a common reporting language for impact-related assessments. They cover financial, social and environmental impact.

## Small Farmer Sunflower Supply Chain Program

**Objective:** The Inter-American Development Bank (IDB), under its Opportunities for the Majority initiative and through the Small Farmer Sunflower Supply Chain Program, provides a **partial credit guarantee of up to US\$5 million to support small sunflower producers in Mexico**. The **main goals** of the program are to **improve small farmers' productivity and make them self-sufficient entrepreneurs**. The program aligns with the Mexican government's priority of diversifying crops and reintroducing traditional crops, the production of which has fallen over time. It is also in line with the government's efforts to fight obesity and other health-related problems by addressing saturated oils and trans-fats and to modify the country's agricultural profile.

**Model Type:** Donor-led  
**Total Project Budget:** US \$5 million  
**Duration:** 2012–2019  
**Beneficiaries:** Up to 850 small producers  
**Locations:** Mexico  
**Sector/Product:** Agriculture / sunflower

**Architecture:** Sabritas, a leading Mexican snack food producer (subsidiary of PepsiCo), **purchases** sunflower oil from a network of domestic small producers, **finances costs** related to supply chain management, and is **willing to cover a portion of losses**. Acción Banamex, a financial institution, **provides 2,000 microloans** to give farmers access to required capital needed to purchase seeds and expand production. IDB's partial guarantee is part of a **risk-sharing model**, which includes PepsiCo, and mitigates credit risk exposure, allowing Acción Banamex to reach more clients for whom financing is otherwise unavailable. The model is **not based on a traditional guarantee** from IDB. IDB's contribution serves **more as line of credit** which guarantees pools of small borrowers. The guarantee is only activated if the pool dips lower than expected. If not, it rolls forward for use in other pools, with the potential of supporting a US \$50 million supply chain over the long term. Groups of borrowers also receive assistance from Acción Banamex on financial tools and literacy. Before IDB agreed to partner with PepsiCo, the company was responsible for demonstrating proof of concept. It is also responsible for purchasing physical capital such as harvesting equipment (US \$2 million). PepsiCo selects sunflower producers to join its supply chain, **commits to buy what they produce**, and offers them technical assistance to access the supply chain. Cooperatives are used to organize producers..

**Key activities** include providing **microloans** and the **partial credit guarantee**, purchasing **sunflower seeds**, processing the seeds to extract sunflower oil, and offering **technical assistance**.

### Impact:

- **Improved quality of life.** Small producers move from producing for immediate communities to gaining access to a dependable national client, having access to working capital, receiving training, modernizing production processes, and producing higher-quality seeds. In addition to increased incomes, participating farmers build credit histories and can access other financial services such as insurance and loans for purchasing homes and paying for higher education.
- **Pricing predictability and environmental benefit.** The project is eliminating pricing volatility. The shift from producing beans and corn to sunflowers is reducing the amount of water used in farming.
- **Economic benefit for company and healthier for Mexico.** Sabritas reduces its use of more expensive and unhealthier imported palm oil. Sunflower oil—healthier than palm oil—helps produce snacks that are healthier for Mexicans.

**Insights:** The program is the result of **two pilot projects** which revealed that the key challenge for farmers working in the agricultural sector is a lack of working capital loans. As a base-of-the-pyramid business model, the program incorporates low-income producers into a major supply chain and helps to move subsistence-level farmers into the formal economy, which **breaks the cycle of poverty**. IDB hopes to scale the project up throughout Mexico and that this type of **contract-based supply chain model** will be replicated throughout Latin America. While the project's original genesis was not trade-related, it will eventually include a regional dimension as Mexico is a snack production hub for PepsiCo's operations in the region.

**Sources:** IDB (n.d.[a,b,c]); 2010); personal communication with IDB staff

- *The Netherlands – Cooperation Emerging Markets and Private Sector Investment Program*

The Programme Cooperation Emerging Markets (PSOM), financed by the Dutch Ministry of Foreign Affairs, began in 1998 and ended in 2008. Its aim was to encourage Dutch companies to invest in innovative projects or lasting trade relationships in developing countries. The recipient company could be a 100% subsidiary of the Dutch company. The objectives under PSOM evolved over time, as well as the criteria for company engagement. In 2003, some countries in the program were no longer tied to Dutch companies. In addition to the overarching objective above, the 2003 guidelines (which apply to the template showcased below) said projects should lead to follow-up investments or to up scaling of trade relationships (without government support) and that such investments and up scaling should support pro-poor economic growth such as job creation, improved incomes, knowledge transfer and linkages with local companies. Projects also had to have no negative effects on women and the environment (projects with positive effects were prioritized), fit into the local environment (i.e. make use of local labourers, use proven technology, etc.), contribute to knowledge transfer, comply with policies on corporate social responsibility, finish within two years, and demonstrate additionality and be experimental.

In 2009, it was replaced by the Private Sector Investment Program (PSI).<sup>1</sup> The PSI includes the objectives of PSOM, as well as an emphasis on strengthening the local private sector as a means to contribute to poverty reduction. It is a tendered program whereby companies are invited to submit proposals twice a year. PSI provides 50-60% grant funding (with a maximum project size of €1,500,000) for projects in 58 targeted countries. A Dutch company must be involved for countries that are tied (24 of the 58), however in all instances, a local partner is required. PSI will provide 60% of project funding for projects in least developed countries. To be eligible, companies must demonstrate that the proposed activity cannot obtain funding from sources other than PSI. Banks, other financial institutions and private sources are not prepared to finance the project due to the high risks. They must also demonstrate that the proposal is commercially feasible, will lead to additional investments or increased turnover after finalization and will have a positive effect on the local economy of the country in which it occurs in terms of creating employment, transferring knowledge or technology, improving livelihoods, strengthening small and medium sized enterprises and/or resulting in improved environmental conditions.

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<sup>1</sup> All information available from Triodos Facet BV (2010) and NL Agency (2012).

## Pilot Export of Tropical Fruit Carpaccio from Ghana

**Objective:** Under The Netherland's program Cooperation Emerging Markets (PSOM), the project aimed to test the processing of pineapple to carpaccio (very thinly cut tranches of pineapple for deserts) through the establishment of a processing plant in Eastern Ghana. The project aims to improve quality to meet standards for export to European markets. The project partners **aimed to have production capacity of 1,800 tons per year in 2009.**

**Model Type:** Donor-led  
**Total Project Budget:** €1,074,000  
**Duration:** 2005-07  
**Beneficiaries:** labourers  
**Location:** Ghana  
**Sector/Product:** Agriculture/  
carpaccio

**Architecture:** The project is a partnership under the PSOM program (which provided 50% of the project budget [€537,000]), Tongu Fruits B.V (funder and Netherland's based buyer), and Volta Integrated Agricultural Development Ltd (VIAD) (local partner). The processing plant established under the partnership includes a cold store, processing machines, and an IQF freezing system, build according to Hazard Analysis Critical Control Points<sup>1</sup> and the British Retail Consortium<sup>2</sup> standards to ensure it can export to European markets. The partnership also included working according to a long term plan, in which diversification of fruit products was the aim.

**Key activities** included: establishment of a tropical fruit processing facility, staff training, marketing and business development.

### Impact:

- **Employment generation and knowledge transfer.** Despite a three year delay in completing the project, the partnership was successful in setting up a viable business in a remote area. Employees (3 staff and 40 casual workers) were hired and trained in new production techniques with an emphasis on waste reduction. More than 70% of employees were women. The project aimed to expand within the first five years which would create another 63 jobs. At least 400 out growers were contracted by VIAD to produce pineapple. The product diversification process allowed for extra employment of 25 people in 2010 and an estimated 1,450 additional out growers were able to sell their fruit produce to the factory.
- **Value-addition and product diversification.** The project added greater value to the existing pineapple processing chain. Product diversification was achieved including carpaccio, pineapple and mango chunks, and fruit juice and purees. The diversification process has allowed partners to produce year round and reduce waste.
- **Improved community outcomes.** The local people working for the company are generating incomes and their living standards are improving (leading to house improvements, schooling of children, motorcycles, mobile phones, etc.). A percentage of young employees are saving money for further education and women are becoming more independent. Employees get medical check-ups and can make use of health care for free. The processing plant provides training, free meals, transport and sanitation. A portion of salaries is also set aside for social security and a pension fund.

**Insights:** The project suffered many delays which were caused by obtaining permits, land issues, construction, importing hardware, bush fires, electricity problems and cultural differences. This led to three years of delay in total in the finalisation of the project. Because the applicant was a small (one man) company, who was involved in other projects as well, it was not always easy to communicate. The fact that the partner was busy with other activities and did not have the capacity to manage multiple projects at once may explain the delay. Difficulties also existed in terms of sourcing pineapples in bad seasons. It was difficult to find skilled professionals in Ghana. Therefore the project partners had to recruit a factory manager from India. Nevertheless, the project partners eventually realised all results. Though some cross-cultural issues existed, in the end the partnership was a success.

**Sources:** Ministry of Economic Affairs, Agriculture and Innovation (n.d.a); personal communication with PSI staff.

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<sup>1</sup> Refers to a systematic and preventative approach to food safety, recommended by the Codex Alimentarius Commission, the UN international standards organization for food safety. See <http://www.inspection.gc.ca/about-the-cfia/newsroom/food-safety-system/haccp/eng/1346306502207/1346306685922>.

<sup>2</sup> Refers to a global safety and quality certification program that facilitates the standardization of quality, safety, operational criteria and manufacturers' fulfillment of legal obligations. See <http://www.brcglobalstandards.com/>.

## Adding Value to Vietnamese Pomelo

**Objective:** Under The Netherland's Private Sector Investment (PSI) program, the project aims to establish a GlobalGAP<sup>1</sup> certified pomelo fruit chain of 100 contract farmers and a state-of-the-art fruit warehouse including a fresh-cut room for processing pomelos. The initiative will benefit from the ability of Vietnamese producers to grow pomelos year-round and in particular, between February and August when China, the largest exporter of pomelos, has much less availability and prices increase by roughly 40%. Pomelos that do not meet export quality requirements will be processed and sold on local fruit markets.

**Model Type:** Donor-led  
**Total Project Budget:** €1,491,850  
**Duration:** 2011-12  
**Beneficiaries:** farmers and warehouse workers  
**Location:** Vietnam  
**Sector/Product:** Agriculture/  
pomelo

**Architecture:** PSI provides 50% of the funding for the project (€745,925) which is based on a partnership between Kloosbeheer B.V. (buyer) and The Fruit Republic Ltd (TFR) (local partner), which are establishing the fifty-fifty joint venture. Farmers are offered a contract that **guarantees the sales of the total harvest to the joint venture at a fair price**. In addition to being paid 15% more than minimum wage, employees in the warehouse are offered a package of fringe benefits and support for medical insurance and care, job improvement, and meals.

**Key activities** included: establishment of a pomelo processing warehouse; creation of a farmer extension and contract system; farmer training to ensure sustainable production of better quality pomelos;

### Impact:

- **Business development.** Fresh-cut production process and packaging protocol developed. Commercial production and certification of contract farmers, warehouse and company ethical trading policy established. A professionally managed fruit farmer contracting system with a private funded extension team has been put in place. The extension team will become experts in Global GAP.
- **Employment generation and improved livelihoods.** By December 2012, 100 direct permanent jobs will be established in the warehouse, with 55 being women. An additional 50 seasonal jobs will be created in the pomelo sourcing system. Long term contracts will be established with 100 pomelo farmers and short term contracts with 150 pomelo farmers. The project is expected to create 330 on-farm jobs by the end of 2012 and nearly 2,300 by the end of 2012. Two years following the project, the warehouse will employ 200 basic level staff and 40 medium/high level staff. Sixty percent of staff will be women. The warehouse complies with Ethical Trade Initiative<sup>2</sup> standards and goes beyond them by paying employees 15% more than the official minimum wage. Farmers under long term contracts can either receive one fixed price for all fruit classes or make use of an incentive system whereby they receive different prices for different grades of fruit.
- **Profit generation.** €1 million turnover achieved.
- **Improved capacity.** 100 farmers will be trained in GlobalGAP, of which 75 will be certified by the end of 2012. Seventy-five employees have been recruited and trained in the warehouse.
- **Project expansion.** TFR plans to invest an additional €800,000 by 2015 to expand the warehouse to have additional space to develop a program for alternative fruits, and expand the fresh-cut production room to accommodate local and Asian markets.

**Sources:** Ministry of Economic Affairs, Agriculture and Innovation (n.d.b)

<sup>1</sup> The GlobalG.A.P, is a private sector body that sets voluntary standards for the certification of production processes of agricultural products aimed at ensuring food is produced on the farm in a way that minimizes detrimental environmental impacts, reduces chemical inputs and ensures worker health and safety, and animal welfare. See [http://www.globalgap.org/cms/front\\_content.php?idcat=9](http://www.globalgap.org/cms/front_content.php?idcat=9).

<sup>2</sup> Refers to a code of labour practice companies adopt and expect all their suppliers to work towards. The code addresses issues like wages, hours of work, health and safety and the right to join free trade unions. See <http://www.ethicaltrade.org/about-eti>.

○ *Swedish International Development Cooperation Agency (Sida) – Innovations Against Poverty*

Established in 2010, the Innovations Against Poverty (IAP),<sup>1</sup> program supports businesses based or operating in poor countries to develop services, products and processes that benefit people living in poverty. IAP targets smaller businesses which need support for their business strategies and resources to penetrate new markets. It also works with larger companies to develop inclusive business models which expand opportunities for the poor. IAP is open for any sector where innovations against poverty can occur. Using a call for proposals model, Companies are invited to submit applications under two windows – one for small grants (under €20,000) and one for larger grants (between €20,000-200,000). For both grant windows, IAP will match a maximum of 50%. In the former case, grants can be used for travel and feasibility studies, stakeholder needs assessments and networking with local organizations. Larger grants are provided for the development of products, services, systems, business models or concepts ready for market testing. It can also be used to adapt existing products to make them more affordable and accessible for the poor.

IAP also includes a number of other features. It has a flexible guarantee instrument for companies ready to scale-up a proven business model with strong development potential. Sida will guarantee up to 50% of the loan from a financial institution willing to provide a commercial loan to such a company. Advisory support is also available to companies that approach IAP for funding during the application process and for successful applicants. Companies can also apply for advisory support only, which is intended to help companies gain a better understanding of how they can fine-tune their business operations in developing countries to include more poor people as suppliers, distribution partners, and consumers. In order to be eligible for funding, projects must:

- Be commercially driven, with clear commercial drivers and potential for commercial viability, potential to reach scale and be managed by a company or market oriented organisation;
- Have development effects including benefits for poor people such as income, products, opportunities, environmental sustainability, gender equality, and avoid negative effects (environmental, market distortion);
- Include cost-sharing commitments (i.e. have clearly defined elements of cost-sharing with the company itself providing at a minimum 50%);
- Be innovative in terms of going beyond what currently exists in areas such as products and services, delivery mechanisms, business models, etc.; and
- Demonstrate additionality, namely that the project would not have happened at the same scale or have the same development impact without IAP funding.

Companies must also meet ethical considerations. IAP will not work with any company that is in violation of fundamental human rights or international labour standards. Companies involved in the manufacture, distribution or sales of arms, tobacco or gambling industry are also excluded. Companies who receive funding are also required to complete a baseline study, completion report once activities have ended, and an updated report at a later time to look at outcomes.

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<sup>1</sup> All information available from Sida (2012).

## From the Field

**Objective:** From the Field Trading Company (FTF), based in the US and Madagascar, **wants to develop a diverse vanilla product line through direct sourcing from rural farmer cooperatives in Madagascar.** The project, supported by Swedish International Development Cooperation Agency's (Sida) Innovations Against Poverty (IAP) program, aims to enable FTF to increase their market share by moving past bulk sales of vanilla beans through the creation of new vanilla products and by **including additional Malagasy farmers and communities in their sourcing model.** Taking a value-chain approach, the project allows **FTF to source all qualities of vanilla beans equally which in turn increases farmers' opportunities to sell their crops.** The project aims to **increase farmer incomes.**

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> ≈ €50,000
<b>Duration:</b> 2012 - 2014
<b>Beneficiaries:</b> Farmers
<b>Location:</b> Madagascar
<b>Sector/Product:</b> agriculture / vanilla

**Architecture:** The project is a partnership between Sida (funder, 50%), FTF (funder, implementer and buyer) and commercial partnerships such as the COPRONAM regional farmer cooperative (producer and seller). FTF works with a variety of implementing partners on the ground which provide **technical assistance.** These include Mananara Nord AIM Madagascar, PSDR, Centre Service Agricole (CSA) and Catholic Relief Services. These **partnerships change and evolve over time** as NGOs leave the area and new ones emerge. FTF also partners with community Libraries of Imorona and Ambodiampana (local partner) and Rotary International and Rotary Club of Hyde Park, NY (funders) to support the **establishment and flourishing of local libraries.** The US Peace Corps in Madagascar has also played an important role in FTF operations. FTF founders originally came to Madagascar as US Peace Corps and have since hired Peace Corps volunteers from the region onto their company. FTF continues to work with the Peace Corps on an *ad hoc* basis, working with volunteers who **gather information and input from communities on their needs and areas for future expansion,** which feeds back into FTF operations. FTF has received support from the US Agency for International Development in the past to support export activities as well. IAP funding will be used to **develop, produce and market a new vanilla product line** under FTF's LAFAZA Vanilla label. FTF offers low-income farmers premium prices for their vanilla beans, up to **20% over market prices.** It also links farmers associations to training and capacity-building opportunities.

**Key activities:** The FTF Madagascar team works directly with cooperative leaders on **quality** during cultivation, harvest and transport of vanilla beans. FTF also partners with growers to **launch community projects** such as local tree nurseries, and community libraries. Working with FTF, implementing partners link local communities and farmer associations with FTF, provide technical assistance to farmers in areas such as **environmental sustainability and improving productivity and quality,** facilitate market relationships, provide knowledge on local and international market dynamics, *inter alia.*

### Impact:

- **Product line developed:** FTF has completed a marketing and position study for the LAFAZA Vanilla label, which focuses on the high-end gourmet food market. Branding is nearly finished and the company has received positive feedback on their product samples.
- **Improved demand and sales:** FTF sees the branding process as key to developing market awareness and demand for their products, which will increase the amount of vanilla it can source. FTF has seen a three-fold increase in demand for their vanilla from 2011 to 2012. It is projecting another tripling of product volume in 2013, with the goal of additional increases by 2015/16. As a result of increasing demand, FTF is expanding their operations into two new regions in Madagascar.

**Insights:** The FTF trade model was developed through conversations with farmers and their families about how they see better trade systems. The FTF trade model is based on input from local farmers and is based on a **commitment to equitable trade, community development and organic cultivation.** It takes a **strength-based approach** to its work with farmers, which recognizes the interests and skills of others, and builds from there. FTF takes the needs and priorities of communities as a starting point when engaging in community initiatives and with partners. This ensures that income is not only circulated back to farmers, but that growers can share ideas, information and materials with each other.

**Sources:** Business Innovation Facility Hub (2012); From the Field (2012); personal communication with FTF staff

- *US Agency for International Development (USAID) – Global Development Alliances*

The Global Development Alliances program,<sup>1</sup> established in 2001, aims to address business and development objectives through a market-based business model for partnerships between the public and the private sectors. Alliances are established through a co-owned process whereby USAID and private sector actors work together to design, fund and manage projects so that risks, responsibilities and rewards are equally shared. In order to be eligible for funding, projects must have at least equal contributions (in cash or in-kind) of private and public funds, have jointly defined goals and solutions, include a non-traditional partner such as a company or foundation, use shared resources, risks and results, and be innovative and sustainable. Prospective partners, which can be US or international businesses, business and trade associations, foundations, and US and international non-profits, are expected to review USAID's priorities, submit a concept paper and, if asked, submit a full application based on the concept paper. There is no minimum or maximum financial contribution that can be requested. In addition, there is an expectation that partners will have a reputation for integrity and the highest standard of conduct, demonstrating respect for human rights, gender sensitivity, inclusivity, decent work conditions, environmental consciousness and community involvement in their operational practices.

Three projects were selected from the Global Development Alliances program for inclusion:

- AMARTA Sulawesi Kakao Alliance
- Brazil Responsible Sourcing Project
- Rwanda Pyrethrum Value Chain

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<sup>1</sup>. Unless otherwise stated, all information retrieved from <http://idea.usaid.gov/organization/gp>.

## AMARTA Sulawesi Kakao Alliance

**Objective:** Indonesia is the third largest producer of cocoa globally. 70% of its cocoa is produced in Sulawesi. However, the region was plagued with pests and disease in 2007, representing a loss of roughly USD127 million and reduced yields by as much as 60%. The **project aims to increase productivity and incomes** for rural farmers in Sulawesi through: provision of **training** in pest and disease control technologies and cocoa best management practices; and provision of **information on the cocoa grading process** by partners to enable farmers to command higher prices at local buying units for their crops.

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> US \$2.5 million
<b>Duration:</b> 2007 – ongoing
<b>Beneficiaries:</b> farmers
<b>Location:</b> Indonesia
<b>Sector/Product:</b> Agriculture/ cocoa

**Architecture:** Through the AMARTA Sulawesi Kakao Alliance, USAID (funder), Blommer Chocolate Company, the largest cocoa processors and ingredient supplier in North America, and Olam International, a global integrated supply chain manager of agricultural products and food ingredients (buyers, implementing partners), work with the Government of Indonesia to promote Sulawesi's cocoa industry. The program builds on Olam and Blommer's previous experience in the region. In 2005, Olam and Blommer established the Sulawesi Alliance of Farmers, Olam and Blommer (SAFOB) which sought to provide farmers with training, quality improvement programs, market access and quality premiums. The USAID funded alliance works to scale up this initiative. It builds on the farmer field school initiatives<sup>1</sup> developed by the World Cocoa Foundation, and provides technical education, pricing incentives and global market access to farmers. The project funding also goes towards infrastructure development. The premiums paid to farmers are over and above the project budget.

**Key activities** Training in pest and disease control technologies and cocoa management; establish buying stations.

### Impact:

- **Increased productivity and improved quality.** Over 2007-2009, 20,683 farmers, representing 820 farmer groups, have increased their productivity and the quality of their cocoa beans. Farmers that have participated in training program have seen increased yields between 50 and 100%. In 2010, a review of the project revealed increases in average yields from 760kg per hectare to 1,100kg per hectare over 2006-2010.
- **Value-chain development.** Olam and Blommer have set up 11 rural buying stations, which pay a premium price for high quality cocoa, in South Sulawesi. Partners are providing farmers with direct access to major exporters in Southeast Sulawesi as well. Over 67% of farmers have reported having direct access to exporters versus 15% prior to the program (farmers are not obligated to sell solely to Olam/Blommer).
- **Improved incomes and commercial outcomes.** SAFOB farmers receive a price premium of nearly US \$200 per million tons higher than what they could receive from a local collector. Blommer Chocolate Company pays a premium of 200 Rupiah (US \$0.21) per kilogram for export grade cocoa. Farmers participating in the program have seen increased income of between 75 and 117%. Over 2005-2012, the SAFOB program procured nearly 80,000 million tons of cocoa, improving farmers' incomes by nearly US \$16.1 million compared to what they would have received selling to the local supply chain.

**Insights:** The AMARTA project has expanded 10-fold since 2005 and USAID has proposed an additional alliance, which would include broader participation of stakeholders, including branded companies and NGOs, as well as a microcredit component. Based on their successful partnership in Indonesia, Olam and Blommer expanded their partnership to work with farmers in Côte d'Ivoire, which benefited 18,000 farmers with training in pre and post-harvest agronomic practices and provided them with access to fertiliser, credit and new planting material. In 2012, Olam and Blommer established 'GrowCocoa,' a joint venture aimed at improving livelihoods in cocoa communities and encouraging long-term commitment and investment in the supply chain.

**Sources:** USAID (2009a); Blommer (2011); Blommer Chocolate Company (2012); Olam International (2012)

<sup>1</sup> Farmer field schools are groups of farmers that come together to study a particular topic which include animal husbandry, organic agriculture, and conservation agriculture. They are a forum where farmers and trainers debate

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experiences and learn new information from outside the community. See [http://www.fao.org/ag/ca/CA-Publications/Farmer\\_Field\\_School\\_Approach.pdf](http://www.fao.org/ag/ca/CA-Publications/Farmer_Field_School_Approach.pdf).

## Responsible Sourcing Partnership Project

**Objective:** The project aimed to **increase the incomes and thereby improve the lives of smallholder farmers in Brazil by providing coffee-growing cooperatives with the resources and expertise to expand and improve the quality of Brazilian Fair Trade Certified coffee supply.** Brazil produces 40% of the world's coffee, but **small businesses**—including smallholder farmers—have limited access to global markets and produce only 2–3% of the country's exports. In 2009, estimates indicated that micro and small enterprises represented 97% of all formal business, employed 60 % of the workforce, and accounted for 20% of Brazil's GDP. The **main goals of the project** were therefore to:

**Model Type:** Donor-led  
**Total Project Budget:** US\$2 million  
**Duration:** 2007–10  
**Beneficiaries:** 5,700 smallholder farmers and their families and 30,000 people overall  
**Location:** Brazil  
**Sector/Product:** Agriculture/coffee

- Expand the market bases for smallholder farmers, provide new employment opportunities for Brazilians, and secure premium-quality coffee beans to meet US consumer demand.
- Increase exports of organic and Fair Trade Certified coffee by 400% and 350%, respectively.
- Increase economic, social, and environmental sustainability.

**Architecture:** The project is a **public-private partnership** (PPP). USAID (through its Global Development Alliance program), Walmart, Fair Trade USA (formerly TransFair USA), and SEBRAE-MG (Brazilian Service for the Support of Small Businesses in Minas Gerais) provided a total of US\$2 million in cash and in-kind contributions. These partners collaborated with farmers organizations in São Paulo, Minas Gerais, and Espírito Santo, the three biggest coffee-growing states. Additional work occurred with coffee roasters, marketers, non-profit organizations, and government agencies.

**Key activities** included: **training** in coffee growing and quality management, business techniques, organizational methods, and democratic principles. Partners made **investments** in infrastructure and provided grants for equipment and facilities. Technical assistance was provided for production and post-production processing. Engagement occurred directly with farmers and consumers.

### Impact

- **Improved skills and earnings and related benefits:** Farmers' capacity increased and marketing skills were enhanced. Coffee supply has expanded and quality has improved. Farmers used higher incomes to improve housing and working environments. Communities have benefitted from schools and computers. Small farms are better equipped to be economically, socially, and environmentally sustainable.
- **Better infrastructure and greater access to US markets:** Infrastructure upgrade grants of approximately US\$144,000 were given to over 680 farmers and family members at five producer organizations. In 2009, Walmart introduced two types of Fair Trade Certified coffee from Brazil in more than 600 Sam's Club locations in the US. The program ultimately led to a 167% increase in Fair Trade Certified sales.
- **Conclusion of project marked beginning of a new initiative:** Under a PPP between USAID, Fair Trade USA, and Green Mountain Coffee (US\$200,000 between 2010 and 2012), the Sustainable Sourcing Partnership was established, which aimed to promote biodiversity, conservation and environmental education in Brazilian coffee-growing communities.

**Insights:** **Retailers** are responding to customer demand for high-quality organic and fair-trade coffee beans. Fair trade certification can push smallholder farmers into **global coffee markets**, where **higher prices** are paid for premium-quality coffee beans. Fair trade helps farmers organize into **democratic organizations** and introduces **better growing and processing techniques** which improves **market access**. This contributes to business sustainability and poverty reduction in the longer term. Portions of bigger profits are reinvested in **improving production** and **meeting community needs**, such as construction of schools and medical clinics. Higher incomes for farmers smooth out high income disparities and improve access to economic opportunities, in turn improving **economic development potential** and **social stability** in the country.

**Sources:** USAID (2009b); Fair Trade USA (2010; 2011)

## Rwanda Pyrethrum Value Chain

**Objective:** The program aims to **support a sustainable and responsible Rwanda pyrethrum flower industry** which will in turn **create employment opportunities for Rwandans and enable farmers to increase their families' income**. Pyrethrum, which has been grown in Rwanda for over 30 years, is an organic insecticide extracted from the dried heads of chrysanthemums; it is an alternative to synthetic pesticides. Currently, demand for pyrethrum far outstrips supply. Taking a **value chain** approach, the partners aim to **increase production** from 219 tons of dried flowers to 500 over 2008–11. The main objectives of the project include:

- **Increasing pyrethrum production** by improving and accelerating the training of farmers in flower production.
- **Improving access to credit** for farmers to enable them to purchase equipment to dry flowers.

<b>Model Type:</b> Donor-led
<b>Total Project Budget:</b> US\$327,437
<b>Duration:</b> 2009–12
<b>Beneficiaries:</b> Farmers
<b>Location:</b> Rwanda
<b>Sector/Product:</b> agriculture / pyrethrum

**Architecture:** Under USAID's Global Alliance program, the Rwanda Pyrethrum alliance brings together USAID, which contributes US\$143,660 (donor), SC Johnson, which contributes US\$160,404 (donor and international buyer) and Texas Agrilife Research Institute (Texas A & M University), which contributes US\$23,373 (donor and implementing partner). The project is implemented under the Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Development (SPREAD) project, another USAID-funded project led by Texas A & M University which works on improving coffee and chili pepper production in addition to pyrethrum. Capacity building activities are carried out through the **'train the trainer' model**. Farmers are grouped into 20–30 sub-groups which in turn elect representatives to be trained by the SPREAD team. They then serve as extension agents and provide advice to farmers. The country's only pyrethrum processing plant, Société de Pyrèthre au Rwanda Co Ltd., is participating in the design and implementation of a credit scheme for farmers.

**Key activities** include: **organizing farmers to set up cooperatives** which can promote best practices in pyrethrum collection, transportation, and drying, and allows for **better management**; designing and implementing a credit scheme; distributing mobile phones to representatives of cooperatives to improve communication during harvesting season; and **conducting capacity building activities** including workshops and use of the train the trainer model.

### Impact:

- **Improved organization of farmers and increased production.** 24 farmers' cooperatives were formed (2010) and 4,000 additional farmers are growing pyrethrum. Production tripled. Planted areas increased from 1750 to 3100 hectares over 2009–11. A GIS system has also been put in place to raise the quality and productivity of pyrethrum and farmer incomes. Two maps illustrating farms and cooperatives' locations have been made.
- **Improved quality and higher incomes and yields.** Increased quality of dried flowers with higher pyrethrum content (from 0.9 to 1.5); 20–40% higher pay for farmers over 2008; increased production by 89 tons.
- **Improved communication on best practices.** At the end of the project, SC Johnson provided additional funding to support a weekly radio show program aimed at improving best practices and disseminating information to farmers on collection points, price changes, etc.

**Insights:** Placing the pyrethrum project under the SPREAD team **allowed for the application of lessons learned** from the coffee sector, which the SPREAD team had been working in previously. Based on SPREAD's experience in the coffee sector, partners understood that **strengthening farmers' organizations is critical to improving the supply chain**. This allows for alignment of best practices, transportation, maintenance, drying processes, flower handling, etc. which have an impact on quality and therefore responds to demands for better products. Nevertheless, strengthening organizations is one of the biggest challenges and requires a long term investment. The radio show program that was an add-on to the original partnership with SC Johnson will be replicated in the future. The credit scheme, however, was not implemented and efforts will continue in the second phase to do so. The processing plant's lack of capacity made this difficult.

**Sources:** USAID (2010); SC Johnson (2009); Borlaug Institute (n.d.); personal communication with USAID staff

- *International Trade Centre*

## Ethical Fashion

**Objective:** The International Trade Centre's (ITC) Ethical Fashion program promotes trade of sustainable fashion products between international companies and micro-manufacturers in order to reduce poverty, create sustainable livelihoods, and minimize negative environmental externalities.

It is an approach to the design, sourcing, and manufacture of fashion and lifestyle products that maximizes benefits for people and communities while minimizing the carbon footprint. New demand for ethical products is creating opportunities for small-scale manufacturers in developing countries. The program intends to facilitate convergence around ethical fashion within the mainstream fashion market by targeting large household names that have the image or sales necessary to influence the whole market. It also aims to improve productive capacities, management skills, and life skills through the delivery of technical assistance, raw materials and working capital.

**Model Type:** Donor-led  
**Total Project Budget:** n/a  
**Duration:** 2008–present  
**Beneficiaries:** 7,000 women and their marginalized communities  
**Locations:** Kenya, Uganda, Ghana  
**Sector/product:** Textiles/fashion and lifestyle products

**Architecture:** ITC involves pro-poor domestic and international buyers in an international value chain with links to micro-manufacturers from disadvantaged and marginalized communities. It helps transform buyers' design inputs into products that are or can be produced according to micro-manufacturers' existing capacities. It also works with buyers to tell the stories behind the products. **Large European fashion houses**, like Vivienne Westwood and Stella McCartney (international buyers), source fashion and lifestyle products from African micro-manufacturers, who actively partake in work projects aimed at self-reliance. A strong business infrastructure based on the joint work of ITC and **Ethical Fashion Africa Ltd.** (EFAL), a not-for-profit company responsible for the organization of production and skills-building sessions in community groups, administration, shipping, packing, quality control, and other business issues, facilitates this process. All **profits are reinvested** in micro-manufacturers and social initiatives in, for example, health, education and improving living conditions. To include a large number of communities into the value chain, different parts of production are spread out over regions. ITC and EFAL's business infrastructure manages logistics, product development, orders and payments, procurement, production process, capacity building, quality control, packing and shipping. NGOs, funded by EFAL, implement the technical assistance agenda. Carbon Neutral, a specialist organization, assesses the program's carbon footprint while the **Fair Labour Association**, an external body, audits work and employment conditions. Programs in Kenya and Uganda are funded by the ITC Trust Fund, while the Ghana program is funded by Switzerland's State Secretariat for Economic Affairs in collaboration with the Ghanaian government.

**Key activities** include: **employment creation**, particularly for women; **capacity-building activities**; and various **social initiatives** decided by community partners.

### Impact

- **Export capacities developed, manufacturers' positions strengthened in their domestic and regional markets, and responsibilities being transferred to local bodies.** The program builds on **basic technologies** that are consistent with **traditional skills** and promotes use of recycled or organic locally sourced materials. A strong **network** of artisans and communities with different skills and capacities has been developed, coordinated by an effective hub. Products are delivered according to **industry standards**. Program is to fully transfer responsibilities to **local trusts** and **local managements**, and to expand into Burkina Faso and Mali.
- **New dignified, fair-paying jobs and improved livelihoods.** The program generated more than **7,000 jobs for women** in marginalized communities leading to improved livelihoods. On average wages are at **least twice that of the national minimum wage**. **Small enterprises** and **cooperatives** have been developed due to support of the program. 80–90% of program beneficiaries have been able to make improvements in their homes, make independent financial decisions, gain access to fresh foods. Women participants indicated they have improved their ability to provide for their families, earned respect from their male counterparts, and learned new skills.

**Insights:** Aid for Trade is a **model** of global partnership that, among other things, promotes the inclusion of **marginalized communities** in trade, which in turn supports poverty reduction. To create **mutual benefit** for fashion houses and micro-manufacturers, the skills training and subsequent work must be conducted in response to **market demand**. A wholly African team on the ground in Africa ensures capacity transfer and that cultural and social context is taken into account throughout the system. **Direct involvement of communities** in problem solving ensures the engagement of workers and input of their cultural context. Beneficiaries must acquire a sense of **ownership** in their work if they are to invest in themselves in the long term. To obtain **customer loyalty**, respect for micro-manufacturers and the environment must increase and Ethical Fashion products must be distinguishable within the saturated fashion market. Communities that formerly experienced violence and deprivation related to poverty now see **peace** and **cooperation**. **Challenges** encountered include rigid mindsets at fashion houses, extreme poverty that hinders the formation of social capital, poor infrastructure (poor communication and transport systems, erratic power supply, and high banking fees), and variations in perceptions of time and quality between fashion houses and micro-manufacturers.

**Sources:** Ahmed (2011); FLA (2012); ITC (2011a,b; 2012)

## 2. Annex: Coalition Models

### 2.1 Sustainable Trade Initiative (IDH)

Since 2007, IDH has brought together impact-oriented coalitions of over 200 companies, over 30 civil society organizations, numerous governments from developed, emerging, and developing economies, multinationals like the World Bank and other stakeholders to accelerate sustainable production and consumption and up-scale sustainable trade.<sup>1</sup> The Dutch organization organizes scoping, development, and implementation of public-private, precompetitive market transformation programs in 14 sectors, such as tea, aquaculture, and electronics. Multiple projects across sectors not only link buyers and sellers, but also bring stakeholders together, such as competitors and development banks. In each program, stakeholders discuss opportunities, tools, and funding moving forward.

The IDH office in Utrecht, the Netherlands, supports the programs and initiates sectoral and inter-sectoral learning. Its governance structure includes an executive board, a management team, and a team of employees, all overseen by a supervisory board—composed of members of companies, organizations, and financial institutions—that guards policy and decides on new improvement programs, among other things. Companies provide funding, entrepreneurship and procurement abilities. Organizations bring in knowledge, networks, local expertise and credibility. Governments also provide funding, but can also regulate and legislate. The Dutch Ministry for Development Cooperation provides a €105 million match-funding grant. IDH has criteria and procedures for selecting companies, NGOs, or organizations to help with programs. It periodically invites project proposals on its website.

Three IDH projects were selected:

- Better Cotton Fast Track Program
- Cashew
- Soy

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<sup>1</sup>. Information available at <http://www.idhsustainabletrade.com/about-idh>. Personal communications with IDH staff provided additional information and clarifications.

## Better Cotton Fast Track Program

**Objective:** The Better Cotton Fast Track Program (BCFTP), was launched by the Sustainable Trade Initiative (IDH), and works to accelerate the implementation of the Better Cotton Standard in order to **transform the global cotton market into a sustainably producing market**. The BCFTP includes a group of market leading private and public organisations and IDH. It's a **demand driven strategy** based upon the financial commitment of leading retailers and brands, supported by a group of funders. The BCFTP **invests in farmer projects around the world and initiates the procurement of the Better Cotton that is produced**. The benefits of this activity are shared by farming communities, governments, regulators, traders, investors and consumers. The **objective is to have a million metric tonnes of Better Cotton lint on the market by 2015**, of which the participants aspire to buy half.

**Model Type:** Coalition

**Total Project Budget:** €30 million

**Duration:** 2011-15

**Beneficiaries:** 400,000 farmers in 2011 / 2015 target of 1.25 million

**Locations:** Brazil, India, Mali, Mozambique, Pakistan and China

**Sector/Product:** agriculture / cotton

**Architecture:** The BCFTP is a private-public partnership between: the Sustainable Trade Initiative (IDH), Rabobank Foundation and ICCO (donors); private sector actors<sup>1</sup> that participate in the cotton supply chain (funders and international buyers); and non-governmental organizations (implementing partners) and other supply chain partners.<sup>2</sup> IDH and donors contribute to a **fund that matches up to 100% of private sector contributions**. Over 2010–12 **private contributions totalled approximately €3 million**, with IDH and other donors each contributing roughly the same amount. Private sector partners also advocate the BCS. The BCI trains implementing partners on the BCS who then train the farmers.

**Key activities** Within the BCFT IDH is the convening power, creating the governance structure, the strategic decision for investment and the program strategy in cooperation with BCI. In addition, IDH manages the fund.

### Impact

- **Increased production of Better Cotton.** As of 2011, 124,825 producers are part of the initiative. 89,959 farmers are licensed to produce Better Cotton.
- **Higher yields.** Farmers in Mali and India saw on average 20% and 37% higher yields respectively compared to farmers without Better Cotton support.

**Insights:** For the strategic development of the program, an innovative research project was organized by IDH to understand the key parameters for cost-effective implementation of the Better Cotton system at project level, and its uptake in the supply chain. The study clearly showed projections of high costs if the program was continued as it was originally set up in order to reach the goal of 1 million metric tons of lint in 2015. Based on the outcomes of the study, the **BCFT has reviewed the long term strategy, it has professionalized the project approval process, which led to the development of a strategic investment policy**. The project selection process was optimized by the development of a project selection tool. This tool gives an overview of key metrics regarding for example growth potential of a project and cost efficiency, aligning the investors and giving an objective and transparent platform on which to base decision making. Furthermore, for approved projects, targets are set to challenge partners to be as cost efficient as possible, and to work on embedding exit strategies.

**Sources:** IDH (2011); personal communications with BCI and IDH staff

<sup>1</sup>. IKEA, Marks & Spencer, Levi Strauss & Co, H&M, adidas, Walmart, Olam, and Nike.

<sup>2</sup>. Solidaridad, WWF India, WWF Pakistan, Cotton Connect, Trident, Arvind, AFPRO, Ambuja Cement Foundation, ABRAPA.

## The Sustainable Trade Initiative Cashew Program

**Objective:** The Sustainable Trade Initiative's (IDH) Cashew program is an industry-driven program aimed at making the **production, processing and trade of cashews more sustainable**. It aims to create strong market linkages between newly established medium and large scale cashew processing factories in Africa and western-end buyers, which ensures the social-economic development of a sustainable cashew value chain. While Africa produces 40% of Raw Cashew Nuts globally, 10% is processed in Africa. The project, which engages the total value chain, is based on the recognition of the **potential to add greater value** in the value chain for Africa and the need to ensure security of cashew supply. Activities focus on increasing productivity and quality of cashews, **leading to better livelihoods for smallholders, better working conditions in processing factories, and a more secure supply for western cashew roasters**. The main objectives of the program are to:

- **Increase incomes and productivity** for at least 375,000 farmers.
- **Increase value added** in Africa within the cashew supply chain by increasing the amount of cashews processed in Africa to 240,000 metric tons and developing a transparent and traceable supply chain that will enable African processors to access premium international markets.
- Ensure that **20% of European cashew imports are sustainably produced**.

<b>Model Type:</b> Coalition
<b>Total Budget:</b> ≈ €5 million
<b>Duration:</b> 2012-15*
<b>Beneficiaries:</b> farmers and processors
<b>Location:</b> Côte d'Ivoire and Burkina Faso
<b>Sector/Product:</b> agriculture/ cashews

**Architecture:** The program is a partnership between IDH (funder) and private sector partners<sup>1</sup> (funders and international buyers that account for over 70% of global trade), each of which provide 50% of the program budget, and newly established cashew processing factories. The program has also established a Memorandum of Understanding with the African Cashew Initiative (ACi) and works with the African Cashew Alliance. Fairmatch Support is the implementing partner on the ground. The logic for the program incorporates a top-down component that looks at questions on how to **integrate traceability and sustainability** in an efficient and cost effective manner and bottom-up components through **large scale roll-out of an innovative, cost-efficient farmer aggregation model which includes feedback loops throughout the supply chain**. Fairmatch works in partnership with local service providers and processors to facilitate training through a methodology IDH developed for other sectors. The model uses a **'train the trainer'** approach whereby they train local consultancy firms and processors in the methodology. This helps to develop **sustainable relationships** between processors and the farmers with the former delivering workshops aimed at teaching farmers how to improve quality and yields, and integrate sustainability considerations. The pilot phase of the program aims to register 13,000 smallholders, coach and train farm group leaders, build a management information systems, develop 2<sup>nd</sup> phase collaboration with the ACi, expand the program to include additional private sector partners and certification bodies, and based on the results, identify self-financing price models that will allow integration of sustainability costs.

**Key activities:** The program is currently being implemented in Côte d'Ivoire and Burkina Faso to pilot the intervention strategy. The pilot phase aims to register and aggregate 13,000 smallholder farmers; train farm group leaders; develop and implement a management information system to increase traceability and transparency within the supply chain; and engage more private sector actors and certification bodies. During the scaling up phase, the partnership aims to establish processing factories and expand pilot phase activities in other regions.

**Impact:** The pilot project is newly underway and as such, it is premature to discuss results and impacts. Nevertheless, 10,000 farmers have been included in the process to date. Work in Mozambique will also begin at the end of 2012.

**Insights:** One of the challenges IDH experienced in establishing the program was the high level of interest by public donors in the sector. This created challenges for getting the private sector to invest, although this issue was somewhat overcome by clearly demonstrating the investment benefits to private sector partners. The partnership focuses on the whole supply chain and brings in key players including farmers, processors, traders, and retailers, with the aim of

convening more private sector partners in the future. There are no large plantations and one of the biggest challenges is farmer aggregation. Because farms are quite small, there is a need to organize farmers into larger groups so that the delivery of extension services, and communication between the farmers and processors, is more effective. IDH has found that the traditional cooperative model does not seem to work and looked for **an innovative aggregation model**. They found it was better to organize farmers into groups that have active involvement with the private sector at the processor level; the relationship with the processors and the feedback loops incentivize farmers to work together. The cooperative model, on the other hand, often requires significant donor support and external resources to become sustainable.

**Sources:** IDH (2012a,b); personal communication with IDH staff

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\*. Pilot phase March 2012–April 2013. Scaling up 2013–15.

<sup>1</sup>. Olam, Intersnack, Trade and Development Group; Genese; FairMatch Support; Ahold.

# The Sustainable Trade Initiative Soy Program

**Objective:** The Sustainable Trade Initiative's (IDH) soy program aims to **transform the soy sector** based on the standards as developed by the Round Table on Responsible Soy (RTRS).<sup>1</sup> The four countries targeted by the program contribute to roughly 60% of global soy production. The **program responds to the negative impacts associated with soy cultivation** such as deforestation and loss of biodiversity, and social issues relating to poor labour conditions, land disputes and smallholder inclusion. It aims to identify and address gaps in the production and the supply chain that contribute to negative impacts. The objectives of the program are to:

- **Enable farmer to comply with RTRS criteria** through creation of cost-efficient traceability models, improved management practices and increased mainstream demand for RTRS soy.
- **Improve social outcomes** by ensuring legal compliance, fair labour conditions and community relations.
- **Protect 150,000–250,000 hectares of forests and other high conservation value areas.**
- Ensure that **10–15% of EU soy imports** are RTRS certified and **100% of Dutch processing and consumption is certified soy** (The Netherlands is the second largest importer of Soy after China).
- Support **RTRS** to become the international standard for responsible soy.

**Model Type:** Coalition  
**Total Budget:** €24 million  
**Duration:** 2008–15  
**Beneficiaries:**  
**Location:** Brazil, Argentina, Paraguay, Bolivia and Europe  
**Sector/Product:** agriculture / soy

**Architecture:** The RTRS standard was built by its members as a global multi-stakeholder initiative. It is owned by RTRS and was finalized in 2009. It is based on **five principles:** legal compliance and good business practices; responsible labour conditions; responsible community relations; environmental responsibility; and good agricultural practices. **Auditing** to ensure compliance with the RTRS standard is conducted through independent third party certification bodies which must have independent or international accreditation. The IDH program, which uses the RTRS standard, is a partnership between IDH (funder, €9.6 million), private sector partners (funders, [€14.4 million] and actors along the value chain<sup>2</sup>), civil society partners<sup>3</sup> (implementing partners), product boards,<sup>4</sup> industry associations,<sup>5</sup> and other partners.<sup>6</sup> In November of 2011, IDH announced the creation of a Soy Fast Track Fund, managed by Solidaridad Latin America, to fund concrete producer support projects in Argentina, Brazil, Paraguay and Bolivia developed by producers and supply chain actors. Projects aim to upscale and accelerate the production of responsible soy and ensure the supply of responsible soy to the European market. The demand-driven fund is open to companies or producers looking to purchase large quantities of RTRS soy and **leverages private sector investments** aimed at addressing strategic roadblocks. The five year fund matches funding to a maximum of 40%. Proposals must include results targets such as the number of farmers and hectares certified, and procurement volumes. IDH also carries out other activities such as **convening market players, achieving commitments** to buy responsible soy, and looking at improvements in the **cost-efficiency of certification systems, ways of promoting mainstream market transformation and improving farmer support.**

**Key activities:** Set up program for technical assistance and guidance for farmers on good management and registration tools for RTRS compliance (Argentina); gap analysis conducted to identify next steps for farmers to become RTRS certified; increase awareness of responsible soy across actors within the value chain; improve farmer access to finance and agricultural services for RTRS compliant farmers; mapping of High Conservation Value Areas and tropical rainforests to support their support legal protection; provide programs to enable traders to move toward RTRS compliance (Brazil).

## Impact:

- **Increased production and purchase of RTRS certified soy.** 430,000 metric tons produced and 288,000 purchased in 2011.
- **Expansion of commitments to RTRS certified soy.** In 2011, the Belgian feed industry agreed with IDH to transition to 100% responsible soy sourcing in 2015. Dutch retail, animal processing industry, farmers and feed industry actors also agreed on a plan for 100% responsible soy sourcing by 2015. Similarly, notable industry actors in Sweden, Denmark, Germany and the UK also agreed to make a plan with IDH for such a transition.

**Insights:** In 2012 IDH commissioned a business case study on responsible soy to KPMG and shared the results and insights with the supply chain actors at the Round Table conference. In 2011 a Strategic Gap Analysis was executed by IDH and IFC, and shared with the sector as well. . This provides strategic supply chain actors and external experts strategic input to producer support, the supply chain, market, and RTRS system, as well guidance for the IDH program and Soy Fast Track Fund project portfolio. This means that the intervention strategy is constantly evaluated and improved. The project includes a feedback loop for the Fast Track Fund.

**Sources:** IDH (2012c,d); IDH (2011a,b); Responsible Soy (2012a,b); personal communication with IDH staff

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<sup>1</sup>. The RTRS was founded in 2006 and is an international multi-stakeholder initiative that promotes the use and growth of sustainable soy through dialogue between different groups. Participating members include three constituencies: producers; industry, trade and finance; and civil society organizations. All other groups are granted observer memberships.

<sup>2</sup>. Producer organizations: APDC; FAPCEN, Aliança da Terra Aapresid; Aprosoja, (potential partners). Producers: Suppliers to Amaggi, ADM, and to traders supplying Cefetra; Amaggi, Ceagro/Los Grobo, Grupo Lucci/Viluco, DAP. SLC Agricola; (potential). Local traders: AGD; AdecoAgro; ; Amaggi Brazil; ADM Brazil. Cargill Brazil; Gebana, Caramuru, ABC Inco, Abrange association; Dreyfus-LSD and Bunge (potential); Local cooperatives, Batavo Ocepar and OCB associations (potential). International traders/shippers: Amaggi EU; Cefetra; ADM. Cargill EU, Bunge DE (potential). Feed, Animal Processing, Farmers, Food Industry and Retail: Agrifirm;ForFarmers/Hendrix, De Heus, Nutreco, Lantmannen.; Friesland Campina;; Vion; Unilever; Storteboom; Gebr. Van Beek, LTO, Ahold, SuperUnie, Jumbo, Lidl, C1000 a.o..

<sup>3</sup>. Solidaridad Latin America and Solidaridad NL; WWF NL and WWF-Brazil; Natuur & Milieu; ISA, IPAM, TNC, CI, FVS (potential); Oxfam Novib (monitoring), a.o..

<sup>4</sup>. Product Board MVO; Nevedi; Bemefa; Lantmannen.

<sup>5</sup>. Dutch Board for Feed Industry NEVEDI; Dutch organization for the meat sector, COV; Belgian feed industry association BEMEFA; European Feed Manufacturers Association FEFAC (EU); Agricultural Industries Confederation and the Materials Assurance Scheme FEMAS (UK); European Oil Industry Association Fediol (EU).

<sup>6</sup>. Soy Sustainability Initiatives: Round Table for Responsible Soy RTRS; Dutch Sustainable Soy Initiative – IDS; Dutch Task Force Sustainable Soy. Service providers: Local agro and legal consultants; IFC, FMO (Dutch development bank); Rabobank; Gvt extension and research institutions. Knowledge partners: ICONE (Brazil); FGV Fundacao Getulio Vargas (potential); INAI (Argentina); LEI/WUR.

## 2.2 Better Cotton Initiative (BCI)

BCI<sup>1</sup> is a multi-stakeholder initiative that aims to improve global cotton production for the benefits of farmers and producers, the environment, and the sector's future. Its primary long-term goal is to convert the majority of the world's cotton production to the "Better Cotton," a standard developed by members of the global cotton supply chain, and see mass-market adoption. Such adoption would increase financial profitability and improve work conditions for producers, reduce negative impacts on soil and biodiversity, and facilitate knowledge exchange as well as understanding and traceability along the cotton supply chain. In 2009, IDH, leading retailers and brands, and NGOs developed the "Better Cotton Fast Track Program," a demand-driven program that commits retailers and brands to invest in farmer support programs and procurement of mainstream volumes of Better Cotton until 2015. Implementing partners—all experienced BCI members, typically NGOs who often work with local partners—train and support farmers. In 2010–11, producers in Brazil, India, Mali and Pakistan harvested the first batch of Better Cotton.

BCI membership is open and is made up of producer organizations, civil society organizations, retailers and brands, suppliers and manufacturers, and associate members. Members elect a Council—equally represented by each member group—that makes decisions for the organization. The Council is supported by an Advisory Committee, made up of advisers who participate voluntarily and do not have to be members, and the BCI Secretariat, which has its head office in Geneva and supports regional offices that engage in building relationships with farmers and producer organizations, monitoring and evaluation, and promoting and facilitating the adoption of Better Cotton practices. Funders include the Swedish Postcode Lottery, the Swiss Confederation, Sida, World Wildlife Fund, IDH, ICCO, Rabobank. The latter three have created a special fund that matches up to 100% all investments by private partners.

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<sup>1</sup>. Information can be found at <http://bettercotton.org/about-bci> and <http://www.idhsustainabletrade.com/cotton>. A list of members can be found at <http://bettercotton.org/about-bci/bci-structure/members>.

## Better Cotton Initiative

**Objective:** The Better Cotton Initiative (BCI) is a **multi-stakeholder initiative** aimed at **market transformation** to ensure that cotton production worldwide is more sustainable economically, environmentally and socially based on the Better Cotton Standard (BCS). The initiative **aims to improve the livelihoods of 6 million farmers and their families by 2015**. The BCI was created in response to the environmental damage caused by cotton production and issues relating to high costs and low incomes. The Better Cotton Fast Track Program (BCFTP), launched by the Sustainable Trade Initiative (IDH), works to accelerate implementation of the BCS. BCI aims to **enable cotton farmers to produce 2.6 million metric tons of Better Cotton by 2015** through three main objectives:

- **Improving the sustainability of cotton production** reducing the use of pesticides and fertilisers, improving soil, water and habitat management.
- **Improving farmer livelihoods and reduce poverty through improving working conditions** based on the promotion of the International Labour Organization's Decent Work standards and increase farmer profitability.
- **Increasing commitment to and flow of Better Cotton throughout the supply chain**, working closely with supply chain actors and brands.

**Model Type:** Coalition

**Total Project Budget:** €38 million (field and organisational budget 2013-2018)

**Duration:** 2009 - ongoing

**Beneficiaries:** 1 million farmers

**Current locations:** Brazil, India, Mali, Mozambique, Pakistan and China

**Sector/Product:** agriculture / cotton

**Architecture:** BCI's membership includes producer organizations, civil society organisation, retailers and brands, suppliers and manufacturers, and associate members. The BCS, which was developed by BCI, is based on: production principles and criteria; farmer support and training; **supply chain development**; monitoring, evaluation and learning; farm assessments to promote **continuous improvements**; and ensuring that the right tools are available for implementation. BCI has a fully developed monitoring and evaluation system that includes commercial and developmental indicators relating to decent work outcomes and environmental sustainability. The BCFTP is a private-public partnership that supports implementation of the BCS (see project template for BCFTP). Total 2012 investment is €10million (€6 million in the field and €4 million for BCI global operations), of which 40% came from BCI private sector members. The BCI trains implementing partners (usually a local NGO or private sector organisation) on the BCS who then train farmers. BCI also licences Better Cotton producing farmers.

**Key activities** include: farmer support, training and standard verification; measuring impacts at the farm level; engaging and supporting cotton supply actors from producers to major retailers, including strengthening producer organizations; establishing a central digital repository of cotton bales to ensure traceability, thus strengthening authenticity of the brand and working towards stabilising the market; and creating sufficient demand for Better Cotton, as well as linking the Better Cotton standard to local and national government policies and relevant departments.

### Impact:

- **Increased number of farmers producing Better Cotton and higher production levels:** 125,000 farmers participating in Better Cotton projects with 90,000 licensed to produce Better Cotton (2011/12 season). Farmers in Mali, Pakistan and India saw on average 5 to 20% higher yields compared to farmers without Better Cotton support.
- **Improved traceability in supply chain and increased participation in BCI:** Centralized Bale Tracking System developed (2010). BCI membership grew from 25 in January 2010 to 250 in October 2012. Projects in Pakistan, India, Mali and Brazil have been extended. In 2012, China started producing Better Cotton. A new partnership with the Mozambique government was established.
- **Project Expansion:** BCI's new expansion phase includes targets of 9 million hectares under BCS, improved livelihoods of 5 million farmers, 4 million tonnes of BCS cotton in supply chain and 100% organisational sustainability by 2020.

**Insights:** The BCI is working to ensure the long term sustainability of gains in the cotton sector. BCI's long term strategy is to **encourage national ownership of the BCS** by shifting training and certification processes to national level

organizations through a decentralized approach. The eventual goal is for the **cotton industry to take over the costs of implementing the BCS**. The BCI is also working to bring Better Cotton to the US. It is **one of the few trade-related private partnerships that aims to work in both developing and developed countries**. It is also working to engage corporations in developing countries that supply domestic demands and move past European and North American retail companies.

**Sources:** BCI (2012); IDH (2011); personal communications with BCI and IDH staff

### 2.3 World Cocoa Foundation (WCF)

Through economic and social development and an emphasis on environmental stewardship, WCF<sup>1</sup> works at the local and global levels to promote sustainability throughout the cocoa supply chain in 15 cocoa-producing countries. Founded in 2000 and based in Washington, DC, WCF is an international membership organization that represents more than 90 member companies—or 80% of the global corporate market—across the supply chain. It currently has four flagship programs: Global Cocoa Fellowships, ECHOES (Empowering Cocoa Households with Opportunities and Education Solutions), the African Cocoa Initiative and the Cocoa Livelihoods Program. The latter is showcased in this report. These programs strengthen communities in Africa, Southeast Asia and the Americas, with the input and activities of a variety of partners, including government agencies, international institutions and non-profit organizations.

WCF's officers and staff build partnerships between small farmers, governments and organizations and work with international donors to support programs, agricultural research, and training and education. Partnership meetings and roundtable sessions bring members and partners together to discuss experiences, lessons learned, innovations and potential new programs. WCF then works through public-private partnerships that bring together these actors and draw on their experience, expertise and influence help achieve its goals of ensuring a sustainable supply of quality cocoa that benefits farmers and consumers, empowering farmers to help develop prosperous cocoa-growing communities and promoting sustainable production practices.

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<sup>1</sup>. All information available at <http://worldcocoafoundation.org/about-wcf/history-mission>, <http://worldcocoafoundation.org/our-work> and <http://worldcocoafoundation.org/category/knowledge-center/partnership-meetings>. For lists of members and partners, see <http://worldcocoafoundation.org/about-wcf/partners> and <http://worldcocoafoundation.org/about-wcf/partners>.

# Cocoa Livelihoods Program

**Objective:** The World Cocoa Foundation's Cocoa Livelihoods Program (WCF-CLP) is working to **double the income of 200,000 smallholder, cocoa-growing households in West and Central Africa**. Committed to sharing benefits throughout the cocoa supply chain, the WCF-CLP aims to ensure sustainability of supply and empower farmers to foster prosperous cocoa communities. The program works to improve:

- **Market efficiency and capacity** of farmers and farmer organizations.
- **Production and quality** of cocoa at the farm level.
- **Farmers' competitiveness** on diversified farms.

**Model Type:** Coalition  
**Total Project Budget:** US \$40 million  
**Duration:** 2009–13  
**Beneficiaries:** ≈200,000 smallholder households and 36 farmers' organizations  
**Locations:** Cameroon, Côte d'Ivoire, Ghana, and Nigeria  
**Sector/Product:** Agriculture / cocoa

**Architecture:** The program is a **partnership** between: the Bill & Melinda Gates Foundation, which contributes \$23 million (donor); 16 private sector cocoa industry partners,<sup>1</sup> that contribute \$17 million in cash and in-kind support (international buyers); cocoa farmers and farmer organizations (developing country suppliers); and national governments and NGOs such as SOCODEVI (implementing and technical partners).<sup>2</sup> These actors work together on a **steering committee** which sets targets and provides technical advice and oversight for the program. On strategy, industry partners have most voting power. NGOs primarily provide insight and ask/answer questions.

**Key activities:** The program, premised on **training and capacity building**, focuses on professionalizing farmer organizations (recordkeeping, operating and cash budgets, leveraging resources) and **training in good agricultural practices and business skills**; increasing access to inputs; providing financing mechanisms for improved access to credit; and the creation of business service centres. The project is implemented through a division of labour by implementation actors, which play crucial roles on the ground. For example, SOCODEVI implements professionalization of farmer organizations to achieve **goals of marketing, efficiency, competitiveness and quality improvement** while the German Agency for International Cooperation works to improve farmer business skills. With phase I of the program ending in 2013, the program will transition into phase II, focused on the gradual decrease of donor funding, increase of industry and government funding, and the transition of implementation duties from NGOs to national extension agents with curriculum geared to long-term sustainability.

## Impact:

- **Marketing efficiency, competitiveness, and quality improved.** 36 farmer organizations, representing 12,500 members and growing, were trained in good governance practices, financial recordkeeping, expansion of membership, and strengthening commercial relationships. Farmers have increased access to improved varieties and better quality agro-inputs and have seen higher profits from cocoa and other diversified crops.
- **Farmer capacities improved and more services available.** Farmer Business Schools were established. Over 151,000 farmers have been trained in good agricultural practices, farm management and annual household budgetary planning and nutritional needs. Over 6,100 farmers have received access to credit to purchase agricultural inputs. 11 Business Service Centers were established through PPPs to provide credit, market information, training and agricultural supplies.

**Insights:** The multi-stakeholder **steering committee** provides oversight that results in flexible strategies to increase incomes and learning. Knowledge sharing and coordination occurs through country-team and technical meetings. A **grant-matching** scheme introduced in 2011 puts onus on national governments and industry partners to assume responsibility for long-term sustainability and poverty reduction. While the division of labour on the ground allows implementation actors to capitalize on expertise, coordination challenges still exist. One of the benefits of the transition to national extension services will be the improvement of overall partner coordination, strengthening services. Other main **lessons learned** include the important role women play in reaching goals, since women are mostly responsible for livelihoods in households and provide roughly 45% of cocoa farm labour and 85% of food crop labour; the value of holistic approaches to farmer support given they improve resiliency and crop diversity; and the importance of

supporting farmer aggregation, as it improves relationships with partners and service delivery. Strengthening all aspects of the value chain implies long term vision and actions, as results in yields and empowerment takes time. In phase II, WCF is interested in developing a knowledge platform to share best practices.

**Sources:** WCF (2012a,b); SOCODEVI (2012b); personal communication with WCF and SOCODEVI staff

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<sup>1</sup>. Industry partners are the Hershey Company, Kraft Foods, Mars Inc., ADM Cocoa, Barry Callebaut, Blommer Chocolate Company, Cargill, Armajaro Trading, Ecom Agrocacao, Guittard Chocolate Company, Noble Resources, Olam International, Petra Foods Ltd., See's Candies Inc., Starbucks Coffee Company, and Transmar Commodity Group.

<sup>2</sup>. The program is managed by WCF and implemented by Agribusiness Systems International-ACDI/VOCA, the German Agency for International Cooperation (GIZ), SOCODEVI and TechnoServe, Ghana Cocoa Board (COCOBOD), Côte d'Ivoire Agence Nationale d'Appui au Développement Rural (ANADER), and Cameroon National Board of Cocoa and Coffee (ONCC).

- *Cotton Made in Africa*

## Cotton Made in Africa

**Objective:** The Aid by Trade Foundation's (AbTF) Cotton Made in Africa (CmiA) initiative seeks to **improve the incomes and livelihood conditions of African cotton farmers and their families and contribute to environmental protection by promoting sustainable farming methods**. Approximately 8% of cotton is from Sub-Saharan Africa where it is almost **exclusively grown by smallholder farmers**. International clothing retailers join the CmiA's **Demand Alliance** to maintain and increase demand for African cotton. They benefit through the purchase of good-quality cotton, by promoting sustainability and boosting the authenticity of their products. All garments from CmiA receive a woven label and a large tag if they meet **standards in growing and processing**.

**Architecture:** The CmiA standard sets out parameters for sustainable cotton production. Cotton must be grown in rain-fed cultivation with effective, responsible use of pesticides and fertilizer, and harvested by hand. Farmers and companies must comply with CmiA standards in growing and processing, including exclusion criteria (bans on slavery, human trafficking, exploitative child labour, and use of hazardous pesticides), farm- and gin-level sustainability indicators, and management criteria. The Aid for Trade Foundation, which will have received US\$60 million in public and foundation funding by 2015,<sup>1</sup> operates as an intermediary between the farmers and retailers, providing **organizational and financial support** to the initiative in project countries. CmiA partners<sup>2</sup> support the initiative with **co-financing, specialized expertise and buying CmiA at world prices**. Demand Alliance members also pay **licence fees** (about €0.02-0.08 per piece depending on the volume) to the AbTF for the right to produce garments labelled "CmiA." This supports **agricultural training courses** (organized by companies and financed by governments and organizations) and **community projects** (often in cooperation with companies, governments, organizations, and local partners) such as primary education and adult literacy programs. Public support is aimed at filling funding gaps until the initiative is self-sustaining. EcoCert and AfriCert, **independent verification companies**, check every two years whether smallholder farmers and cotton companies are in compliance. Separately, impact monitoring is conducted to assess the long-term impact of CmiA on the social, ecological, economic, and food security aspects of farmers' families and on their local conditions.

**Key activities** include: **developing** strategic partnerships, **expanding** the Demand Alliance, **promoting the CmiA brand**, and developing a verification system. Farmer training and community projects are also carried out.

### Impact:

- **Higher number of farmers trained.** Over 480,000 farmers have been trained. Approximately 200,000 have been trained in basic and advanced technologies. Over 150,000 have been trained in proper use of pesticides.
- **Improved life conditions, higher yields and higher incomes.** Education and training have led to better yields, increased incomes, and more concern with workers' rights, health and safety. In Benin, yield increases of up to 14% have led to related income increases of about 35%.
- **Growth in sales and improved project sustainability.** There has been an increase from 440,000 garments in 2007 to 10,000,000 garments in 2010. Over 15,000,000 sales are forecasted for 2012. Over the long term, increased sales will mean a **greater proportion of license fees**, which fund training and projects.

**Insights:** Poverty reduction is driven by the **rise in demand** based on the **steady growth of the Demand Alliance**. To **increase demand**, intermediaries can promote the verification system and the CmiA's social, economic, and environmental dimensions. Intermediaries can also maintain the global sourcing unit that ensures constant availability of CmiA and educate value chain actors. A key challenge is that development agencies do not support marketing in developed countries, even though selling sustainably produced cotton is what ultimately benefits farmers and the initiative most.

**Sources:** CmiA (2012a,b,c,d,e,f); NORC (2011); personal communication with CmiA staff

**Model Type:** Coalition  
**Total Project Budget:** n/a  
**Duration:** 2005–2015  
**Beneficiaries:** 450,000 smallholder cotton farmers, approx.. 3 million including their families (2012)  
**Location:** Benin, Burkina Faso, Côte d'Ivoire, Malawi, Mozambique, Zambia, Zimbabwe  
**Sector/Product:** agriculture /cotton

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1. Funders included the Bill & Melinda Gates Foundation, the German development bank GED and the German Ministry for Economic Cooperation and Development (BMZ). During phase I (2008–12), US\$32 million has been invested (Gates Foundation 75%, BMZ 25%). Phase II (2013–15) will see US\$28 million invested (Gates Foundation 60%, BMZ 20%, Aid by Trade Foundation 20%). The Aid by Trade Foundation's licensing fees will play a bigger role during this phase.

<sup>2</sup>. Private sector partners are 1888 Mills, Accenture, Accuracy, Avery Dennison, ethicaexpert, Licona Wien, McCann Erickson, Otto Group, REWE Group, Tchibo, and TOM TAILOR Group. Partner NGOs and Foundations include Alterra (Universität Wageningen), Bill & Melinda Gates Foundation (funder), Nature and Biodiversity Union, Social Accountability International, North Rhine-Westphalian Foundation for the Environment and Development, Welthungerhilfe, and World Wide Fund For Nature. In addition to public sector funders, German Agency for International Cooperation (GIZ), which operates on behalf of BMZ, is also a partner. Partner companies are Cargill Zambia, Dunavant S.A., Faso Coton, ICA Talon, Ivoire Coton, Plexus/Great Lakes Cotton Company.

### 3. Annex: Company-led

# BrandAID Project<sup>1</sup>

**Objective:** BrandAID Project, founded in 2009, is an integrated marketing company whose mission is to **bridge the gap between consumers and artisan microenterprises** in developing countries. It does this by **designing commercially viable collections, applying modern branding and marketing, and launching them to major retail distributors in North America and Europe.** Recognizing that talent and product potential that exists in developing countries, BrandAID works with artisans, designers, ad agencies and others to establish and brand products for sale in the global marketplace, which **adds value and creates demand.**

<b>Model Type:</b> Company-led
<b>Total Project Budget:</b> n/a
<b>Duration:</b> 2009 - ongoing
<b>Beneficiaries:</b> artisans
<b>Location:</b> global
<b>Sector/Product:</b> Artisanal / handicrafts

**Architecture:** BrandAID (buyer and implementing organization) partners with international and local designers and artisan microenterprises,<sup>2</sup> and marketing/advertising agencies such as J. Walter Thompson (in-kind contributors). BrandAID makes money by selling the products it purchases from artisans through major retailers. **Artisans are paid a significantly higher percent (36%) of wholesale pricing than is the norm.** Their new designs attract higher prices per piece compared to what they typically produce. Marketing and branding materials are produced on their behalf and used to showcase their work online (at brandaidproject.com) and in stores. This helps set them up for **sustained business and orders from retailers, buyers and designers.** In order to create demand for products, BrandAID issued a challenge to leading advertising agencies to use their skills and specialized talents to create brand and marketing assets for artisan groups which **helps create demand for their products and boost their price value.** Six leading ad agencies rose to the challenge. BrandAID has also secured well-known sponsors and media partners, such as Dior and Vanity Fair, to support different stages of the project. It has also received legal advice from Baker & McKenzie, a leading global law firm, on a pro-bono basis, regarding the registrability of proposed trademarks for artisan products sourced from developing countries. BrandAID receives grants from donors and foundations. To assist in the post-earthquake reconstruction efforts in Haiti, BrandAID received a grant from the Clinton Bush Haiti Fund. It has also received support from the Canadian International Development Agency (CIDA) to work in partnership with the Trade Facilitation Office of Canada on rebuilding the private sector in Haiti through export activities. This includes launching 9 artisan brands into the global marketplace, initially launching a new collection and integrated program in the UK's leading department store, Selfridges. BrandAID is also a member of UNESCO's Global Alliance for Cultural Diversity.<sup>3</sup>

**Key activities:** The project model is based on a four-stage development cycle. First, BrandAID seeks out promising, near **market-ready artisans** with assistance from artisan associations, NGOs, and design and development networks. Second, it **connects artisans and artisan communities with advertising and design agencies** to produce distinct marketing and brand materials. BrandAID also pairs up master artisans with accomplished designers to co-create new products and collections. In the third stage, new collections are developed that combine traditional designs with contemporary aesthetics. Brands are identified and marketing materials such as logos, videos, digital content and print collateral, are developed by ad agencies. This work is then showcased to progressive retailers, designers and BrandAID buyers. Finally, BrandAID establishes retail and sales programs that make use of marketing techniques such as in-store merchandising, online advertising, and social media. Importantly, **BrandAID creates marketing themes to generate maximum consumer awareness and interest and media coverage.** The collection launched in the UK is called VoduNuvo, based on the truth and beauty of real Voodoo.

## Impact:

- **Product development:** BrandAID has contributed to the creation of new collections, including VoduNuvo, Croix-de-Bouquets and Carnival Jakmè. The VoduNuvo collection comprises over 50 new products including home textiles, furniture and décor products, as well as artefacts and lighting. Croix-de-Bouquets and Carnival Jakmè are the result of BrandAID's collaboration with two Haitian communities, namely the metal artists of Croix de

Bouquets, and paper mâché crafters of Jacmel respectively. UNESCO has recognized Croix-de-Bouquets with its Award of Excellence.

- **Sales:** BrandAID has contributed to increased global demand for Haitian crafts. It has secured a contract with Selfridges in the UK to sell the Vodunuvo line. The Croix de Bouquets works can be found in galleries round the world and retail for between CAD \$100 and \$1,000. The average price of Carnival Jakmè products is roughly \$500. BrandAID is in discussions about extending its collection to multiple retail outlets in the UK, Ireland, Holland and Canada through the Weston Retail Group. It is also approaching leading US retailers with the Vodunuvo collection and working with Cirque du Soleil on a design and product test at their flagship store.

**Insights:** BrandAID has been successful in soliciting **in-kind contributions** from corporate players in the marketing and design industries. It has received significant media coverage and endorsements by partnering with high powered individuals and companies and working with major retailers such as Selfridges and Macy's. This coverage has enabled BrandAID to garner further support, including from CIDA. The artisans working with BrandAID prefer a market-driven model. BrandAID sees this added value, market driven model as key to ensuring its sustainability. Another important element of BrandAID's work is developing distinct and compelling brand identities – in the form of work marks, logos and marketing materials – which is important for building their reputations and value for both consumers and buyers. BrandAID showcases artisans' brands and stories on its website, helping to increase their visibility in the market.

**Sources:** Houpt (2009); The Globe and Mail (2010); Canada (2011); BrandAID (2012); CIDA (2012); personal communication with BrandAID staff

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<sup>1</sup> See also the Heart of Haiti information sheet. BrandAid Project contributed to this initiative following the earthquake in 2010.

<sup>2</sup> These include Patty Johnson, Serge Jolimeau, Jean Paul Sylvaince, Ronald Jeudy, Gerard Dume, Rachel MacHenry, Axelle Liautaud, and Cameron Brohman.

<sup>3</sup> The Alliance aims to foster partnerships between private and public actors in cultural industries in developing countries. See <http://www.unesco.org/new/en/culture/themes/cultural-diversity/diversity-of-cultural-expressions/programmes/global-alliance-for-cultural-diversity/>

## Cocoa Partnership

**Objective:** The Cocoa Partnership (CP) encourages the development of thriving cocoa communities in Ghana. During the 2000s, production of traditionally high-quality cocoa in the world's second largest cocoa-growing country was declining due to difficulties such as pests, disease, and aging cocoa trees. This decline threatened the production of Cadbury's chocolate products. In 2008 the company aimed to address the root causes of the problem by attracting a new generation to cocoa farming and enhancing farmer productivity. Kraft Foods acquired Cadbury in 2010, rebranding the initiative, originally named the Cadbury Cocoa Partnership as the CP. The main goals are to:

- **Promote sustainable livelihoods** for one million cocoa farmers, particularly women and youth.
- **Increase crop yields sustainably** for farmers by 20% by 2012 and 100% by 2018.
- **Create new sources of income** in 100 cocoa-farming communities through business training and development, micro-businesses, and alternative crops.
- **Improve village life** by addressing key issues affecting the cocoa sector, including child labour, nutrition and health, gender equality, and environmental sustainability.

**Model Type:** Company-led  
**Total Project Budget:** US \$73 million  
**Duration:** 2008–18  
**Beneficiaries:** 1 million cocoa farmers, 200 cocoa-farming communities  
**Locations:** Ghana  
**Sector/product:** Agriculture / cocoa

**Architecture:** The CP brings together **Cadbury** and **Kraft (buyers)**, which have committed to source fair trade beans for chocolate products, **UNDP** which provides financial support (funder) and the **Fairtrade Foundation** (implementing partner), which educates communities about the benefits of Fairtrade certification. Through certification, cocoa producers are guaranteed a fair price for beans and farmers organizations receive an additional sum that is reinvested in communities. All partners joined together to develop the CP's governance structure and coordinate strategies that improve community mobilization and engagement. The CP is governed by **international and country-level boards** with different mixes of Cadbury/Kraft Foods senior management, government and UNDP officials, and representatives of NGOs and other organizations, including farmer associations. The Ghana Board guides and monitors the implementation of the program. **CARE**, **World Vision**, and **Volunteer Service Overseas** work on the ground with farmers and communities to develop community priorities for cocoa production, infrastructure development, environmental sustainability, and social development, and help farmers form farmer organizations that associate together in cooperatives. Licenced buying companies buy cocoa from farmers and then sell it to the **Ghana Cocoa Marketing Board (COCOBOD)**, a government institution that guarantees farmers a set minimum price provided quality standards are met. With support from the COCOBOD, NGOs' community extension officers offer free training and assistance.

**Key activities** include: expanding access to finance for farmers and entrepreneurs; provision of education opportunities and free training and technical assistance on increasing yields and improving quality; support for farmer aggregation; and infrastructure development. NGOs also work to develop **Community Action Plans**.

### Impact:

- **Higher capacity, yields and incomes.** More than 10,000 farmers in 100 communities and 55,000 members of the Kuapa Kokoo coop have already benefitted from training and access to farming inputs at reduced prices, with 100 more communities to benefit by the end of 2012. The goal of a 20% increase in yields has been reached. US\$5.5 million in premiums has been generated for farmers from sales of fair-trade products.
- **Improve business and social outcomes.** Education and empowerment programs have improved business skills and increased awareness about child labour and gender equality, enhancing socio-economic benefits. Approximately 20% of participating communities are run by **women**. Support has been provided for nearly **200 community-initiated development projects**, like solar panels and wells.

**Insights:** In addition to generating up to **\$350 million in additional revenues** for Kraft Foods, certification should lead to **increased premiums** for farmers, thereby reducing poverty. A three-year research project with think tanks and a

university has generated recommendations about addressing deteriorating soil quality, deforestation, and health threats. Investing in the supply chain now can increase productivity and profits while reducing the risk of higher costs and inadequate supply in the future. **Collaboration between partners, direct engagement with beneficiaries, and a focus on empowerment** ensures interventions and activities are appropriate according to context and needs. Lessons learned in Ghana will be applied to CP activities in cocoa-growing communities **elsewhere in Africa, Southeast Asia, and the Caribbean**.

**Sources:** BCtA (2010); Kraft Foods (n.d.); Yeatman (2012)

## Heart of Haiti

**Objectives:** Heart of Haiti refers to a 20,000 piece collection of Haitian artisanal goods sold by US retailer, Macy's. In the wake of the 2010 earthquake that devastated Haitian livelihood opportunities, the **project aims to provide Haitians with opportunities to earn a sustainable income.** The objectives of various partners supporting Heart of Haiti are to:

- **Ensure the sustainability and growth of sales of Haitian handicrafts** with retail orders from Macy's.
- **Create and expand long-term employment opportunities** for Haitian artists.

<b>Model Type:</b> Company-led
<b>Total Project Budget:</b> n/a
<b>Duration:</b> 2010–present
<b>Beneficiaries:</b> artisans
<b>Location:</b> Haiti
<b>Sector/Product:</b> Artisanal / handicrafts

**Architecture:** Heart of Haiti is and has been **supported by a number of organizations.** In 2010, the Clinton Bush Haiti Fund (funder) contributed a US \$174, 823 Program Related Investment (PRI) to Fair Winds Trading and a US \$48,000 grant to BrandAid (private sector implementing partners), both of which also provide in-kind support. The PRI to Fair Winds Trading supported a second phase of their **sales and marketing campaign for local artisans.** BrandAid used their grant to **rebuild workshops** following the devastating earthquake in 2010. The project also funded short-term warehouse rental space. Artists and implementing partners participate in the design, development and production of products. Macy's works with implementing partners on the design of products, bringing expertise on what their consumers want. Individual artisans (beneficiaries) are showcased on Macy's (international buyer) website alongside videos demonstrating how different products are made. Macy's **sells Heart of Haiti online and in 50 stores** across the United States.

**Key activities** include: **improving sales and marketing campaigns** for local artisans; **increasing employment opportunities**, particularly for women; **developing products** for sale in other retail outlets; rebuilding artisan workshops; and **technical support** in branding, marketing and distribution.

### Impact:

- **Higher incomes and expansion of employment opportunities.** Ten workshops were rebuilt. Artists receive half the wholesale price for each item in the collection, which ranges from US\$10–110 in price. The PRI to Fair Winds Trading sustains employment for 386 artisans and managers and provides secondary employment for another 177 people. In total, 835 artisans have benefited from the initiative. An additional 130 secondary jobs, in areas such as packaging, transportation, and casual labour, have been created. Taking into account the multiplier effect, the total impact of the project is approximately 5,600 jobs created.
- **Greater reach.** Building on the success of the first phase of this project where 20,000 products were designed, developed, produced and brought to market, benefiting some 2,100 people, Fair Winds Trading has expanded its efforts to an additional five communities. To date 30,000 units have been ordered. BrandAid has increased global demand for Haitian crafts and recently secured a contract with Selfridges in the UK to sell Haitian crafts.

**Insights:** The implementing partners involved in the Heart of Haiti collection line are for-profit businesses that operate based on a **business model that values partnerships, long-term relationships** and the role business can play in supporting economic empowerment of people and socially beneficial outcomes. Following the earthquake in Haiti, BrandAid was approached by Macy's to work in collaboration with their registered vendor, Fair Winds Trading, and put together a collection of products, obtain orders, fill them and do business with artisans as soon as possible. In **two months they filled an order of 20,000 units for 25 Macy's stores and their online presence.** BrandAid invested in the collection knowing that it would not be a long term relationships because Fair Winds Trading owned the relationship with Macy's. Nevertheless, they participated because it meant work for Haitians when they really needed it. Fair Winds is also changing the nature of its work and exiting from its role as middleperson between producers and retailers to playing more of a consultancy role on supply chains and market access. Haitian producers will become direct vendors to Macy's.

**Sources:** Clinton Bush Haiti Fund (n.d.[a,b]); Fair Winds Trading (2012); personal communication with BrandAid staff

## Rwanda Path to Peace Project

**Objective:** Through trade, the Rwanda Path to Peace project seeks to **put income directly into Rwandan women’s hands and empower them to take an active role in shaping their future.** The project brings together 2,500 basket-weavers in Rwanda and a buyer, U.S. retailer Macy’s. Following the 1994 genocide Rwanda’s population was nearly 70 percent women. Many faced uncertainty and turned to their weaving heritage. Noeleen Heyzer, Executive Director of UNIFEM (now UNWOMEN), initiated the project in 2002 in partnership with American businesswoman Willa Shalit, who was part of the UN delegation exploring economic opportunities for women in the country. UNIFEM made initial contacts with the Rwandan government and AVEGA (Association des Veuves du Génocide d’Avril), an organization of widows of the genocide. Shalit worked with Rwandan weavers and American partners, then in 2005 founded the Paths to Peace project. Refusing a charitable cheque from Macy’s, Shalit explained that her intention was to help create **a sustainable business backed by a corporation.**

<b>Model Type:</b> Company-led
<b>Total Project Budget:</b> n/a
<b>Duration:</b> 2005–present
<b>Beneficiaries:</b> 2,500 weavers
<b>Location:</b> Rwanda
<b>Sector/Products:</b> Artisanal/baskets

**Architecture:** The weavers are organized locally in **small weaving groups** in the many rural villages; every group consists of Hutu and Tutsi women from **both sides of the conflict.** Husbands help out by caring for children, harvesting raw materials, and transporting finished baskets. Each basket takes weeks to weave. AVEGA supports the project. Baskets are only available at Macy’s Herald Square store in New York and online at macys.com. To facilitate the production process, Shalit created Fair Winds Trading and sent its president to live in Rwanda to teach weavers about quality control and repetition of sizes and shapes. Designs have changed according to consumer preferences. Gahaya Links, which started operations in 2004 with 27 women and in 2012 has over 4,500 artisans in more than 40 cooperatives across Rwanda, provides training and coordinates production for export. The Africa Growth and Opportunity Act allows products to enter the U.S. market duty free.

**Key activities:** In addition to the initial **training** of weavers to enhance weaving techniques and **ongoing consultation** about designs, which continue to change according to consumer preferences, Fair Winds Trading and Gahaya Links engage in daily business activities, like administration, improving technology and keeping up with consumer tastes. Macy’s continues to provide a high-end outlet for Rwandan weavers.

### Impact:

- **Poverty reduction and improvements in peoples’ lives.** Sustainable long-term employment opportunities are created. In 2009, 3,000 weavers were benefiting from the initiative. Earnings are used for food, clothing, school supplies, water purification, healthcare, and personal savings. Cases of malaria have dropped since weavers can afford mosquito nets. Medical insurance has become available and affordable. Earnings allow HIV-positive weavers, who are less stigmatized by their communities because they earn an income, to better meet their nutritional needs and increase the effectiveness of their medications. It is also reported that there have been reductions in domestic violence, as husbands embrace wives’ incoming-earning capabilities with dignity and appreciation.
- **Increased sales of and demand for baskets:** Macy’s first ordered 30,000 baskets, which sell for between \$35 and \$120. The initial 2005 collection sold out quickly and gained national media attention in the United States. Marie Claire magazine, for instance, published a story and orders could be placed through the magazine. Sales grew to in 2007 substantially from the first year. Weavers can earn up to US \$10 a day, or between \$14 to \$40 per basket for an average per capita annual income of \$206. About one third of the retail price goes to the weavers (2007 figures, according to the *New York Times*).

**Insights:** Impacts indicate that this model works to significantly reduce poverty in households with weavers. With tens of thousands of baskets sold, the project affects tens of thousands of lives—the **baskets are the largest non-agricultural export in Rwandan history.** Baskets, the styles of which change continually, continue to be sold at Macy’s and online, suggesting that the model is sustainable. Partnering with a major retailer creates a new market in a developed country

for locally produced goods from a developing country. US department stores Kate Spade, Anthropologie, and Same Sky have also agreed to sell handicrafts. Fair Winds is also changing the nature of its work and exiting from its role as middleperson between producers and retailers to playing more of a consultancy role on supply chains and market access. Rwandan producers will become direct vendors. Challenges for coordinators include suggesting design changes to weavers, securing strong materials, and exploring alternatives to woven products.

**Sources:** Ellis and Lillian (2012); Fair Winds Trading (n.d.); Gahaya Links (n.d.[a,b]); Macy's (n.d.[a, b]); Seymour (2007)

## Tim Hortons Coffee Partnership

**Objective:** The Tim Hortons Coffee Partnership supports small-scale coffee farmers to **build sustainable coffee communities through improved farming practices and the more efficient production of higher quality coffee**. The partnership supports communities by taking a balanced approach across economic, social and environmental areas. The partnership:

- Enables farmers to **earn a better living** through training for improved farming and business practices;
- **Empowers youth** and supports improved education; and
- **Builds capacity** to enable farmers to adopt more environmentally sound and sustainable farming practices.

**Model Type:** Company-led  
**Total Project Budget:** n/a  
**Duration:** 2005 – ongoing  
**Beneficiaries:** 2500+ farmers and their communities  
**Location:** Brazil, Colombia, Guatemala, and Honduras  
**Sector/Product:** agriculture / coffee

**Architecture:** The partnership includes Tim Hortons (funder and buyer), the Hanns R. Neumann Stiftung Foundation (HRNS), Tri-Nation Commission of the Trifinio Plan (TCTP), Junior Achievement (JA) (implementing partners) and Control Union Certifications, an independent third party verifier that assesses progress against 32 key performance indicators across the pillars.<sup>1</sup> The approach involves **grassroots projects** that work directly with farmers, local coffee organizations and NGOs. HRNS is responsible for overall execution of the projects from identifying new project communities and beneficiaries of the program, to implementing the technical assistance components of the partnership. With HRNS, JA supports the social pillar by educating students about entrepreneurship and financial literacy. HRNS and the TCTP are implementing a management plan aimed at improving the sustainable use of water resources. The partnership includes five different projects: The Trifinio Region (Guatemala (1), Honduras (2)), Colombia (1) and Brazil (1). Tim Hortons plays an active role in guiding the partnership and working with partners. Farmers participating in the project are not beholden to Tim Hortons and can sell their coffee to whomever they choose.

**Key activities** include: support for **technical skills development** to improve quality and quantity of coffee produced, and improve environmental practices, provided directly to farmers; farmer aggregation to **reduce costs** and improve bargaining power; **farmer self-assessments and group evaluations** on how their businesses are performing and continue to improve; consultation with farmers on costs and benefits of various certification models; support for **physical infrastructure**, such as coffee drying patios; and support for youth and education programs as well as supporting housing improvements and health initiatives.

### Impact:

- **Improved farming practices and productivity.** 95% of project farmers had a farm management plan in place in 2011. An average of 3,021 hectares of land have been under environmentally responsible management from 2009-2011. In 2011, 80% of water was recycled and/or treated on project farms. All project farmers did not use banned pesticides in 2011. Farmers participating in the project have doubled their productivity. Over 2005-2010, 2,542 farmers have participated in the partnership. The partnership has also established new farmer organizations in Guatemala and Brazil.
- **Improved social and economic outcomes.** In Guatemala, 180 primary and middle school students participated in a pilot education project. In Colombia, 160 students participated in an environmental education program and a biology, chemistry and coffee quality lab was created at a school in Santa Maria, Huila, benefiting 400 students. The partnership also supported a family micro-credit program in the region that enabled participants to invest in their farm and other income-generating activities. In Brazil, the partnership supported programs for over 600 students in rural areas.
- **Sales.** Tim Hortons is preparing to launch a 100% traceable and verified whole bean line of coffee in its restaurants in 2013. The coffee will be sourced 100% from participants in the Coffee Partnership.
- **Project expansion.** Tim Hortons is now looking to scale up the Coffee Partnership by working with other companies, governments, NGOs and other stakeholders in the coffee supply chain.

**Insights:** In preparation for the Coffee Partnership, Tim Hortons researched various certification schemes and surveyed restaurant owners and customers to see what they knew about fair trade coffee. Based on this assessment, Tim Hortons concluded that their Coffee Partnership would not use a certification scheme, but rather, would support farmers through a **holistic approach based on economic, social and environmental pillars**. Working at the grassroots level with farmers and communities, and focusing on youth, aligns to Tim Hortons' approach to sustainability and responsibility in Canada where it supports children's camps and sports teams in local communities. While the Coffee Partnership began more as a philanthropic endeavour, Tim Hortons is working with farmers to **increase the amount of coffee it sources** from participants in the partnership.

**Sources:** Tim Hortons (2012a; 2012b); personal communication with Tim Hortons staff.

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<sup>1</sup> Includes, for example, indicators like total coffee sold, income generated at farmer organizational level, compliance with ILO standards, hectares of land under environmentally sustainable management.

## 4. Annex: NGO-Business Alliance

## Project Nurture

**Objective:** The project aims to **double the incomes of more than 50,000 fruit farmers in Kenya and Uganda and provide sustainable local sourcing for Coca-Cola**. The company seeks to more than double its total daily servings and triple its global juice business by 2020, and so is working with smallholder farmers to source enough juice to meet these targets. The **main goals** are to:

- **Build capacity** to increase quantity and quality of fruit, improve productivity, and meet international standards for export.
- **Incorporate farmers into global value chains**, strengthen fruit value chains, and help farmers gain access to new domestic and foreign markets.

**Model Type:** Business-NGO alliance  
**Total Project Budget:** US \$11.5 million  
**Duration:** 2010–13  
**Beneficiaries:** More than 50,000 farmers  
**Locations:** Kenya and Uganda  
**Sector/Products:** agriculture / mangos, passion fruit

**Architecture:** In **partnership** with TechnoServe and the Bill & Melinda Gates Foundation, the Coca-Cola Company launched Project Nurture as a four-year project. Coca-Cola provided \$1.5 million worth of in-kind contributions, including infrastructure investment, technical expertise, and fruit purchases, while its East Africa business unit provided \$4 million. The Bill & Melinda Gates Foundation provided \$7.5 million. Technoserve (implementing partner) leads on **local engagement** and **mobilization of farmers**. It identifies existing or new smallholder farm collectives called Producer Business Groups to strengthen farm networks, increase the effectiveness of training programs, and improve market interactions. **Financial institutions** working with the project provide financial services.

**Key activities:** The project is premised on leveraging the strengths of each partner to offer **training programs** in person and through the distribution of crop management guides, facilitate **access to credit**, and help farmers **access inputs and sustainable market channels**. Technoserve provides business and governance training to **strengthen business groups** to allow farmers to sell fruit collectively and improve their bargaining power. Through these groups, Technoserve facilitates training sessions for farmers. Guidebooks provide technical support in agronomic practices and crop husbandry. To create sustainable demand, the project facilitates **relationship building** between farmers and stakeholders of four major market channels: exporters, high-end market consolidators, open-air market traders, and processors. A **monitoring and evaluation system** measures results compared to baseline data and identifies successes and opportunities for improvement.

### Impact:

- **Farmers trained and quantity of fruits processed increased.** By the end of 2011, 36,722 farmers had been trained and more than 13,550 metric tons of fresh fruit from participating farms were sold. Local juice processors were advised on technical and business requirements to meet international standards and encouraged to invest in facility upgrades. In late 2010, Minute Maid Mango Nectar became the first Coca-Cola product in Kenya to use locally sourced juice puree from a processor whose production facilities were upgraded and approved for use as a direct result of the project.
- **Greater market access and selling power.** Relationship building is possible because of improved capacity of farmers, who are increasingly ready for export and local market interactions. Through the project, many **women farmers** have gained a market for their fruit.

**Insights:** The project serves as a **test of an inclusive business model** designed for replication in other markets. A new five-year \$9.5-million partnership intended to double the incomes of 25,000 Haitian mango farmers, the Haiti Hope Project, is based on the Project Nurture model. **Long-term sustainability** was a consistent fundamental consideration during the planning and implementation phases. The project reached many farmers, many of who were women, but did not reach the goal of 50,000 beneficiaries. Most fruit in Kenya and Uganda is sold in local markets, but processors and export markets are **opportunities for growth**.

**Sources:** The Coca-Cola Company (2011); OECD (n.d.b); TechnoServe (n.d.)

## PROMEXPORT I and II

**Objective:** The project aims to **improve the livelihood conditions in the San Luis Planes region through rural entrepreneurial development.** It links 800 Honduran coffee farmers of the Montana Verde Cooperative with Van Houtte, Quebec's largest coffee retailer. The main goals of the project include:

- **Job creation and increasing family revenues** for 400 small producers through direct access to international markets.
- **Improving management and administrative capacity** of the cooperative and achieve Fair Trade certification by 2005.
- **Improving quality** through better harvest and post-harvest practices.

<b>Model type:</b> NGO-Business Alliance
<b>Total Project Budget:</b> n/a
<b>Duration:</b> 2001–04/2004–08
<b>Beneficiaries:</b> farmers
<b>Locations:</b> Honduras
<b>Sector/product:</b> agriculture / coffee

**Architecture:** The project was conducted in two phases. The first phase was supported by the US Department of Agriculture and the second by the Canadian International Development Agency (CIDA) (donors). CARE Enterprises contributed CAD\$61,000 trade finance and CAD\$300,000 grant over 2001-08 (donor and implementing partner). Private sector partners included Van Houtte, Kenn Gabbay Coffee Importers, San Luis Montana Verde Cooperative and Café Bermego. During PROMEXPORT I, the project focussed on farming techniques and best practices. PROMEXPORT II focused on building capacity of Montana Verde to process, export and market coffee to Canada.

**Key activities** include: identification of high potential good quality coffee producing areas; technical and administration training; implementation of administrative and financial processes required to export coffee under Honduran laws; creation of special coffee fertilizer for the region; obtainment of commercial and health permits; preparation and implementation of a strategic plan and business plans; and initiation of an integrated quality system.

### Impact:

- **Improved production capacity and higher incomes.** Montana Verde Cooperative grew from 52 members to a larger cooperative, incorporating four additional cooperatives. 200 metric tonnes of coffee were exported each year over 2001-2006 and coffee producers' annual income increased by approximately 30%. Fifty direct jobs created.
- **Infrastructure and business development.** Road repair occurred surrounding the cooperative. A new processing plant opened for exports and the internet was installed at the San Luis Plans treatment plant. A village bank, administered by producers themselves, was established to offer coffee producers financial services. Movement occurred up the value chain from cherry buyer to green coffee processor to exporter. A business plan was developed and an export permit acquired.
- **Community development.** An electrical system was installed in villages near the cooperative.

**Insights:** The company has historically operated with very little working capital, with CARE funding many core activities in the company such as management's salary, training and debt repayment. Limited access to financial services made it difficult for the coop to achieve market diversification goals. Fluctuations in international coffee prices also meant the coop did not achieve business operation liquidity and capitalization and at times, small farmers had significant losses owing to the fixed low price negotiated with importers. In addition, more work was still needed to strengthen the management capacities and business autonomy of the coop. As a result, CARE's exit plan included technical and financial follow-up actions. A key lesson learned is that in the event the smallholder enterprise does not have a competitive, well managed structure and consolidated capital and assets, it should not negotiate under a fixed price model, especially given the volatility of the coffee market. Challenges also existed when there were considerable differences in individual production capacity across producers and decisions were taken jointly by all members.

**Sources:** CARE Canada (2006); William Davidson Institute (2010); CARE Canada (2010); Van Houtte (2012); internal CARE evaluation document

## Women's Empowerment on the Road to Export Markets

**Objective:** This initiative aims to benefit women artisans in regions in Bangladesh where many experience limited access to marketable skills, profitable markets and support services, and live in extreme poverty. It also works to address challenges faced by small and medium-sized enterprises (SMEs) at the heart of the export industry for home decor, textiles and crafts, by creating access to markets and services. The initiative aims to:

- **Incorporate artisans into an international value chain** for home décor, textiles and craft products;
- **Connect more than 1000 women workers and a handful of SMEs with export markets** mostly in Europe.
- Develop a sustainable model for **decentralized inclusive export-market supply chains and rural sourcing**, centered on value chains that can potentially help diversify Bangladesh's export portfolio; and ultimately,
- **Create employment and income opportunities** of millions of poor women.

<b>Model type:</b> Business-NGO Alliance
<b>Total project budget:</b> n/a
<b>Duration:</b> 2008 - ongoing
<b>Beneficiaries:</b> women and local SMEs
<b>Location:</b> Bangladesh
<b>Sector/product:</b> artisanal / home decor, textiles, crafts

**Architecture:** The initiative is supported by a partnership between KikTextilien (international buyer, funder [US \$350,000]), Systain Consulting Ltd (Kik's local compliance agency), CARE Bangladesh and a local entrepreneur, Classical Handmade Products Ltd., experienced in export market trade. In order to provide women with employment opportunities that take advantage of their artisanal skills, the **local entrepreneur invested in the project** and established an enterprise. The entrepreneur is responsible for administrative and operations management, ensuring that orders from Kik are met on time and meet quality standards, and maintaining compliance in factories for protecting worker rights and privileges. Systain links the entrepreneur and Kik and provides quality control support. Kik procures rugs and baskets from the enterprise at periodic intervals. CARE Bangladesh is responsible for **mobilizing extremely poor women, facilitating training, co-investing** with project funds to assist the entrepreneur with training costs, and **monitoring the progress** of women as dignified wage earners over a six month time period. Since 2008, Kik has invested close to €500,000 into the business, focusing on **expansion of the inclusive business model** and the **provision of sustainable health-service delivery systems** for workers and their families and communities.

**Key activities** include training for women and assembling raw materials and machinery. During the 2 months of specialized training women received on making rugs using handlooms according to buyer specifications, they were provided an allowance.

### Impact:

- **Improved skills, better jobs and increased incomes:** Training allows rural women to acquire market demand-driven skills to produce products that qualify for export markets. Many of the women participating in the project used to work in agriculture for long hours, receiving daily wage rates that were roughly half of that of their male counterparts. Women now have increased incomes from BDT 500 to BDT 3,500-4,000 on average per month (roughly US \$50-55). They are usually paid on the basis of the number of units of product they produce. Some workers who have been able to acquire greater dexterity, earn up to BDT 8,000 to 10,000 per month (roughly US \$95-120).
- **Community Benefits:** KIK has given back roughly €270,000 of its profits from sales to support health service delivery systems. CARE Bangladesh will facilitate this process through health camps where people will be able to access free health consultations and treatments, and training on nutrition and hygiene.
- **Increased assets and household expenditures:** About 50% women purchase small pieces of land, seedlings, saplings, livestock, trees, and other productive assets that are contributing to their household incomes. Women are investing in their children's education, health, nutritious food, and sometimes husband's businesses.
- **Project Expansion:** An additional unit was established in 2009 comprising 20 more extreme poor women. Based on the success of the project, Kik has invested roughly €300,000 through other local entrepreneurs for new units in new areas. CARE Bangladesh continues to partner with Kik in areas such as mobilizing women and training. Kik has only been able to meet demand from five of its outlets out of a possible 600. With support from the UK, USAID and others, CARE will further expand the creation of production units.

**Insights:** The initiative has transformed women's social standing who now enjoy greater decision making, voice and participation in society. **Decentralization of industries can help create more jobs** for marginalized women, who can earn dignified incomes, remain closer to home, and avoid insecurity and vulnerabilities in urban contexts. Dependency on a single entrepreneur can prove somewhat risky. If the enterprise shuts down, women may find it hard to find work, but their acquired skills base is a good recourse. **These programs are best designed in partnership with a consortium of large and small enterprises**, so that there are ample work orders from a multitude of buyers, multiple investment sources, healthy competition backed-up by mutual interests of consortium members, and sufficient alternatives for women workers. **The social perspective of entrepreneurs is critical**, particularly in terms of protecting the rights and privileges of workers, and ensuring that they get a fair share of the price of products sold. While donor funds can help set up such models, **ultimately investments from social entrepreneurs and international buyers can serve as the driving force for scaling up** this approach to rural sourcing and employment/income generation.

**Sources:** CARE Bangladesh (n.d.; 2011a; 2011b); personal communication with CARE Bangladesh staff

## 5. Annex: NGO-led

## Ten Thousand Villages

**Objective:** Ten Thousand Villages' (TTV) mission is to **create opportunities for artisans in developing countries to earn income by bringing their products and stories to markets through long-term, fair trading relationships.** As a **fair-trade organization**, the business operates based on fair trade principles as defined by the World Fair Trade Organization (WFTO) of which it is a founding member. TTV sources from Africa, South and Southeast Asia, Latin America, Caribbean and the Middle East, benefiting approximately 60,000 people in over 26 countries (2011).

**Architecture:** TTV in the United States was a **program** of Mennonite Central Committee (MCC) since the early 1970s (TTV was named SELFHELP CRAFTS before 1996), but in June 2011 TTV became its **own entity.** TTV Canada remains a MCC program that works in partnership with TTV in the United States. Artisans are approached through the WFTO and other groups. MCC can also introduce TTV to artisans. TTV Canada operates 45 **stores** across nine provinces staffed by employees and volunteers, hosts 100 **Festival Sales** (staffed exclusively by volunteers) each year, and has an **online sales channel.** All sales revenue is retained by TTV and **surpluses** are used to finance the growth of the TTV retail network and increase purchases from artisans.

**Key activities:** TTV works to **build relationships, develop partnerships, determine fair prices, and pay for product up front.** It initiates relations with artisans and seeks to understand their culture, needs, and skills. TTV works primarily with those who are unemployed, underemployed, disadvantaged, and lack assistance. It sometimes trains them to enhance their techniques and provides design input to help artisans meet the needs of the Canadian marketplace. Artisans have a voice in determining what they believe to be fair pay: purchase prices are mutually agreed upon. TTV then sends an advance of 50% of the price when an order is placed with an artisan group, which allows artisans to purchase raw materials without going into debt. TTV pays the remainder of the price when products leave their country of origin for Canada. TTV bears the risk and artisans do not need to wait until their items sell in stores to receive payment. TTV stores in North America provide information on artisans to tell their stories and increase interest in their products.

### Impact:

- **Sustainable, fair wages.** TTV has ongoing relationships with and purchases products from artisan groups. Combined United States/Canada results in FY 2010 were \$40.9 million in sales and 13.5 million in purchases. Yearly purchases by TTV Canada amounted to \$3,778,021 in FY 2010, a slight improvement from \$3,230,967 the year before despite the global economic slowdown. Although TTV absorbs losses at times to pay artisans fairly and consistently, it invests in quality control before an order is placed to limit such occurrences.
- **Improved business practices.** Many artisan groups are umbrella organizations for numerous family workshops or handicraft cooperatives. Fair wages allow them to develop business models that incorporate women's empowerment, workplace and environmental standards, education opportunities, and various social programs. Seventy percent of artisans are women and increased earning power creates new opportunities for children to go to school.

**Insights:** Partnerships with TTV are more than normal trade relationships. **Long-term relationships** with artisans and **consistent purchases** are helping to reduce poverty and increase business sustainability. A business that seeks out the **unemployed** and those with **no marketing connections** can make real differences in both cases. A focus on handicrafts keeps **traditional practices** alive and people from having to **migrate for work.** In addition to **fair wages** that positively change the lives of women and children in particular, **improved business practices** can improve economic prospects for communities as a whole. **Telling artisans' stories** through printable fact sheets at the register works doubly as an educational tool and a marketing feature. Challenges include **maintaining capacity** to provide design input to meet market demands, collaborate with artisan groups, and train the poorest of the poor.

**Sources:** Ten Thousand Villages (2011a,b,c); personal communication with Ten Thousand Villages staff

**Model Type:** NGO-led

**Total Project Budget:** \$13.5 million in purchases from artisans (FY 2010)

**Duration:** Early 1970s–present

**Beneficiaries:** 101 artisan groups

**Locations:** Global

**Sector/Products:** artisanal / handicrafts, textiles, household goods, etc.

