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CENTER on GLOBALIZATION, GOVERNANCE & COMPETITIVENESS

Public-Private Partnerships in Global Value Chains: Can They Actually Benefit the Poor?

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Ajmal Abdulsamad

Duke University
Center on Globalization, Governance and Competitiveness

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Overview

- Public-Private Partnerships for Development: Key Trends
- The Three Cases:
  - The Cocoa Sector in Indonesia
  - The Horticulture Sector in Kenya
  - The Coffee Sector in Rwanda
- Key Takeaways & Conclusions

Public-Private Partnerships for Development: Key Trends

- Private capital & trade flows
  - GVCs as **80% of world trade**
  - Valued-added trade **30% of GDP in developing countries**
  - **Consolidation** within GVCs in fewer, larger suppliers

- Proliferation of PPPs over the last 15 years
  - **Business desire** to commit to social and environmental causes
  - **Traditional development** approaches questioned

Public Private Partnerships for Development: Key Trends

- Diverse approaches to PPPs
  - Micro-level (challenge funds); sector level (Sustainable Trade Initiative); macro-level (Aid for Trade)
  - US$20 billion, 1,600 PPPs by USAID's Global Development Alliance

- Little understanding of the development impact
  - Not informed by the local, regional, global industry context
  - Lacking partnership specific monitoring & reporting
  - Questions of 'additionality'

Case 1: The Cocoa Sector in Indonesia

Agribusiness Market and Support Activity Program (AMARTA) 2006-11

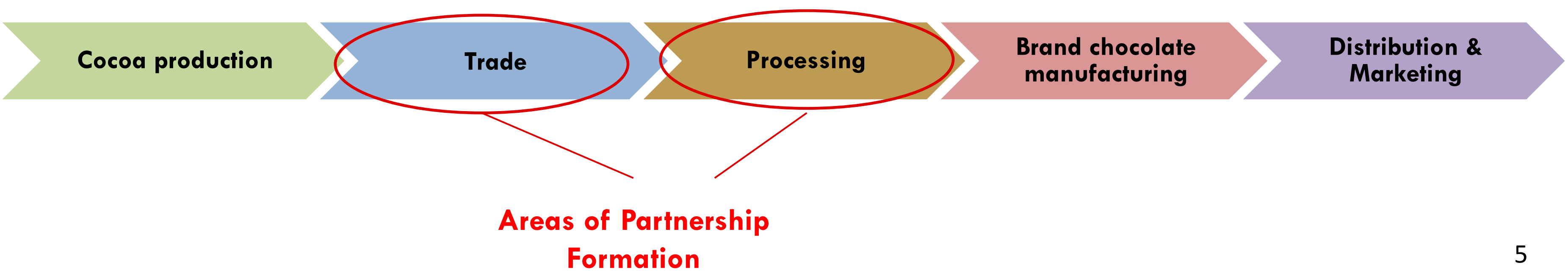
Issue:

- Lacking investment incentive at the farmgate level
- Tiers of local traders (~1.4 million farmers)
- Farmgate quality control lacking market signals

Partnership Intervention:

- Improve productivity and quality by altering the local chain organization
- Quality linked to premium payment

- **Partners**: Blommer Chocolate Co. and Olam International



Case 2: The Horticulture Sector in Kenya

Kenya Horticulture Development Program (KHDP) 2003-09

Issue:

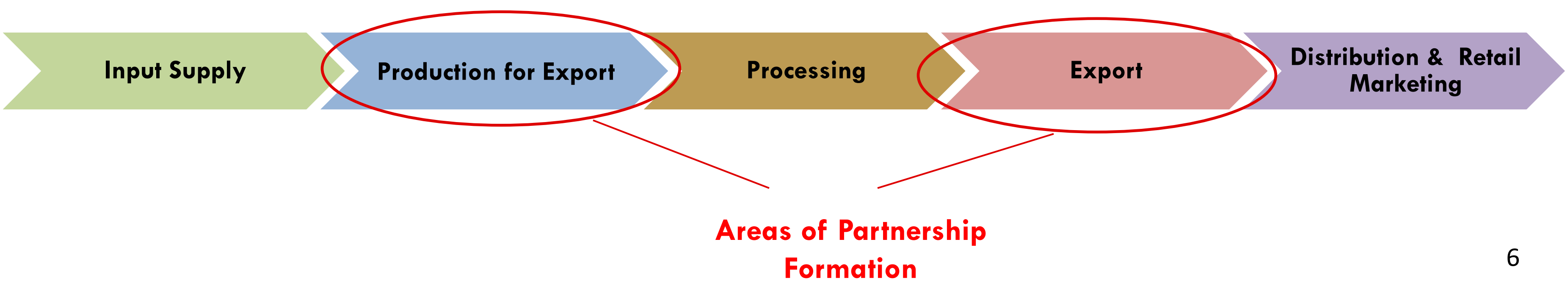
- Threat of non-compliance to buyer requirements (EurepGAP)
- Reduction in exports
- Smallholder exclusion

Partnership Intervention:

- Subsidize initial investment cost

  → reduce compliance cost-burden on smallholders

- **Partners**: 86 partnerships with Kenyan firms, smallholder groups, NGOs, and public agencies



Case 3: The Coffee Sector in Rwanda

Sustaining Partnerships to Enhance Rural Enterprise and Agribusiness Dev. (SPREAD) 2006-11

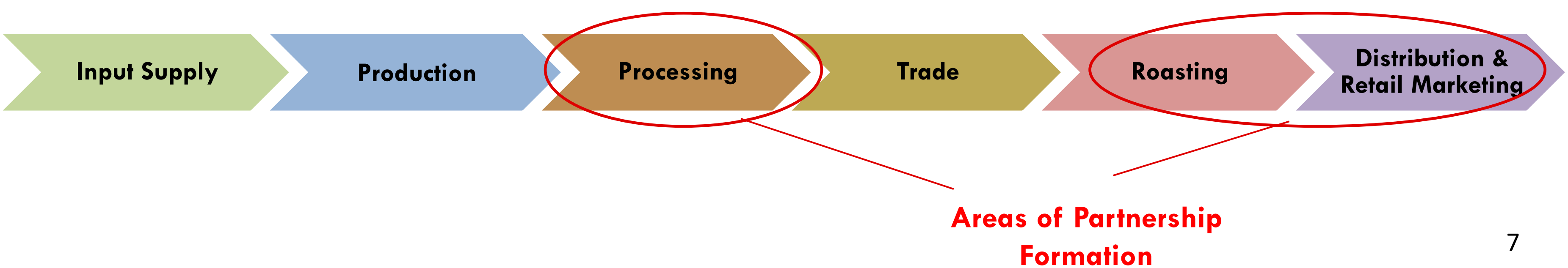
Issue:

- Low productivity and declining commodity coffee prices
- Competitive pressure ; large producing countries, e.g. Brazil & Vietnam

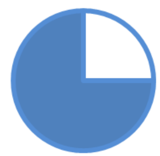
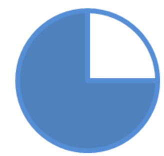
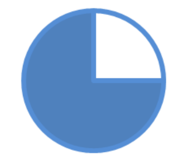
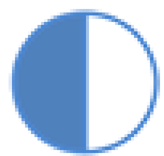
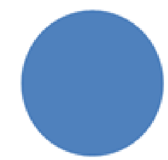
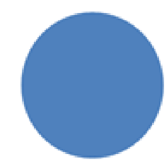
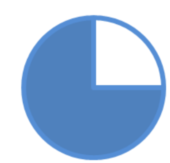
Partnership Intervention:

- Support local processing infrastructure and local chain organization; vertical market linkages → Cup of Excellence and branding

- **Partners**: Rwandan Smallholder Specialty Coffee Company (RWASHOSCCO) & specialty roasters (*Community Coffee, Counter Culture, Intelligentsia and Stumptown*)



Partnership Outcomes

Indicator	Cocoa	Horticulture	Coffee
Productivity			
Income			
Sustainability			
Scale			

Public-Private Partnerships: Key Takeaways

- PPPs **positively impact growth at the industry level** through increased investment, output, and export

- Economic gains at the industry level, however, **do not automatically lead** to smallholder, or producer household, level economic benefits

- Value chain relationships reflect **power asymmetries;** partnerships with individual firms run the **risk of reinforcing** the existing power asymmetries

Public-Private Partnerships: Key Takeaways

- Certification costs often fall to the producer, **remarkably increasing production cost** of smallholders

- PPPs subsidizing certification costs can facilitate **moderate increases** in farmer income; this is **only possible when farmers are paid price premiums,** often not guaranteed

- This goes against the **general notion** that **economic benefits** will automatically follow the certification of quality **compliance requirements**

Conclusions: Key Conditions for Development through PPPs

- Engage **powerful firms and national governments** in less developed countries to **establish a vision of inclusive, equitable and sustainable development**

- Effective PPPs require collaborative strategies **tailored to particular circumstances** in which countries and communities find themselves

- Recognize the new form of **global industrial organization** and promote **transparency** of the distribution of **value added** along the value chain

- Support **analytical capacity** of less developed countries and be a **convener** in a new system of global governance

Thank You

Ajmal Abdulsamad
E-mail: ajmal.abdulsamad@duke.edu

Center on Globalization, Governance and Competitiveness
Duke University