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

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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)
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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

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