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Governance &
Competitiveness



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Microlinks Seminar #18

Can Public-Private Partnerships Actually Benefit the Poor?





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Gary Gereffi

Center on Globalization, Governance & Competitiveness

Gary Gereffi is Professor of Sociology and Director of the [CGGC at Duke University](#). He received his B.A. from the University of Notre Dame and his Ph.D. from Yale University. Gereffi has published numerous books and articles, including: [Brazilian Industry in Global Value Chains](#) (Portuguese and English) (Elsevier, 2014); [Shifting End Markets and Upgrading Prospects in Global Value Chains](#) (special issue of the *International Journal of Technological Learning, Innovation and Development*, 2011); [Global Value Chains in a Postcrisis World: A Development Perspective](#) (The World Bank, 2010); and [The New Offshoring of Jobs and Global Development](#) (International Institute of Labor Studies, 2006). He has recently completed a three-year project on economic and social upgrading in global value chains, financed by the [UK Department for International Development](#), and he is currently working on global value chains in emerging economies and new methodologies for measuring value chain upgrading.



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Ajmal Abdulsamad

Center on Globalization, Governance & Competitiveness

Ajmal Abdulsamad is a researcher at the CGGC, Duke University. He received his M.A. in International Development Policy from Duke University and has over 13 years of experience working for international development organizations and the United Nations. As a development practitioner in Afghanistan, he has led multidisciplinary teams in the formulation and implementation of several projects, including advice and capacity-building support to stakeholders ranging from community development councils at the village level to high-level government officials at ministries of the Afghan Government. His recent research work at CGGC includes: “Realizing the Potential of African Agriculture: Innovations Across Agricultural Value Chains,” implemented in partnership with Oxfam America; “Burundi in the Agribusiness Value Chains: Skills for Private Sector Development,” sponsored by the World Bank; and “Private Sector Engagement as a Poverty-Reduction Strategy,” funded by USAID.



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Shawn Stokes

Center on Globalization, Governance & Competitiveness

Shawn Stokes has over ten years of experience in research, evaluation, and project management. Since 2009, he has worked as a research analyst with the CGGC at Duke University, where he applies the global value chain framework to a wide array of topics ranging from sustainable fisheries to wetlands restoration and ecosystem services.

Shawn received his B.S. in International Business from the College of Charleston, and his Master's in International Development Policy from Duke University. As a Peace Corps volunteer in Ecuador, he promoted small business development of value-added products made from organic coffee. He has written several policy papers, including an analysis of youth gang violence in Panama for USAID's *Alcance Positivo* program. Much of his recent work has focused on inefficiencies in food and agricultural value chains, including those of Mexican wild caught shrimp, Brazilian beef, Iowa corn, and Louisiana oysters.

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

**Gary Gereffi, Ajmal Abdulsamad, and Shawn
Stokes**

January 29, 2015

Center on Globalization, Governance & Competitiveness (CGGC)
Duke University

Overview

Part I. Global Value Chains and Development

- Economic Globalization & Development: Key Trends
- Global Value Chains: A Systemic Approach

Part II. Public-Private Partnerships: Case Study Findings

- Research Objective & Methodology
- Brief Overview of Three Public-Private Partnership Cases
- Key Takeaways

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Global Value Chains and Development

Economic Globalization & Development: Key Trends

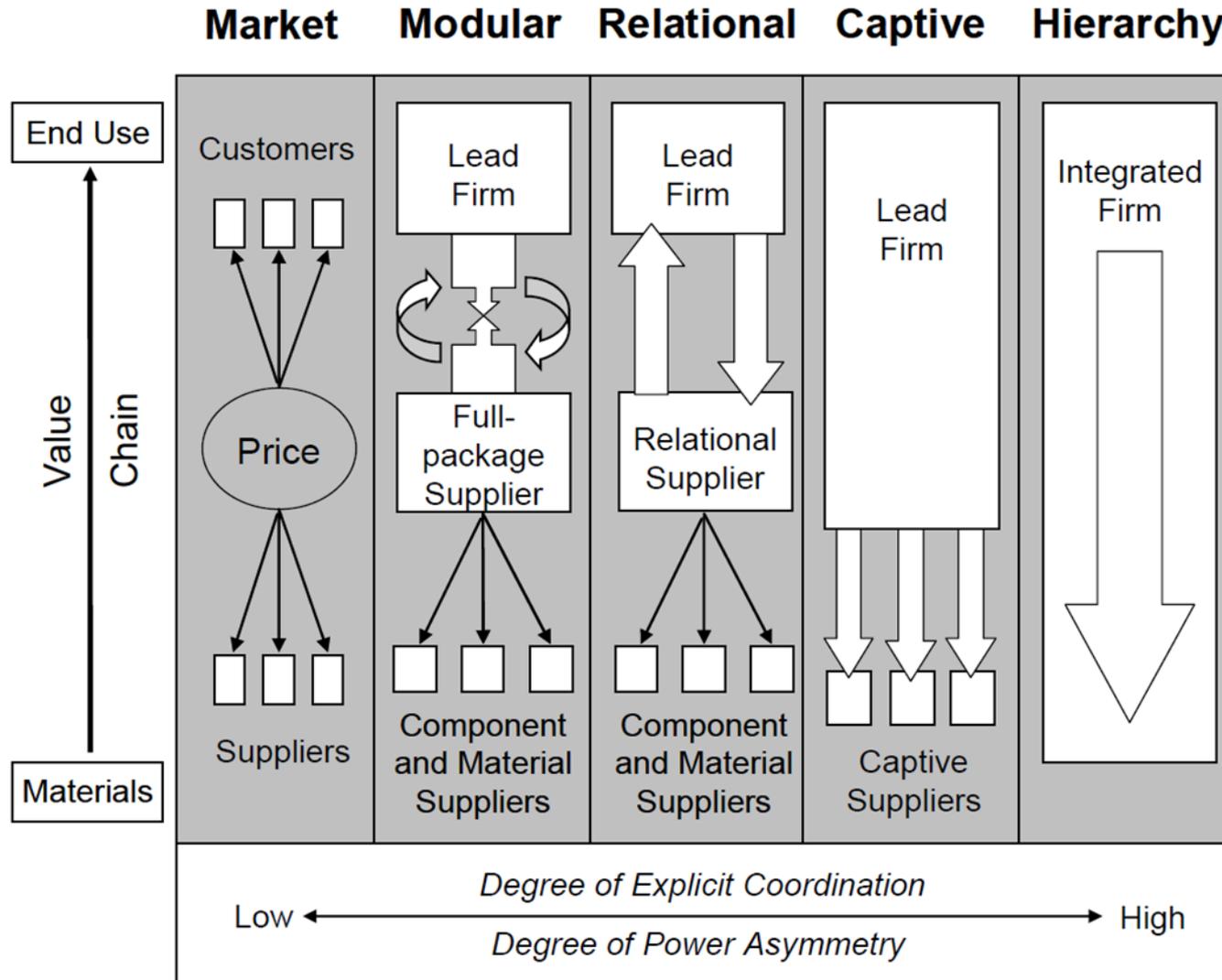
- Trends
 - GVCs as **80% of world trade** (UNCTAD, WIR 2013)
 - Valued-added trade **30% of GDP in developing countries**
 - **Consolidation** within GVCs in fewer, larger suppliers
- Implications
 - **More opportunities** for public-private partnerships (PPPs)
 - **Challenges** for small firms and smallholders
 - **Economic upgrading** ≠ **Social** upgrading

Global Value Chains: A Systemic Approach

Global value chain (GVC) analysis provides both conceptual and methodological tools for examining the global economy.

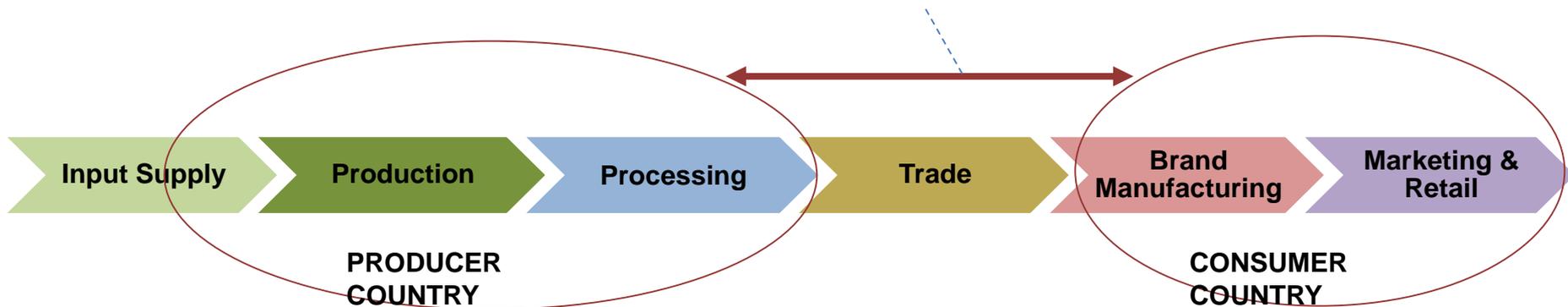
- **Top-down:** a focus on lead firms and inter-firm networks, using varied typologies of industrial “governance”
- **Bottom-up:** a focus on countries and regions, which are analyzed in terms of various trajectories of **economic and social** “upgrading”

Global Value Chains: Actor Relations & Governance Typologies



Global Value Chains: Three Relationship Categories & PPPs

2. Local-global vertical relationships (Key Actors: **global traders/processors**)



3. Upstream horizontal relationships (Stakeholders: **Local lead exporters**, institutions, producers, service providers, civil society organizations)

1. Downstream horizontal relationships (Stakeholders: **brand manufactures & retailers**, institutions, civil society organizations)

- Relationship categories represent varied **commercial interests**
- Important to identify, develop and sustain **PPPs**

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Three PPP Case Studies

Research Objective & Methodology

Objective:

Examine three main concerns related to PPPs:

- The alignment of business and pro-poor development interests;
- The actors and institutions that determine how the system works; and,
- The outcomes that can be achieved.

Methodology:

Case identification in three phases:

- Export-oriented agricultural value chains
- Mapping donor PPP programs
- Identified 135 PPP cases and categorized them based on the nature of intervention

The Cocoa Sector in Indonesia:

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

Indonesia:

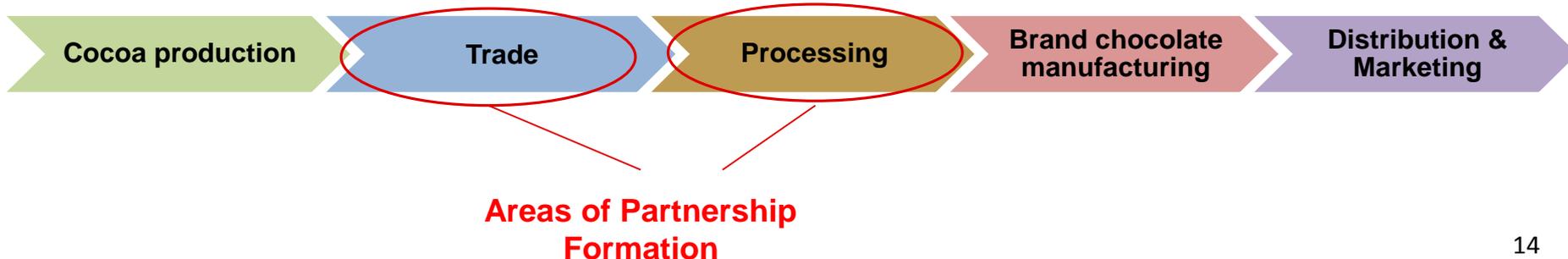
- World's third largest producer; not a traditional large exporter; beginning in 1980s
- Tiers of local traders (~1.4 million farmers) → farmgate quality control lacking market signals

Changing GVC Governance:

- Transition from market to modular in downstream; regulated markets to captive relations upstream
→ long-term secular decline and short-term volatility in market prices

Partnership Intervention:

- Promote integrated local supply chain → quality linked to premium payment
- **Partners:** Blommer Chocolate Co. and Olam International



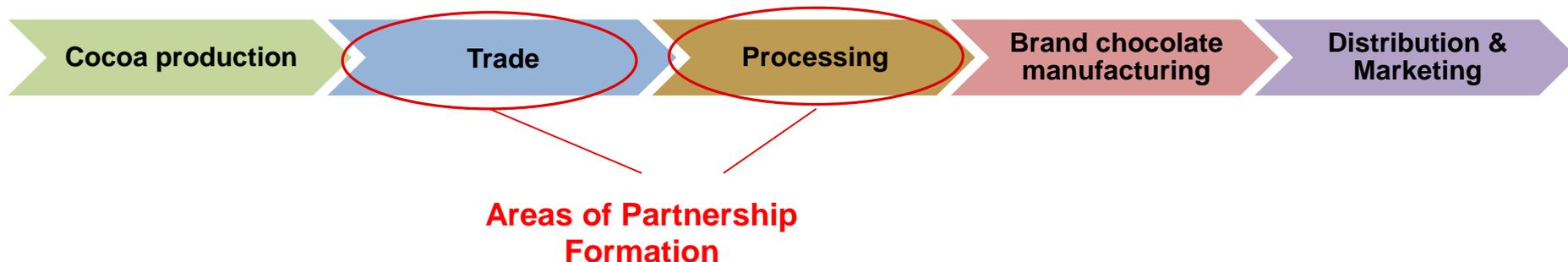
The Cocoa Sector in Indonesia: *Outcomes and Sustainable Inclusion*

Outcomes:

- Yields increased by 27%
- 22,500 farmers received US\$0.15-US\$0.47/kg
- 62,000 cocoa valued at US\$138 million purchased through partner buying stations

Sustainable Inclusion: **Low**

- Premium not guaranteed
- High price volatility → premium erosion
- 22,500 vs. ~1.4 million farmers



The Horticulture Sector in Kenya:

Kenya Horticulture Development Program (KHDP) 2003-09

Kenya:

- An African success story
- Long established horticulture export industry; decades of export experience

Changing GVC Governance:

- Shift from market-based to modular (Retailers & Exporters)
- Retail concentration, EurepG.A.P. standards & certification

Partnership Interventions:

- Subsidize initial investment cost
→ reduce compliance cost-burden on smallholders
- **Partners:** 86 partnerships with Kenyan firms, smallholder groups, NGOs, and public agencies



**Areas of Partnership
Formation**

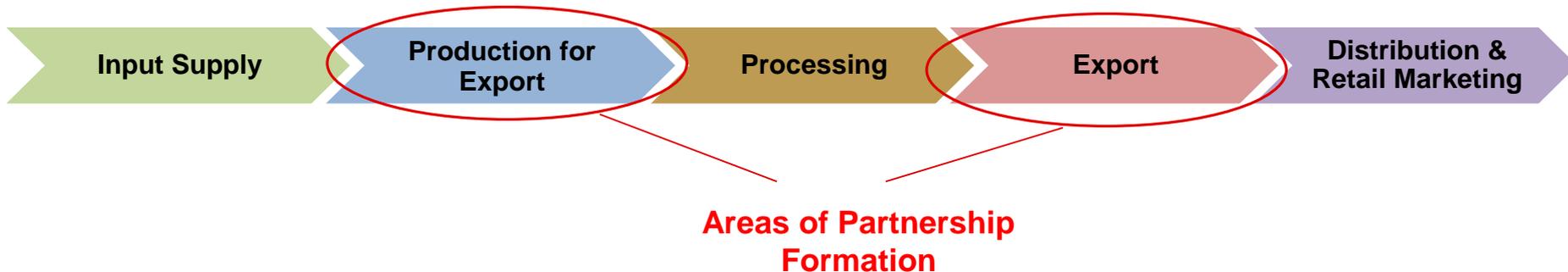
The Horticulture Sector in Kenya: *Outcomes and Sustainable Inclusion*

Outcomes (multiple partnerships):

- Yields increased by 100%
- Leveraged \$10 million investment production & processing segments
- 58,000 beneficiaries adopted one or more technologies
- 2,350 farmers received EurepG.A.P. certification

Sustainable Inclusion: Medium

- Production cost not linked to price premium
- Stringent quality requirements
- 60% of certified smallholders opted out
- Off-farm employment



The Coffee Sector in Rwanda:

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

Rwanda:

- A small country; high population density; post-conflict situation
- Ideal climatic conditions (Arabica coffee)

Changing GVC Governance:

- Transition from market to relational
- Specialty market > Certified market; → Higher market price; lower compliance costs

Partnership Interventions:

- 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*)



**Areas of Partnership
Formation**

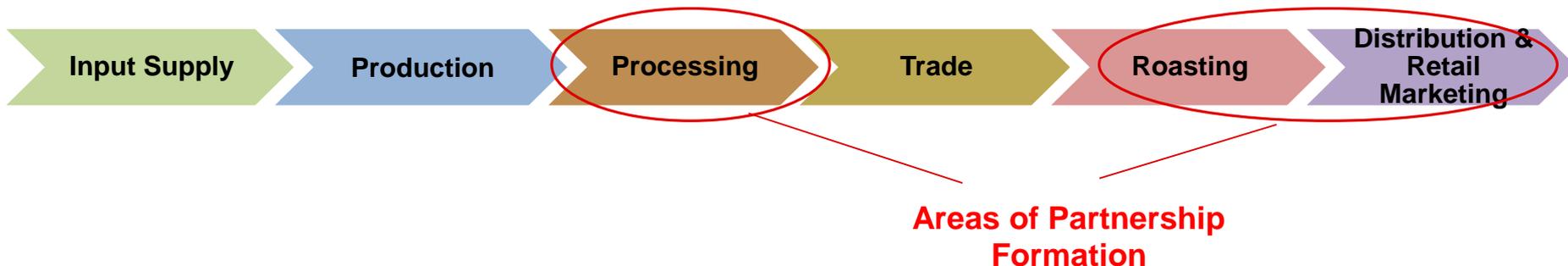
The Coffee Sector in Rwanda: *Outcomes and Sustainable Inclusion*

Outcomes:

- Number of coffee washing stations increased 246%
- Exports grew from 32MT to 5,800MT
- Share of specialty coffee exports grew to 29%
- Share of retail price increased from 10% to 23%
- ~40% price premium over Organic/Fairtrade
- Income grew 82%; poverty fell 17%

Sustainable Inclusion: High

- Minimal compliance cost
- Guaranteed premium
- Rwanda as a new origin brand



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**

Key Conditions for Inclusive Development through PPPs

- Promote **affordable certification schemes**; cost-benefit of certification to smallholders depend on **appropriate and guaranteed** premium price payments
- Be mindful of power asymmetries in value chains. Firms positioned at **different segments of the value chain** have **varied commercial incentives** for pro-poor outcomes
- Help smallholders develop **productive capabilities** necessary to respond to dynamic markets
- Support **non-farm income sources** (in processing plants and packinghouses) through appropriate **skills training** and bargaining power essential to **protect worker rights.**

Necessary Conditions for Inclusive Development through PPPs

Conditions	Actors' Role		
	Public	Private	Donors*
Smallholders' innovation response capacity	√	√	√
Affordable certification	√	√	
Standard-related premium price guarantees		√	
Bargaining power vis-à-vis large buyers	√		
Appropriate skill set**	√		√
Protection of workers' rights**	√		

*Convening capacity and targeted financial support through long-term & flexible funding mechanisms

**For agricultural related off-farm employment, for instance, in packinghouses and processing plants.

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