Models for Trade-Related Private Sector Partnerships for Development

*Presentation by Shannon Kindornay*

Donor Committee for Enterprise Development

2013 Annual Meeting

Based on a research report written by Shannon Kindornay and Kate Higgins with Michael Olender

Governance for Equitable Growth program

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• Three themes
  • Governance for Equitable Growth
  • Fragile and Conflict-Affected Fragile States
  • Governance of Natural Resources

• Aid and the Private Sector
  • Investing in the business of development
  • Trade-related private sector partnerships for development
Introduction

Context

• Declining aid
• Aid for trade
• Increasing focus on the private sector as a partner in development
Key Findings

• Hybrid partnership models for sustainable development
• Motivations, roles and comparative advantage varies across actors creating opportunities and challenges
• Monitoring, evaluation and better communication of results needed
• Spectrum of market-based approaches with varying impact exists
• Scalability and replicability potential varies across models
• Partnerships could be better linked to the broader trade and policy context
Methodology

Project Inclusion

- 30 projects
- Criteria: buyer, seller, development intermediary

*Figure 1: Project Criteria*
Key Activities

• Improving quality (26 projects)
• Improving productivity (all projects)
• Training or technical support (all projects)
• Improved business models (23 projects)
• Added value explicitly targeted (13 projects)
• Fair trade, organic or other certification (20 projects)
• Services or programming beyond improving export capacities (15 projects)
Roles of Donors

- Specific initiatives and *ad hoc* support
  - 15 projects “donor-led”
  - Van Houtte, CARE, Honduran coffee farmers
- Financial and advisory support
- Risk sharing
- Leveraging core business practice and supporting innovative business models
- Convener and knowledge sharing
  - Bill & Melinda Gates, UK-Sweden knowledge sharing platforms
Role of Private Sector Partners

- Funders and buyers
  - All cases

- Implementing partners
  - Tim Hortons
  - Biotropic

- Governance (coalition)
  - Cocoa Livelihoods Program – Steering Committee
  - Sustainable Trade Initiative

- Establishment and promotion of industry standards

- Creating demand
  - Macy’s Heart of Haiti and Rwanda Peace Baskets
Figure 2: Hybrid Model for Trade-Related Private Sector Partnerships for Development

**Public Sector Contributions:**
- Direct funding for partnerships / project components
- Indirect funding through core contributions to civil society implementing partners
- Development expertise, knowledge sharing
- Facilitates networking opportunities and establishment of partnerships
- Participation in governance and standard setting mechanisms

**Private Sector Contributions:**
- Project funding and implementation partners
- Advocacy and promotion of industry standards
- Commercial expertise, knowledge sharing
- Facilitates market development and networking opportunities for local partners
- Participation in governing and standard setting mechanisms

**Civil Society Contributions:**
- Project funding and implementation partners
- Advocacy, human rights defenders, watchdogs
- Development expertise, knowledge sharing
- Facilitates community involvement
- Participation in governing and standard setting mechanisms

**Sustainable Development**

*Economic development* including improving productive capacity, incomes and livelihood opportunities

*Social development* including support for community initiatives, education, health care and gender equality

*Environmental protection* including reduced use of agricultural inputs (fertilizer, pesticides, water) and conservation efforts
Challenges: Expectations

- Speaking the same language?
- Sainsbury and Twin

**Table 1: Conceptualizing Sustainability in Trade-related Private Sector Projects**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Project Sustainability</td>
<td>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.</td>
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<tr>
<td>Sustainable Results</td>
<td>Refers to results that continue following the development intervention.</td>
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<tr>
<td>Sustainable Supply</td>
<td>Refers to international buyer(s) securing access to more and often better quality inputs.</td>
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<tr>
<td>Sustainable Supply Chains</td>
<td>Refers to creating sustainable procurement mechanisms by improving supply chains from both social and environmental perspectives.</td>
</tr>
<tr>
<td>Sustainable Demand</td>
<td>Refers to the creation of sufficient demand to ensure long-term stability of commercial and development outcomes.</td>
</tr>
<tr>
<td>Environmental Sustainability</td>
<td>Refers to the mitigation of negative and enhancement of positive environmental outcomes that occur as a result of various stages in the value chain.</td>
</tr>
</tbody>
</table>
Challenges: Motivations and Comparative Advantages

*Opportunities derived from shared interests and comparative advantage*

**Private Sector**
- Securing supply and meeting company commitments
- Commercial expertise

**Donors and development intermediaries**
- Leveraging expertise, financing, and innovation to sustainable development
- Development expertise
Challenges: Motivations and Comparative Advantages

But…

- What counts as support for CSR versus core-business?
  - Market-based approaches

- Power dynamics play a role!
  - CLP - Steering Committee; tensions between producers and buyers
  - Sainsbury and Twin – commitments made?
Scalability and Replicability

- Determined by the partnership model and market-based approach
  - Sainsbury and Twin – additional funding received for expansion
  - CLP – reducing reliance on public funding
  - Tim Hortons Coffee Partnership – challenges accessing donor funds
  - PROMEXPORT I and II – creating dependency?
Development and Commercial Results

- Commercial results lacking / sensitive
- Quantitative development results for outputs
- Qualitative development results available
- Exceptions exist
  - Tim Hortons Coffee Partnership
  - Sustainable Trade Initiative
Conclusions and Reflections

• Recognize and harness the different skills and expertise of partners but be aware of tensions and conflicts that may arise

• Goals, including those related to scaling up and replication, will determine the appropriateness of different partnerships models

• Questioning the ‘hero model.’ What other tools are in the donor’s tool box?

• Ownership?
Thank you

The North-South Institute
55 Murray Street, Suite 500
Ottawa, Ontario Canada
K1N 5M3

Tel.: (613) 241-3535
Fax: (613) 241-7435
Email/Courriel: nsi@nsi-ins.ca
Website: www.nsi-ins.ca

The North-South Institute thanks the Canadian International Development Agency for its core grant and the International Development Research Centre for its program and institutional support grant to NSI.