Microlinks Seminar #18 (1/29/2015): Chat Pod Questions

General Questions about PPPs:

- Please clarify "affordable certification schemes".
  (Chrisine Elbert, Global Development Solutions, LLC (USA))

Author reply: Whether or not a certification scheme is affordable will always be context specific. Factors such as the costs to comply with the certification, the benefits of complying, and the risks of making the investment, given the buyers' ability in the future to switch to another certified supplier capable of producing at a lower cost. Studies show that the additional cost smallholders must incur limits certifications as instruments to improve the livelihood of small and vulnerable producers. Price premiums are not guaranteed and are often small compared to price fluctuations in the market. Practitioners must consider all of these factors before making the decision to implement a PPP.

- Are there any activities underway in USAID or elsewhere to develop a more broad reflection of the results of PPPs? Perhaps by region or country?
  (Kent Edwards, NutrAfrica, Ethiopia)

Author reply: This is an excellent question for USAID.

- Does CGGC or someone have a database of PPPs? It seems that the previous cases would be useful as a learning tool in structuring future ones.
  (Chrisine Elbert, Global Development Solutions, LLC (USA))

Author reply: Two robust sources include the USAID Development Experience Clearinghouse and Devex Impact. It should be noted that the 135 PPPs considered for three cases used in this study are just a drop in the well. Since 2000, development agencies have implemented thousands of PPPs.

- Cocoa and Coffee are commonly cited value chains in these discussions. Are there cases where PPPs can be used to affect change in how the private sector engages in business? For example, if we are talking about climate smart ag or agroecology, are there cases where PPPs can be established where the governments bring the private sector into a partnership to apply these kinds of practices that would normally be different than their status quo?
  (Glen Burnett, Practical Action)

Author reply: This is an excellent question and would make for a very interesting follow up study. Offhand, we are aware of an initiative with the Howard G. Buffet Foundation, John Deere and DuPont to promote the adoption of no till farming equipment in Africa. This equipment will preserve the integrity of soil, preventing harmful erosion and desertification, and improve the overall quality of soil by increasing the amount of critical organic matter. Here's a link to the project:
http://www.pioneer.com/home/site/about/news-media/news-releases/template.CONTENT/guid.D8C9D6F7-8E4D-3847-21EF-B293D4BA33A1

- Does the study on 135 PPs include also food crop VCs? If so what are the main differences

compared with the 3 export-oriented PPPs presented today?
(Marco Campaigni, IFAD, Rome)

Author reply: The 135 PPPs were a short list of projects used to select the three PPPs analyzed in this study. To draw comparisons with the three PPPs and any others in the list of 135 would require further research. The food crops VC would benefit from the analytical approach for these case studies. It may need to explore globalization of staple crop value chains, such as wheat, and its implication on food security in developing countries. The food crops VC can be a future follow up study on how PPPs can help achieve food security objectives in developing countries.

- Do the presenters have some statics showing baseline data for small holder farmers before the PPP market linkages? What is the overall increase in house hold level incomes and can this data be used as evidence for improved livelihoods for the poor as a result of PPPs? If not, what are the challenges that need to be addressed?
(Mercy Niwe: Program Management Officer/Economic Development World Vision)

Author reply: Data on the impact of PPPs on smallholders is very limited, both in quantity and quality, which in itself is a major challenge to determining what impact PPPs may have on smallholders.

Questions about Roles within a PPP:

- "What are these characteristics of the "ideal" partners?
(Nathalie Renaud: From USAID Mission Colombia)

Author reply: The ideal partners will always be context specific. However, to begin the partner selection process, development agencies can refer to the three value chain relationship categories (found in the presentation and discussed in the final report).

The first category involves the horizontal relationships between brand manufacturers, retail firms, institutions, and civil society organizations in the consumer country that determine the quality standards required, the size of premiums paid for meeting those standards, the motivation of firms to engage in a PPP to increase access to more and/or improved supply, and their willingness to ensure a fair share of the retail premium is extended to producers.

The second category involves vertical relationships among firms in different segments of the value chain, most notably global traders and processors. These firms are often responsible for facilitating connections between producers and end market firms. They decide how to ensure cost-efficient compliance with the quality and quantity demands from downstream lead firms. How they decide to ensure cost-efficiency is of utmost importance. If downstream firms in the consumer country pay a premium for higher quality inputs, it is important to prevent intermediary firms from capturing the value of those premiums. To ensure those premiums accrue to producers, development agencies need to fully understand the relationship these intermediary firms have with producers and downstream buyers.

The third category involves the horizontal relationships between local lead exporters, institutions, producers, service providers, and civil society organizations in producer countries. Similar to global traders, local lead exporters often partner with local institutions to ensure compliance with downstream buyer requirements. They have the same opportunity to capture some value of price premiums, and therefore, should be assessed to determine how much of that value will be captured, and if that amount is justified.

In sum, the development outcomes of PPPs depend on how the market-based incentives and coercive power of firms, the legitimacy of public institutions, and the influence of NGOs are used to enhance the economic and social sustainability of smallholder upgrades.

- What role has cooperatives played in PPPs?
  (Darran Newman: Caribbean Development Bank)

Author reply: The Rwandan coffee case study is an excellent example of the role of cooperatives in PPPs. The final study will be released soon.

- There is need for a neutral party in these PPP"S. Who would do this best?
  (Hans Muzoora here with Agridev Solutions, Boston Massachusetts)

Author reply: The issues that PPPs address are diverse. The interest and position of parties, even among the different types of firms, vary across those issues. Outside of those without any knowledge of development, public policy, or international trade, it is doubtful a neutral party exists. The ideal scenario, however, would be a situation where those around the PPP negotiating table represent balanced interests of the different stakeholders involved. This requires a fairly good understanding of the GVC governance structure for the concerned sector.

- Is it possible to say that a focus on building PPPs with national companies or a focus on international companies will have a bigger impact on poverty reduction/food security?
  (Glen Burnett, Practical Action)

Author reply: Based on our research, the origin of the company has no impact on poverty reduction or food security.

- The farmers are also disaggregated and not organized. In most cases the private sector do not have the personnel and skills to organize farmers into sound groups. Who should take on this role?
  (Hans Muzoora here with Agridev Solutions, Boston Massachusetts)

Author reply: The Rwandan coffee case study is an excellent example of the role of USAID and implementing partners in organizing and building the capacity of coffee cooperatives. This development was critical in the success of the subsequent PPPs. The final study will be released soon.

- IFAD (UN's International Fund for Agricultural Development) is advocating the 4th P - Private-

Public-People Partnership (PPPP) to bring to the forefront the important role that global value chains have to play in social upgrading. What do the speakers think about the 4th P? Would465 you encourage explicitly the uptake of the 4th P in research works?
(Jonathan Agwe; IFAD Rome)

Author reply: The concept of the 4th P is new to us and is interesting. It is evident that several folks are concerned about the trend in PPPs and the potential to forget that development is first and foremost for the People. At the very least, incorporating a 4th P into the PPP framework may serve as a reminder to the public and private sector partners that the alliance is there for the sake of the people.

- Even among the small holder producers in the value chains there are often elite hijackers by the already well to do. What was the observation of the researchers in these cases and what are the recommendations to ensure the marginalized have a voice/say within the PPP? Possibly the 4th "P" will help empower them.
(Saeed Bancie: with FAO-Based in Nairobi)

Author reply: Other than the occasional anecdote, we are not aware of any examples of the phenomenon described in the question.

- Does the government have the financial resources to make contribution other then interfering and generating personal income for the officers?
(Richard Tinsley, Colorado State University)

Author reply: The amount of financial resources available to governments is country and context specific. Without those details, it is not possible to provide an answer to the question.

Questions about M&E:

- What are the appropriate and inappropriate M&E metrics?
(Chrisine Elbert, Global Development Solutions, LLC (USA))

Author reply: That is an excellent question, the answer to which falls outside the scope of this research. However, our research did find that USAID has not yet developed a list of indicators to properly measure the impact of PPPs. Rather, they still use traditional measurement indicators, such as yields and quantity exported. These indicators say nothing of what share of value added is being captured by smallholders, and whether that share is beneficial, given the costs of making necessary upgrades.

- Could you please explain what is the methodology used to measure the impact ? what is the contrafactual? can be attributed exclusively to the PPP?
(Fernanda Ruiz-Nunez: (World Bank))

Author reply: Our research did not use a methodology to measure impact of PPPs, but rather viewed PPPs through a GVC lens to predict the impact PPPs would have on smallholders. Our research did find that USAID has not yet developed a list of indicators to properly measure the impact of PPPs. Rather, they still use traditional measurement indicators, such as yields and quantity exported. These indicators say nothing of what share of value added is being captured by smallholders, and whether that share is beneficial, given the costs of making necessary upgrades.

Questions about Gender:

- What are the gender-related findings, issues, dimensions?
  (Darran Newman: Caribbean Development Bank)

- Women smallholders, and their experience.
  (Darran Newman: Caribbean Development Bank)

Author reply: We identified gender-related findings in the context of packinghouse jobs created in Kenya. Some studies note that even if PPPs exclude smallholders, they create other, better paying jobs in downstream segments of the chain, such as packinghouses or processing facilities. We were not able to identify similar gender-related findings in the other two case studies. Thus, we did not include the findings in the report. However, since you posed the question, we include our findings below.

*"The exact number of jobs linked to the export market are not available, due in part to the difficulty in separating out the export segment from the much larger domestic segment (English, Jaffee et al. 2004). Between 70% and 80% of these jobs are held by women, most of which are under the age of 35, and categorized as being "alone", single, widowed, divorced, or separated (English, Jaffee et al. 2004, English 2007). There are wage disparities based on gender, with women earning substantially less than men (The World Bank 2009). Women are not considered for skilled positions (English 2007, The World Bank 2009).*
*These jobs present women with numerous challenges. Frequent, unprotected exposure to dangerous chemicals in the confined packinghouses cause short term illnesses, such as skin irritiation, headaches, nausea, dizziness, and respiratory problems, as well as long term damage to organs and unborn children (The World Bank 2009). Women are confined to lower-wage jobs, with no opportunity advance into the male-dominated managerial or supervisory roles (English 2007). Sexual harrassment is rampant, with male supervisors frequently abusing their postions by asking for sexual favors in exchange for job security (The World Bank 2009). Recently, legislation to improve gender equality and workers' rights has been passed, which should improve conditions (Evers, Opondo et al. 2014)."*

General Questions about GVCs:

- Has there been a network analysis done for these GVC actors? If so what has been the observed changes in terms of network dynamics?
  (Christen Malaidza: University of Tsukuba,Japan)

Author reply: A network analysis was not included in the scope of the research.

- How does GVC approach nurture innovation development?
  (Christen Malaidza: University of Tsukuba,Japan)

Author reply: The research scope did not require analysis of innovations in GVC. Our related studies show that integration in GVCs plays a growing and very important role in accessing knowledge and enhancing learning and innovation, critical for development goals.

- Was there attractive improvement in salaries and work conditions for workers in lead firms from Kenya?
  (Christen Malaidza: University of Tsukuba,Japan)

Author reply: With the exception of the gender-related material above, our research did not look at salaries and work conditions for workers in lead firms.

- How can the smallholders afford the certification requirements? for example GlobalGAP is at the farm level, which may cost USD 10,000 for one farm, which is not affordable for small farms
  (Chrisine Elbert, Global Devlopment Solutions, LLC (USA))

Author reply: Every industry in every context will need to assess the cost-benefit of investing in certifications or other upgrades.

- What percent of the value chain (consumer price) is the most that can be expected to accrue to the farmer/producer? For example the coffee or cocoa farmer might get 5-10% of the retail price. Realistically even with a successful PPP they will not achieve more than 25% will they? These programs are sold on the far
  (Chrisine Elbert, Global Development Solutions, LLC (USA))

Author reply: The share of retail cost that accrues to the producer depends on the product, and in many cases, depends on the product type within that product segment. For example producers of commodity coffee can expect to receive about 10% of the retail value, but producers of specialty coffee can expect about 23%.

- I would like to know what speakers think about the price premiums: in cases like these, in which commercial actors/markets are dictating the premium or lack thereof, what were the key drivers of achieving a guaranteed price premium? Just quality? Finding the right niche product (consumer demand)? VC governance?
  (Geoffrey Chalmers (ACDI/VOCA))

Author reply: Based on the research, the principal factors are value chain governance and firm type. Generally, customer-facing firms downstream in the chain, as opposed to intermediaries such as traders and exporters, will be those most willing to provide a premium for a higher quality product. Ensuring the intermediaries do not capture all the value of that premium is a challenge and can be achieved by engaging the customer-facing firm in the PPP. Additionally, as demonstrated in the Rwandan coffee case, the firm's commitment to development objectives is also important. All successful firms have a principal objective of generating profits, which in most cases means reducing the cost of inputs. Some, however, are more comfortable than others with making slightly less profit and allowing more value to accrue to the producer. Of course, these are the most ideal types of firm with whom to partner, but unfortunately, they are few in number.

- Does the physical proximity of the middle of the value chain (middlemen, processors, etc.) affect the amount distributed to the producers? That is, if the middlemen and processors are considered themselves part of the community, are they more equitable with gains resulting from upgrading? (Jada Anderson Wilderness Markets in the US, working with international fisheries value chains)

Author reply: Based on our research, the origin of the middleman or processor has no impact on the share of value earned by the producer.

- Question for Ajmal, please share any financial interventions (formal banks, informal microfinance) that were employed? And if yes, where and what; or If no, why not?
(Jillann W. Richardson-Rohrscheib, Microfinance Consultant (Ag lending))

Author reply: The PPP case studies did not directly provide financial services. There is no question that financial institutions (formal or informal) have played their role, complementing PPP interventions, like many other service providers.

- What happens to food security for the local people?
(Mahnaz Harrison)

Author reply: Sorry, but to provide a response, we would need some clarification on the question.

- Do the authors feel that investing in producer organizations is not needed in these export value chains? Can we rely on existing actors to deliver benefits? If so, to they have evidence to support that idea?
(Richard Tinsley, Colorado State University)

Author reply: If it is needed, investing in producer organizations, and in the infrastructure in which they operate, is absolutely essential to be successful in export value chains. In our report, you will see we suggest development agencies should not implement PPPs to connect smallholders to export markets unless smallholders have the essential productive capabilities. Also, important are basic services, such as water, electricity, roads, irrigation.

Questions about the Rwanda Case Study:

- In the Rwanda case, how was change in income and poverty measured? Is this the average for all the smallholders participating in the project? Or at the country level, which is less controllable.
(Chrisine Elbert, Global Development Solutions, LLC (USA))

Author reply: The data on change in income and poverty was sourced from a study titled, “The Impact of USAID Investment on Sustainable Poverty Reduction among Rwandan Smallholder Coffee Producers: A Synthesis of Findings” (link below). This assessment was based on simple “difference-in-differences” comparison of 2010 poverty rates among smallholders participating in the fully washed coffee (FWC) value chain with those not participating in the FWC chain. This comparison showed a poverty headcount rate of 65 percent among smallholders in the FWC chain compared with a rate of 82 percent in the comparison group.

http://www.jfoehmke.com/uploads/9/4/1/8/9418218/rwanda_synthesis_document_final_draft_oct_2011.pdf

- I am curious to know if the increased production of coffee in Rwanda resulted in increased local consumption as well- I ask because in Malawi for instance, we are concerned about food security first and foremost.
  (Oghale Oddo, USAID Malawi)

Author reply: From our research, we are unable to say whether increased production led to increased local consumption of coffee.

Questions about the Indonesia Case Study:

- Regarding cocoa project in Indonesia, it seems that no risk sharing and mitigation strategies were put in place to deal with risks such as price volatility: was it a flaw in the design?
  (Marco Campaigni, IFAD, Rome)

Author reply: PPPs with individual firms inherently lack the capacity to set up such risk mitigating strategies. Dealing with risks such as price volatility in global commodity markets certainly requires interventions affecting institutional measures at larger scale. With respect to the cocoa sector, Ghana’s experience since the 1990s and recent reform initiatives in Ivory Coast can provide valuable lessons for replication in other contexts.