Global nuts and local mangoes: the limits and potential of the UNDP's growing sustainable business initiative in Kenya

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‘Global Nuts and Local Mangoes - The limits and potential of the UNDP’s Growing Sustainable Business Initiative in Kenya’

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Abstract

This paper seeks to offer an empirical contribution of the political processes, limits and potential of UN brokered partnerships that seek to deepen or create inclusive and sustainable agricultural supply chains in sub-Saharan Africa. More specifically it appraises the local processes of partnership brokerage, decision-making mechanisms and project implementation within the UNDP’s Growing Sustainable Business Initiative (GSB) in Kenya. The paper argues that the lack of bottom-up participation in decision-making mechanisms and the predominantly economic imperatives driving the partnership projects have failed to reach out to the partnerships’ intended beneficiaries – Kenyan small producers of nuts and mangoes. Opening up the GSB platform and monitoring the developmental impact of its partnership projects might hold the promise of reconciling sustainable business models with (some) poverty reduction.

1. Introduction

In recent years, the relationship between the private sector and development has witnessed a resurgence of interest within academic and policy circles. Corporate philanthropy, the traditional form of private sector assistance to many low-income countries, development initiative and government-led efforts, has been progressively amplified (Utting and Zammit 2006: 5); the practices of and pledges to corporate social responsibility are often narrated within a developmental and progressive dimension; groups of businesses through private initiatives such as ‘Business Action for Africa’ or in conjunction with multilateral organisations, donors, NGOs and unions have forged partnerships, agreements and campaigns in support of specific development priorities and the Millennium Development Goals (MDGs). The emergence and rise of these activities have also been accompanied by the emergence of a new consensus, namely one which views the private sector as a developmental agent by virtue of contributing to economic growth, creating jobs, raising income and empowering the poor by providing a range of products and services (UN Commission 2004; World Bank 2005; UNDP 2006).

Since the creation of the UN Global Compact in 2000 and, two years later, the affirmation of the role of the private sector as a key development partner at the World Summit on Sustainable Development, the UN has now established itself as one of the most prominent advocate and initiator of partnerships for development with the private sector. The concept of partnership, does not entail an exclusive relation between the UN and the private sector, other actors such as governments, NGOs, unions and academia are encouraged to work together with businesses and the UN to undertake a specific project and 'share risks, responsibilities, resources, competencies and benefits' (UN General Assembly 2003: 4). The partnership rationale has gained prominence not only because of its pragmatism, inclusive features and potential contribution to development but also because of its 'win-win' appeal, as public, private actor involved in a partnership and their beneficiaries stand to benefit financially, in terms of reputation or efficiency (Nelson 2002).

Witte and Reinicke (2005) have argued that despite financial and human resources constraints the partnerships approach is becoming fully embedded in the UN's modus operandi. Evidence for this is provided by the growth of partnerships portfolios amongst leading and lesser prominent agencies, the appointment of partnership brokers also known as 'focal points', the efforts to de-centralise their management to country offices, the development of tailored guidelines for engagement with business and civil society, and the mushrooming of websites and publications geared towards enhancing the profile of particular partnership initiative and attracting new partners. No comprehensive database of UN partnerships exists, however recent estimates suggest that there are more than 400 in place (Utting and Zammit 2006: 18) ranging from norm setting to the creation of new markets (Reinicke and Deng 2000; Bull, Bøäs and McNeill 2004), the majority (if not all) of which claim to have a broad development mandate.

Despite the steady proliferation of global partnerships and their increasing localisation very little is known about the way in which public-private partnerships project are conceptualised, how they affect their expected beneficiaries, and whether business realities and imperatives are actually geared towards meeting the objectives of equitable and sustainable development (McFalls 2007). This paper seeks to offer an empirical and conceptual contribution of the political processes, limits and potential of UN brokered partnerships that seek to deepen or create inclusive and sustainable agricultural supply chains in sub-Saharan Africa. More specifically it appraises the local processes of partnership brokerage, decision-making mechanisms and project implementation within the UNDP Growing Sustainable Business Initiative (GSB) in Kenya.

Anchored in the Global Compact and managed by the UNDP the GSB seeks to facilitate 'business-led enterprise solutions to poverty in advancement of the Millennium Development Goals' (GSB website) with the specific intent of increasing access by the poor to goods and services, employment and livelihood opportunities. The organisational features of the GSB conform to a typical multistakeholder arrangement coordinated by a country broker and relying on the participation of governments, local and international businesses and civil society for policy deliberation and individual projects' appraisal. Since its creation in 2002, the GSB has expanded its partnership portfolio to twelve developing countries[1] across the continents of Africa, Europe and Asia. The GSB projects are market led, this means that the factor endowments and supposed comparative advantage of less developed and developing countries make agriculture, food chains development for export or local markets for those at the bottom of the pyramid (Prahalad 2005) some of the

[1] Madagascar, Tanzania, Kenya, Zambia, Malawi, Macedonia, Moldova, Mozambique, Serbia, Turkey, Cambodia, Indonesia. The GSB platforms in Ethiopia, Angola and El Salvador were abandoned.

principal areas of interest and potential intervention. To date, out of 48 local projects listed on the GSB website 20 focus specifically on the development of local and global supply chains for fresh fruits, vegetables, nuts, seeds, diary, fish and even the establishment of a local fast food chain in Madagascar.

In an effort to determine the inclusiveness/exclusiveness of the GSB arrangements at country level and its effects upon smallholders and rural poor, in a first stage, the paper offers an overview of the GSB and its underlying ethos, it then contextualises the initiative at local level by looking at the actors and processes that steer the meaning and determine the feasibility of sustainable business models for poverty reduction. Thereafter, based on empirical research conducted in Kenya the paper narrates and appraises the limits and potential of two partnership projects targeting the export market for macadamia nuts and the local market for mango fruit juice. The paper argues that the economic rationale driving the partnership projects have not reached out or significantly benefited Kenyan nuts and mangoes producers. By way of a conclusion it will be suggested that the potential of the GSB needs to be rooted in more open and transparent deliberation and implementation processes and a more equal recalibration between business interests and development needs.

2. What is the UNDP Growing Sustainable Business Initiative?

Inception

It was in the occasion of the Global Compact’s second Policy Dialogue on ‘Business and Sustainable Development’ that the concept of decentralised partnerships with a development dimensions took a concrete form. The Policy Dialogue’s group on how companies contribute to sustainable development put forward the idea of contacting a group of companies which would be willing to explore sustainable business opportunities in less developed countries (LDCs) and to work with stakeholders from those countries to develop an understanding of local needs (UN Global Compact 2002 a). The Policy Dialogue participants agreed upon the idea of accelerating business expansion in LDCs and contributing to the eradication of poverty through profits, thereafter an initiative entitled ‘Sustainable Investment and Access to Basic Services in LDCs’ was constituted. Chaired by Sir Mark Moody Stuart, former CEO of Shell and Chair of Business Action for Sustainable Development (BASD), the group was reconvened in a follow-up dialogue in Paris where the possibility was examined of a voluntary commitment by Global Compact’s signatories to grow a proportion of their business activities in LDCs in line with the principles of sustainability. The idea was then envisaged to become a multi-stakeholder partnership with the twin aims of contributing to economic growth and socio-economic development (UN Global Compact 2002 b).

In the run up the Johannesburg Summit on Sustainable Development, Sir Mark Moody Stuart was invited by the Compact’s Executive Director, Georg Kell, to identify a number MNCs who would be interested in expanding their investment portfolio in sub-Saharan Africa and be part of a ‘solution in support of sustainable development’ (Interview, 6 June 2005). The influential position of the BASD’s Chair guaranteed that a number of companies responded positively to the proposed initiative, and the Global Compact in cooperation with UNCTAD, UNEP and UNDP seized this opportunity to present an embryonic overview of the initiative in

Johannesburg. At a high-level roundtable chaired by UN Secretary General Kofi Annan and attended by head of states, business leaders and prominent international NGOs the Growing Sustainable Business Initiative was launched and was proclaimed by the Secretary General as the 'most promising pathway in overcoming the poverty trap…and give hope and opportunity to the world's poorest' (UN Global Compact 2002 c). Shortly after the Summit, UNDP, one of the Compact's core agencies, was delegated with the task of running the initiative, developing it further and decentralise it to UNDP's Country Offices. The choice of devolving the partnership initiative to the UNDP's Division for Business Partnerships was described by a UN official as 'natural', since the Office of the Secretary General seeks to promote universal values, whereas UNDP is the operational development arm of the UN at country level (Interview, UN, 9 December 2005).

Aims

The official launch of the initiative corresponded to a clearer delineation of the main aims and immediate objectives underpinning the idea of forging partnerships for poverty through business models. In the first official document co-produced by the Compact and UNDP the overall contribution of the GSB was identified as being a means to alleviate poverty and promote sustainable development by 'facilitating sustainable business and investment by the private sector through a process of multi-stakeholder engagement with governments, civil society, the UN family and other development organisations' (UN Global Compact and UNDP). Here, 'sustainable investment' is understood as a standard business activity such as FDI, production or sales which is based on accepted measures of social, environmental, economic and political responsibility as defined by the Global Compact's ten principles, but it is also a type of investment which involves and is supported by a number of state and non-state actors (Sandbrook 2002).

More specifically, the initiative wants to advance three interrelated goals. First, it seeks to facilitate increased investment activities by assisting business partners along with communities and relevant stakeholders through an investment cycle which encompasses opportunity identification, business model development, co-financing and implementation (Day, Gandhi and Giersing 2005 a). Second, it wants to prove that 'sustainable business' projects can mitigate widespread poverty through the creation or revival of enterprises, supply chains, thus allowing the poor to access needed goods, services, employment opportunities and sources of income (Day, Gandhi and Giersing 2005 b). Ultimately, the GSB aspires to support projects, which are relevant to local contexts and are aligned with national priorities to achieve the MDGs, thereby making something happen for the needs of a nation and the poorest in it. These three aims appear to position the GSB as a unique UN initiative that wants to move beyond philanthropy and corporate social responsibility offering a value proposition that yields economic as well social returns.

Structure

Operationally the GSB is coordinated at global, regional and country levels. Globally a small team of UNDP advisors, based within the UNDP's Business Partnerships Division, are expected to encourage international companies to take action; they also assess the merits and weaknesses of local partnership proposals, coordinate country-level activities and share country experiences. Since 2007 the role of Business Outreach Coordinator and GSB Regional Coordinator were created as meso-level points of contact between the GSB headquarters in New York, Regional Bureaux and GSB brokers to provide strategic advise, expertise and knowledge of market conditions, partnership projects replicability and feasibility in particular region or geographic areas. At country level, where the partnerships unfold, a GSB Delivery Mechanism is established in selected LDCs 'where stakeholders agree that there is a need for such programme and where the UNDP Country Office is committed to supporting it' (Day et al. 2005 a). The GSB Delivery Mechanism consists of a full-time GSB broker, who acts as an intermediary for the various stakeholders and oversees the research arm (i.e. the broker and UNDP inters), and assists stakeholders in the creation of socio-economic background studies, feasibility studies and the identification of sources of funding. The decision-making mechanism through which the GSB's targets are set, projects approved, and consensus on the meaning of sustainable business is reached, is the GSB Coordinating Group – an umbrella group made of government representatives, businesses, NGOs, international organisations and relevant bilateral and multilateral donors (UN Global Compact and UNDP 2002).

3. The GSB in Kenya: actors, processes and projects

Following consultation with the Kenyan government, the private sector, the NGO and the donor community the UNDP in partnership with UNIDO and the ILO launched the Global Compact and the GSB in Kenya on the 3rd of May 2005. Both initiatives officially took off at the same time, however while the Global Compact Kenyan network was only established two years later, the GSB had already identified and presented to an invited audience three partnership projects and was keen to establish a coordinating group as soon as possible. Although the GSB broker was expected to run and co-ordinate both, existing Kenyan Global Compact's signatories were encouraged to conceptualise and initiate sustainable business projects (i.e. Tetra Pak and Vestergaard Frandsen) while companies who expressed an interest in the GSB did not have to sign up to the Global Compact or, at times, they were not even made aware of the Compact and its principles. The initial, almost exclusive, focus on the systematic development of the GSB in Kenya was not solely based on the need to show that the idea was viable and 'pro-poor' but also because pushing two separate initiatives, which for political and practical reasons could not be more closely linked, was proving to be an onerous task for a single civil servant. In other words, the Global Compact was perceived as 'extra work'.

The Brokers

Within the GSB mechanism and processes, the role of the broker is crucial in defining the 'success of the initiative' (GSB Operation Manual 2007). The broker is not only expected to identify and co-ordinate individual projects while minimising the risks and cost associated with an investment he/she is also expected to make sure that these projects have a clear development dimension and are aligned with the goals of the UNDP – particularly the MDGs. In Kenya a new GSB broker was appointed on a yearly basis; the first two brokers fitted within the general UNDP job description of a candidate with extensive experience in the private sector, the capacity to provide analysis of business models including investment analysis and financial modelling, and the ability to convene coalition of partners. Both brokers worked for a number of years in the private sector and although interested in development they did not have any experience or a nuanced (non-quantitative) understanding of poverty reduction strategies and interventions. An interview with a broker confirmed that the kind of development sought after by the civil servant and the GSB was primarily, if not exclusively, economic, once it was stated that 'our priority is to develop new markets, creating employment and providing income…development will trickle down' (Interview, UNDP, 6 July 2006).

Brokers are also expected to establish the coordinating group, identify business partners interested in developing a sustainable business projects and forge linkages between businesses and local NGOs. The ability to act as a nodal point and partnership broker appears to necessitate an in depth knowledge not only of local market conditions but also of the various development institutions, groups and actors working in the country and often carrying out work away from the capital city where the UN compound is based. Although, UNDP Kenya had a long tradition of collaboration with a wide range of local private and public groups all the appointed brokers have been foreign nationals who, upon appointment, have been required to map and thereafter make contact with 'key' partners. The apparent lack of 'local' knowledge on the part of the brokers has led a former UN civil servant to propose for the initiative to be de-linked entirely from UNDP and be run exclusively by local actors with the necessary expertise and familiarity with local conditions, development actors and national development priorities (Personal Communication, 12 March 2007).

Coordinating Group

The Kenyan coordinating group was established shortly after the GSB's launch, its members had a history of institutional affiliation with the UN or were invited to become members by virtue of the scale of their involvement in private sector and development types of activities. The identification of the right or appropriate stakeholders did not seem to conform to the aspiration of closing the democratic deficit in global governance; rather, it mirrored concerns such as status, previous contacts with UNDP Kenya and the willingness to participate and devote time to the GSB processes. Official documentation suggests that these groups should be quite heterogeneous and represent a blend of public and private interests; however, on closer inspection, those who participate in the processes of deliberation are largely private sector representatives, and a handful of local NGOs with long-standing interests in facilitating market expansion and deepening[2] such as AMSCO and the Gatsby Trust (KGT) in Kenya. The participation of donors, international development institutions and NGOs can be best described as sporadic whereas union and the Kenyan National Federation of Agricultural Producers had been simply forgotten (Interview, UNDP, 6 July 2006). Furthermore, despite recognising the importance of including government officials within the coordinating mechanisms, the participation of public officials has been limited and inconsistent.

When questioned about the representativity of the group the emerging consensus was that the supposed beneficiaries of the partnerships did not have to be included in

[2] Ronen Shamir (2004) differentiates these NGOs from counter-hegemonic social movements referring to them as Market Non-Governmental Organisations (MaNGOs).

deliberations. One current member of the coordinating group commented that ‘when you bring the farmers in they tend to bring their own interests and they are not very objective. We, on the other hand have no direct or vested interest, we think about the whole community and not about individuals…I would feel as if I let the farmers down if I did not attend a meeting’ (Interview, KGT, 14 July 2006). Another member from the private sector added that ‘the coordinating group is broad enough and if a labour union was to be invited to join they would not represent the non-unionised farmers’ (Interview, Export Promotion Council, 20 July 2006). By the same token, the GSB broker never questioned whether the group could be made more ‘inclusive’ or whether the beneficiaries, those who do not normally have a voice in society, should be consulted at any point of the partnership processes, preferring instead to focus her/his attention on targets (i.e. number of projects, commercial feasibility and potential outcomes) rather than participatory mechanisms of deliberation and implementation. Furthermore, once the coordinating group was established with an official list of names published in the GSB Kenya brochure entry points to join or expand the group appeared to be immediately restricted.

Identification, Endorsement and Project Portfolio

During the early stages of institutional development UNDP New York contacted various foreign companies and multinational corporations who would be potentially interested in developing sustainable business models in Kenya and then passed on the details to the GSB Kenya. At the same time, the local broker was also urged to contact foreign companies and small and medium size enterprises (SMEs) in an effort to establish a preliminary project portfolio. Both strategies showed early signs of success which was further compounded once the Coordinating Group member started to spread the word amongst their contacts about the GSB business proposition and the possibilities of co-funding it offered for market research and socio-economic feasibility studies. The successive broker was determined to reach out to a wider audience and, in collaboration with a small team of UNDP interns, contacts with the local media were made and boisterous articles on the GSB appeared on the Kenya Times and the Daily Nations in 2006, which were later followed by a nomination at the Africa Investor Awards 2006. At this point the broker was no longer on the lookout for potential business partners as the UNDP was being directly contacted by local enterprises (Interview, UNDP, 6 July 2006).

As expression of interest started to dramatically increase the GSB Kenya pioneered the development of more specific guidelines to assess the economic and social impact of proposed partnership projects. Initial screening was undertaken by the broker on the basis of a clear and equitable delineation of the business case and social impact of each initial proposal, ‘a project which does not present a convincing business case, despite having strong social impact, cannot be considered a GSB project. Similarly, a project that makes business sense but cannot sufficiently demonstrate sustainable development impact will not be endorsed by the GSB’ (Personal Communication, 7 July 2006). In a second stage, in order to be considered for formal GSB endorsement and potential co-funding every business was requested to outline in writing or verbally expose to the Coordinating Group the project description, the business case and financial plan for engaging in a new venture or market development as well as indicating its supposed development impact, which for the majority of proposed projects equated to an assumption of potential rise in employment and income or (see

Annex 1). It is important to note that businesses were ultimately left with the responsibility to select the supposed beneficiaries independently of whether these fell within the category of ‘poor’ or not. Furthermore, while the project proposals gave estimates of employment creation, approximations on real income increases, scope for human capital development and a commitment to compliance with labour and environmental standards were not required and, in the majority of cases, omitted.

Between 2005 and 2007, 18 projects were presented and positively reviewed during the bi-monthly Coordinating Group meetings (see Annex 1). Eight partnerships were subsequently de-linked from GSB Kenya and pursued without GSB assistance because companies did not need the platform and co-funding or were developed in other countries, for example, Tetra Pak moved to the GSB Tanzania to explore the development of an integrated supply chain for UHT milk. Out of the remaining (officially endorsed) ten partnerships, those ‘dumped from New York’ with MNCs such as Voxiva, Freeplay and Microsoft did not take off due to low commitment, diverging interests and communication problems arising from the fact that some of the companies did not have offices in East Africa.

Unlike the original expectations, the currently active seven partnerships are those who might also hold the greatest developmental potential not only because they are led by Kenyan companies but also because they intend to create explicit linkages with local firms and, in the case of agricultural interventions, small producers (Jenkins 2005: 252). The preponderance of proposed and existing projects targeting the agricultural sector and smallholders is not casual; agriculture and food production constitute the backbone of Kenya’s economy with more than two million outgrowers, labourers and brokers working to meet the demands of local consumption and the export market (Dolan and Humphrey 2004; Brown and Sanders 2007). However, the sectoral concentration of agricultural and food projects did not arise primarily out of concerns for poverty mitigation in rural areas, where poverty is highest and agricultural production is the main form of subsistence (Freeman, Ellis and Allison 2004), but because market demands and research established that substantial returns could be made from smallholders’ flexible and cost-efficient production.

4. The GSB Kenya in action: global nuts and local mangoes

How do the GSB sustainable business models work? The approval and endorsement of two distinct projects, a global supply chain for macadamia nuts and a local supply chain for mangoes occurred in 2005; they were amongst the first group of projects formally endorsed by the GSB Kenya and the Coordinating Group and, as 2008, they are both still listed as ‘active’ in the GSB global website as well as in UNDP Kenya website. Although the GSB Kenya, is still in its infancy, experimenting with the brokerage of partnerships, project implementation and supervision, the narratives and developments of both project indicate that global and local market demands have resulted in both projects failing to bear any financial and non-financial benefits to their expected beneficiaries – the smallholders in Embu and Malindi.

Global Entrepreneurs and Macadamia Nuts

Between 2002 and 2004, as part of its expansion strategy, the international trading company Global Entrepreneurs International (GEI), co-sponsored by NORAD and funded by AIESEC executives, set up a new office in Kenya, Global Entrepreneurs Africa, in an effort to open up opportunities for the export of locally produced spices, beans and nuts. In 2005 the company identified macadamia nuts as the prime product for its export activities. Research undertaken by the company showed that local production for exports had doubled between 2000 and 2005 raising from 4,900 metric tons to approximately 10,000 metric tons and that the local production and processing market in the hands of Kenya Nut Company had the potential to be made more competitive. Global forecast indicate not only that macadamia constituted 2% of the world market for nuts but also that Northern demands for healthier food products was set to rise. The global scoping exercise also was found that the global market for the product was dominated by Australian and South African producers and the prices were highly fluctuating and dictated by criteria such as quality and demand. Within this context the idea of developing a value-added niche market for organic macadamia nuts and oil emerged and the export company Global Nuts was established in early 2005 as a Kenyan incorporated company wholly owned by Global Entrepreneurs Africa.

Once established, Global Nuts started to look for producers with sufficient supplies to initiate its export activities and establish market linkages with wholesale buyers in Europe. During this phase, the company was contacted by the financial arm of Embu Farmers Co-operative Society which owned Mt. Kenya Nuts – a factory which buys macadamia nuts from 4000 farmers, processes and packages the nuts for sale to the international market. The factory, endowed with the technology to dry, grade, crack and package the nuts was not able to sell current and an overly generous surplus stock and, unable to meet loan re-payments it was risking bankruptcy and delayed payments to farmers. Global Nuts decided to source macademia nuts from Mt. Kenya Nuts who 'promised extremely optimistic supply forecast' (Interview, 13 July 2008), however the first transactions were hampered by the fact that Northern buyers did not have much confidence in the quality of Kenyan nuts and Mt. Kenya Nuts was unable to deliver the specified quantities of 14 containers – by November 2005, thanks to a cash advance only 4 containers were shipped to Europe and the Middle East. Visits to the factory established that much of the inventory was made up of raw nuts (e.g. nuts originating from shaken trees), purchases of nuts from farmers and middlemen were made on a had hoc basis, the equipment was not being used correctly as the factory staff did not know how to operate the machines and the factory was in need of thorough clean up. Global Nuts determined that capital and human resources were needed to resuscitate the fortunes of its main supplier.

Contacts had already been made with the GSB in the summer of 2005 but neither Global Nuts nor the GSB broker could clearly determine how the UNDP could provide assistance, the project was however included in the portfolio's pipeline. The definition of a GSB sustainable business model with a development dimension occurred much later, by accident rather than design. While travelling for business Global Nuts was introduced to a Japanese consultant[3] from HardNut International who had extensive experience in the Kenyan macadamia industry and had worked for Kenya Nuts Company (Global Nuts' main competitor) where he oversaw propagation, grafting, harvesting, nuts collection and processing. With the possibility open of

[3] Bilateral relationship between Japan and the Kenyan government dated back to the 1970s when Japan's funding was instrumental in creating the institutions, capacities and infrastructures needed for the creation of a Kenyan market for macadamia.

having a consultant to provide advice and production and processing, while the marketing was already being developed by Global Entrepreneurs (i.e. website, packaging, publicity, trade fairs), Global Nuts re-approached the GSB with a preliminary plan for co-funding the consultant and was encouraged by the broker to finalise the project proposal.

The ex-ante project proposal was developed entirely by Global Nuts with input not being provided by smallholders or the factory board whose relations with Global Nuts were increasingly strained by signs of internal instability and poor management, the refusal of Global Nuts' financial tendering and the little room for manoeuvre accorded to a production and quality consultant installed in the factory by Global Entrepreneurs. The project proposal however, had, according the GSB broker, a 'strong' business and development proposition (Interview, 13 July 2006). The business case was centred on the assumption that increased quality, direct supply from farmers as opposed to middlemen and improved knowledge of manufacturing processes and the long-term plan for an organic niche market would have an impact on macadamia prices; however it was acknowledged that globally more suppliers were entering the market. The development case had two components; first it assumed higher and more predictable sources of income for the co-operative's farmers through higher dividends and the premium ensuing from organic certification and higher income opportunities for non-cooperative farmers; second it included, with little details and no clear partners in place, capacity building elements such as education on the industry, sustainable husbandry[4] and loyalty programmes with the factory and the organisation of farmers into groups (Personal Communication, Global Entrepreneurs Project Proposal, 14 July 2006). When it was clarified that the consultant's role would be that of determining profit sharing along the supply chain and designing training and loyalty programmes for 'the farmers', in June 2006 the Coordinating Group approved the project and a sum of $ 10,000 was set aside to co-fund[5] the consultancy (GSB 2006 a).

At the time when fieldwork was conducted in Embu July 2006, Global Entrepreneurs' food engineer had prepared a detailed report on the numerous deficiencies that were hindering the processing processes but was not allowed to implement any changes, the factory did not allow any visits while Mt. Kenya Nuts' production manager, who agreed to be interviewed outside the factory stated that 'we are a young factory, we need help but the board of directors is too political and it is unlikely anything will change' (Interview, 27 July 2006). The farmers, unaware of any partnership project taking place, had not seen any visible changes. They continued to supply small quantities nuts to the brokers and/or the co-operative for 15 to 20 KSh/Kg depending on the distance to the collection centres and the need for cash, while continuing to intercrop to secure income and personal consumption (i.e. coffee, beans, maize, bananas, cassavas). Trust that macadamia would provide higher income was dismissed in the light of the low number of trees per household (3 to 8) and limited cultivation space, the seasonality of the fruit, the mistrust that the co-operative would

[4] The sustainability aspect of the project was not only relegated to 'strict environmental and ecological guidelines' free from chemical and pesticides (Personal Communication, Global Entrepreneurs Project Proposal, 14 July 2006), but it also envisaged the recycling of the nuts' shells and use them as fuel.
[5] Additional funding to follow up on the consultant's recommendation was expected to come from NORAD (US$ 20,000) and Global Entrepreneurs Africa in the form of human resources (US$ 22,535).

be in a position to pay a ‘fair’ price (this was determined at around 80 KSh/Kg) and the absence of channels for smallholders to voice their complaints.

In Nairobi, while Global Nuts was already envisaging investing in its own processing factory in the capital’s export processing zones, it continued to hold talks with the GSB Coordinating Group about Mt. Kenya Nuts and the Embu farmers but only signalled that for financial reasons the factory was unable to produce nuts for the new season (GSB 2006 b). The Coordinating Group agreed that the Minister of Cooperatives should be consulted but even with this intervention the project was filed in 2007 when the UNDP determined that ‘the co-operative, despite initial assurance, was not in practice interested in providing benefits to its members’ (UNDP 2007: 47). Global Nuts continues its operations in Kenya, it has signed up to the local Global Compact network, and it is still listed within the GSB project portfolio but in order to ensure the survival of its own business it with withdrew its ‘assistance’ to Mt. Kenya Nuts and the co-operative’s farmers. The GSB could not explain how the project could have been run differently, but its plausible to infer that issue of ownership (Witte and Reinicke 2005: 44-46) was not adequately addressed and failure to bring the partners and beneficiaries to the discussion table might have largely contributed to the demise of the proposed project.

KGT, Kevian and Local Mangoes

Unlike the partnership initiated by Global Entrepreneurs, the idea of initiating a supply chain for mangoes departed from the work that the Kenya Gatsby Trust had undertaken in support of facilitating market access for small-scale mango producers in the coastal region of Kenya. The Gatsby Trust’s interest in mango production developed before the GSB was created. The overarching objective of the Trust, in fact, is to catalyse sustainable wealth creation in the poorest areas of Africa and the coastal districts of Malindi and Magarini are two of them one of them. In 2001 a series participatory appraisal studies were initiated and found that in the region mangoes were overproduced and that they were not being sold due to poor quality (i.e. the fruits were infested) and little access to markets, farmers were not organised, a lack of secure sources of income incurred exploitative transaction with middlemen with each fruit being paid as little as KSh 1, and that Ministry of Agriculture had provided little or no extension services or post-harvest facilities to smallholders.

Between 2003 and 2005, with funding secured from the Gatsby Trust and the JJ Charitable Trust, KGT first encouraged mango growers to engage in common marketing efforts and improved techniques, second, under an arrangement coordinated by the local KGT office, 61 youths were privately trained by Bayer and the Kenyan Agricultural Research Institute (KARI) in spraying trees against pest while more than 200 farmers received advice on pruning and how to minimise the risk of infection (GT n/d). Within two years farmers were organised into13 groups with membership of 253 and 26 private extension service providers, furthermore thirteen demonstration were set up, a system of farm input supplies with a credit component was put in place and a private extension manual was developed by KARI as part of the capacity building elements of the project; by 2005 KARI also enabled one group to receive quality assurance certification. During this first phase, funding from the Swiss sustainable development foundation BioVision also enabled a parallel research partnership between KGT and the International Centre of Insect Physiology and

Ecology (ICIPE) in order to develop a non-chemical pest spray based on natural ingredients such as peppers and elements of the indigenous neem tree.

Once the farmers were trained and organised and the quality of fresh mangoes was deemed suitable for sale, even if quality assurance mechanisms needed to be better defined, grading was not possible and collection points remained rudimentary, the second phase of the project went ahead and focussed on linking the local mangoes market with buyers. Amongst the interested buyers contacted by KGT figured Del Monte and local supermarket chain Uchumi, whereas the former did not finalise the agreement, the latter did buy some of the mangoes but when Uchimi went bankrupt the farmers were temporarily left with no buyers. In a moment of ‘panic’, whilst looking for alternative buyers in 2005 the KGT was introduced to the GSB and the first broker put KGT in touch with the Nairobi-based juice producer Kevian (Interview, KGT, 14 July 2007). At the time, Kevian had invested in a fruit processing plant in Thika (50 Km North of Nairobi) in an effort to decrease high inventory costs and avoid heavy taxation on imported concentrate by producing its own concentrate for local consumption and export. The contacts established by the GSB proved to be successful as Kevian was interested in sourcing local mangoes, hence KGT took the lead in facilitating a meeting between Kevian, 26 group leaders and 3 extension workers and the issues of quality, quantity and delivery dates were discussed.

The project was discussed and formally endorsed by the GSB Coordinating Group in October 2005 even if the factory had not been completed and uncertainties remained over who would be supplying mangoes to Kevian, though KGT hoped that a deal with the smallholders in Malindi could be finalised; this was reflected in the project description which vaguely mentioned that ‘the key beneficiaries would be small scale farmers in specific district in the Easter, Central and Coastal and Rift Valley areas’ and the addition of GTZ to the partnership who, with self-funding for the project (GTZ PPP Fund), was entrusted with the responsibility of looking for more suppliers of high quality mangoes in the central districts. According to the GSB broker, the proposal also lacked overall specificity, as it was not clear whether the project would be economically viable and how the quality of the mangoes would be improved (Interview, 16 July 2006). When Kevian attended the GSB Coordinating Group meetings clearer information on the direction of the project could not be obtained but the company continued to build a case for the need to lobby the government to remove excise duties on tax and water (GSB Kenya 2005).

In summer of 2006 the factory was almost completed and with a mango creamer ready to be installed negotiations with the original beneficiaries, the producers in Malindi, were re-opened. Kevian was prepared to pay 13 Ksh/Kg or 6.5 Ksh/ per mango, however it also expected for the producers to pay for transport costs which, including packing, loading and unloading were estimated to be as high as 5 Ksh per mango thereby making a net gain of 1.5 Ksh/per mango. Despite extensive research with the eight most reliable transport companies was conducted no deal was struck. As the KGT project programme officer stated:

> ‘…If Kevian is not prepared to pay for the transport costs that the partnership would have to come to an end. The export market is much more lucrative as the farmers would gain a net profit of 6 Ksh per kg of mango and the farmers

> would not have to incur transport costs. The only way for the economic partnership to be resurrected would be for Kevian to consider absorbing the transport costs, however Kevian is not a philanthropist and this alternative would have to make 'business sense', especially considering ascending costs of fuel. At the bottom line of the partnership economic considerations need to be prioritised. The processing factory is 50 km away from Nairobi…10 hours drive away from Malindi…'

Despite the setback, and with no particular concerns over the smallholders in Malindi which continued to be independently assisted by KGT[6], the GSB continued to support the Kevian project. In 2006 members of Coordinating Group visited the factory and were pleased 'with the opportunity to see the factory processing passion fruit and the state of the art equipment' (GSB 2006 b). In the meanwhile GTZ was able to trace mango producers closer to Thika and the beneficiaries were re-identified according to cost and quantity criteria and the districts of Emebere and Embu were chosen to start anew a farmers' training programme. However, even if new smallholders were identified and the Ministry of Agriculture had agreed to offer extension services, there was no defined capacity building plan in place that would have ensured that the 'new beneficiaries' would be in a position to meet the quality and quantity demands imposed by Kevian.

5. Discussion: The Limits of Sustainable Business Models

Both case studies illustrated that the project definition and the project direction (the supposed direction of development) was ultimately defined by businesses and dictated by economic priorities with UNDP not raising objections or questions about the marginalisation of the beneficiaries, their role in the projects, their expectations and knowledge. At no point the intended smallholders were invited to the discussions and empowered to make basic decisions about their livelihoods – economic opportunities were catapulted from the outside and changes to the project plans were defined in Nairobi. Were nuts and mangoes the most profitable produce of the smallholders? Omitting the question of who defines and drives sustainable business projects is to reinforce the apolitical notion that partnerships are 'neutral', infinitely inclusive and that all the 'stakeholders' and beneficiaries involved have an equal say. An emerging body of critical scholarship on corporate social responsibility and public-private partnerships has observed that in multistakeholder forums and meetings those who normally don't have a voice in society are also the ones excluded from the discussions; furthermore, even when these groups seldom have a voice, as in the case of the farmers in Malindi, 'power relationships between stakeholder continue to shape the issues raised, the alliances that are formed and the issues that are identified' (Prieto-Carrón et al. 2006: 984).

Second, the question of distribution of benefits and costs deserves some attention. As Blowfield (2007) asks, what assumptions can be drawn about the impact of these interventions? Within the GSB model, lead companies gain from the association with

[6] It linked smallholders to a Belgian wholesaler and is looking into donor's fund to set up a pulp-processing factory in Malindi, at the same time it has started research into the possibility of establishing the more lucrative market for dried mangoes.

the UNDP name and the publicity that comes with it, here the reputational and credibility gains are substantial and should not be underestimated. Furthermore, as the cases of Global Entrepreneurs and Kevian testify the GSB opened up to businesses opportunities for networking and partnerships formation, it offered free guidance on the development of a business plan, and was instrumental in allowing businesses to bid for or acquire public or private funding and financing. The gains accruing to the private sector are not only implicit in the GSB value-proposition but are also cultivated because failing partnerships could potentially undermine the entire initiative, its expansion plans and donors' funds. (In)avertedly the GSB platform also created a political space, at the Coordinating Group meetings, where, on occasions, the private sector could discuss the kind of policy changes, which would be required to foster more profitable and efficient economic transactions (i.e. lower taxes).

Similar or commensurable benefits have not been shared with smallholders. At the bottom of the supply chains *some* opportunities for smallholders have been created and equally removed. The viability of a sustainable business model is, first and foremost, dependent upon costs; beneficiaries are 'picked' because they can produce what a company wants at a price and quality that is deemed favourable by the buyer. However, even if the prices paid tend to be higher than what middlemen offer, buyers have the power and capacity (i.e. resources and networks) to relocate their 'developmental responsibilities' towards more cost-efficient producers. What the cases presented suggest is that smallholders' wages continued to be determined by formal and informal market transactions with pressure for lower costs potentially eroding their income base; employment opportunities remained seasonal, gendered, and dependent on fluctuating demand while the risks and insecurities of global and local competition evidently trickling down to the beneficiaries/farmers. In the light of this, the 'beneficiaries' of the projects said that survival was dependent not only on new market linkages but on family remittances, crops' diversification and the identification of work opportunities away from the country side. Hence, even the modest contributions that sustainable business model and the GSB claim to bring in the advancement of the MDGs or sustained poverty reduction can be open to challenges.

This however, is not to dismiss entirely the potential value that sustainable business models might yield for the processes of development and the livelihood of smallholders. The new GSB guidelines for agro-food partnership specify that several capacity building component should be identified prior to the development of a supply chain and suggest that quality and productivity improvements, building trust amongst smallholders and organise farmers groups should be explicitly integrated within project proposals (GSB 2007: 43). With businesses or governments not always in a position to offer such services the delegation of this responsibility is expected to fall in the hands of service delivery organisations and NGOs such as GTZ, USAID, CARE, Gatsby Trust and TechnoServe. The introduction of this requirement is to be welcomed as opposed to the previous 'anything goes' approach, however it also point to an unambiguous trend towards the privatisation of development. The private 'subcontracting' of capacity building, implicit in the new guidelines, might benefit some farmers for some time as they are not long-term interventions, they focus on narrow groups defined by private (and often foreign) institutional priorities and are accountable to donors not the people they intend to serve (Petras 2007; Hearn 2007). Nonetheless, the emphasis placed on organising disparate producers into groups might actually have longer lasting effects in that it offers some scope for the politically and economically marginalised to use voice during negotiations with buyers.

The missed opportunity that the GSB Kenya has failed to foster is a closer and more systematic partnership with local authorities and higher-level governmental bodies, as Frynas and Newell (2007: 677) point out ‘even in the most dysfunctional African states, with weak government authorities, the state continues to exert an important influence on development’. Incorporating more meaningfully public authorities in the processes of defining how business interests and developmental priorities might be reconciled could potentially contribute to the long-term impact of sustainable business models. For example, in the cases discussed lack of transport, inadequate infrastructures, information and credit were all identified as factors that hindered the furtherance of the partnerships’ developmental dimension and inherently called for public policy intervention and the mobilisation of resources for smallholders. However, as the GSB is presently instituted a closer alliance between the government and private interests might overlook some of these facets while offering scope for MNCs or SMEs to advance their own political agenda.

6. Conclusions

The GSB epitomises an example of proliferating forms of public-private governance, and like some of its counterparts such as DFID’s Business Linkages Challenge Fund or the Sustainable Agriculture Initiative Platform, its mandate and current global project portfolio it is placed in a unique position to affect the welfare of small-scale agricultural and food producers in LDCs. Notwithstanding the initiative’s experimental and ‘learn as you go’ approach, the paper has sought to demonstrate that its degree of inclusiveness is limited, while from the perspective of the beneficiaries its development impacts have yet to materialise. What are the implications of these findings?

As they are currently conceptualised and implemented the GSB’s interventions are prone to perpetrate several concerns that have been identified by the more critical literature (Utting 2001; Martens 2007) such as compounding the power of businesses, the replacement of the role of governments as a provider of public goods and the corollary creation of elitist mode of governance. These new social pacts could be perceived as more legitimate and even prove to be more effective if aligned with existing or developing public programmes and the expected beneficiaries and smallholders in particular were given more voice in the phases of deliberation and project implementation. Opening up the GSB’s decision-making decision-making mechanism to the beneficiaries of the projects (i.e. group leaders), other non-strategic and less complacent ‘stakeholders’ coupled with the consistent involvement of public authorities could improve the prospects of communicating and addressing more widely the risks, opportunities, positive and negative qualitative impact(s) of each project. Finding an operating and feasible governance structure that reaches out and empowers the beneficiaries such as smallholders, contractors and employees would appear to necessitate a fundamental shift away from the top-down and technocratic practices currently in place. As Perez-Aleman (2007: 26) suggests ‘a future development agenda that combines social and economic development needs to bring in a broad representation, including poorer producers’.

A more meaningful recalibration between business interests and development needs to be considered in the light of the unpredictable and contradictory outcomes that partnerships discussed have produced (and might reproduce). So far, intimate relationship have been nurtured with companies with considerable assistance been offered to the private sector, while, comparatively, very little attention has been paid at the livelihood of those at the lower end of the supply chain. In the context of agricultural projects, field visits have been organised or were planned to view factories but they have not ventured beyond the factory gates. Creating employment and income are some of the postulated benefits that sustainable business models might produce but these assumptions need to be verified and followed up while closer attention will progressively need to be placed on the quality of employment relationships that different partnerships promote and the wider social investment they might attract. The GSB does not currently have monitoring or impact assessment mechanisms, what is known about 'development' is the information that lead-businesses disclose, but as partnerships develop the UNDP will have to demonstrate how and whether the model works not only to the advantage of private partners but also for those it seeks to lift out of poverty.

Annex 1: Growing Sustainable Business Initiative Project Portfolio 2005-8

Date	Project Partners	Project Description	Development Objectives	Beneficiaries (Other than lead company)	Progress
May 2005	Grameen, UNDP.	Introduce a 'Village Phone' model whereby local entrepreneurs who purchase a telecommunication kit from Grameen and its partners would provide phone services.	Enable access to mobile phone technology.	Microfinance Institutions, Village Operators, local communities.	De-linked from GSB Kenya.
May 2005	SC Johnson, Pyrethrum Board of Kenya (PBK), Approtec (now KickStart).	Attain higher production of natural pyrethrum by increasing quantity and quality. PBK's role is to provide free clonal seeds while Approtec market and sells MoneyMaker pumps.	Increase the income raised from the cash crop. Give farmers access to irrigation technology and seeds.	Support 1 million people living in 1$/day.	De-linked from GSB Kenya/Active
May 2005	Tetra Pak, UNDP.	Development of a cereal based nutritional milk to be used by workers, people living with HIV/AIDS, relief zones, refugee camps and schools.	Poverty reduction, development of the private sector, improved health and education, improved trade balance.	Consumers – urban and rural poor.	De-linked from the GSB Kenya/ Pilot project active GSB Tanzania.
Summer 2005	Export Promotion Council (EPC), a European Logistics Company, an Airline, Co-op Bank, GTZ, KGT, UNDP.	Establish cooling facilities in production areas for perishable products, refrigerated trucks and storage facilities to ensure unbroken cold chains to EU markets.	Increased income and employment, higher trade with the EU.	Farmers.	De-linked from the GSB Kenya.
Summer 2005	Global Entrepreneurs, Global Nuts, Mt. Kenya Nuts, UNDP.	Develop a global supply chain for macadamia nuts and strengthen the domestic nuts production by working with farmers and a local processing plant.	Increased income and employment, higher exports.	Farmers, local processing plant.	Active
Summer 2005	Vestergaard-Frandsen, UNDP,	Development of a water purification tool called Life Straw, which prevents water born diseases. The locally produced straw costs US$3 and lasts one year.	Reduce the proportion of people without access to safe and drinking water.	Consumers - urban and rural poor.	De-linked from GSB Kenya/Active
Summer	Waving	Establishing a mobile	Enable access to	Urban and rural	De-linked from

2005	Communications, UNDP.	phone recycling plant to manufacture and assemble mobile phones at lowering manufacturing costs than market standards.	mobile phone technology.	poor.	the GSB Kenya.
Summer 2005	D1 Oil, Total, Vanilla Development Foundation, UNDP.	Increase the production of biodisel produced by Jatropha plants and establish a distribution network across 100 service stations across Kenya.	Higher income and employment, higher production capacities, sustainable fuels.	Jatropha farmers and biodisel consumers.	De-linked from the GSB Kenya.
October 2005	Freeplay Energy, Co-operative Bank, UNDP.	Freeplay manufactures products that make use of self-sufficient energy. Establishment of an East Africa distributor to sell the products to retailers who have been granted a microfinance loan. The retailer will sell the products using a two-part tariff model.	Improved education through employment creation and local economic development.	Rural Communities with infrequent access to electricity.	Endorsed by the GSB Kenya/Inactive
October 2005	Kevian, Kenya Gatsby Trust, Africa Insect Science for Food and Health (ICIPE), Ministry of Agriculture, GTZ, Kenya Federation of Agricultural Producers, UNDP.	Creation of a supply chain for mangoes to produce locally, rather than import, concentrated fruit juice.	Poverty reduction through employment creation and local development.	Small-scale farmers in Eastern, Central, coastal and Rift Valley area.	Active
October 2005	Microsoft East Africa, International Financial Corporation (IFC) SME Solutions Centre, IFC Grassroots Business Organization, Institute for Development Studies (Nairobi), UNDP.	Tailoring Microsoft's Small Business Accounting - an existing productivity tool target application - to suit the specific needs of SMEs in Kenya.	Poverty reduction through employment creation and local development.	Small and Medium Size Enterprises.	Endorsed by the GSB Kenya/ Inactive
December 2005	Ezipei, UNDP.	Creation of an automated low-value financial payment system for microfinance services.	Poverty reduction through the provision of microfinance services.	Microfinance Institutions.	De-linked from the GSB Kenya.
December 2005	Voxiva, Pride Africa (Drum	Development of an existing information	Reduce information asymmetries and	Farmers.	De-linked from the GSB

	Net), UNDP.	platform, which gives farmers access to market and financial data through mobile phones rather than the internet.	reduce poverty through increased sales.		Kenya/Active
June 2006	Co-operative Insurance Company of Kenya (CIC), Corporate Renewal, Microfinance Institutions (MFIs), Nairobi Informal Sector Confederation, UNDP.	Make available micro-insurance services to informal traders at affordable premiums.	Provide the informal sector with the protection against risks that might lower productivity, income and circles of poverty.	15,000 informal traders.	Active.
June 2006	Gamewatchers Safari (Porini), UNDP.	Provide access to water by drilling boreholes outside an eco-camp in the Mara region.	Access to safe drinking water, increased employment and income through tourism development.	Local communities.	Active.
August 2006	Celtel, Psitek, Value added Services, Packetstream, Pride Africa, Health Data System, MFIs, UNDP.	Increase the usage of Celtel's Simu Yetu community payphones by launching a next-generation of data-rich GPRS (General Packet Radio Service) payphone.	Poverty reduction through employment creation (i.e. 13,500 new payphone operators) and local economic development.	Payphone operators and consumers who benefit from lower-cost access to money transfer and other commercial services.	Active.
August 2006	Suera Flowers, Africa Now, UNDP.	Develop a supply chain for Suera flowers, which includes investment in cold storage, pack-houses, vehicles, trucks for collection as well as financing facilities for farmers.	Poverty reduction through employment creation (from the existing 250 to 5,000 jobs). Access to export markets through certification and quality controls.	Farmers.	Active.
2007	Honeycare Africa (HCA), UNDP.	Encourage small farmers to begin beekeeping and reach the consumers at the bottom of the pyramid by selling 20g honey jars in the slum areas in Kenya.	Poverty reduction through employment creation and diversified sources of income.	Small-scale farmers, beekeepers and consumers.	Active

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