

Cashew Alliance – collaborating to develop a pan-African industry

Olam/TechnoServe

Processed cashew nuts are a high-value food ingredient with strong demand in the key consumer markets of the U.S. and Europe. Africa currently produces one-third of the world's raw cashew nuts, which provide an important source of cash income for millions of small-scale farm families, most of whom live in very rural areas that have limited natural resources, low agricultural potential, and high poverty levels. Today, however, over 80 per cent of Africa's production is exported in raw nut form to India or Vietnam, for further processing, leaving these small-scale African producers with only a restricted export market, and very limited scope for any increased realization for their produce.

By processing the raw nuts in Africa, there is significant scope for local value addition, which can bring in additional employment and foreign exchange earnings to these countries. However, the creation of a local processing industry has significant challenges including investments in processing infrastructure, transfer of technology and learning on best practices in cashew processing, capability building through training and skill development of workers, all of which needs significant resources and policy support from the local governments.

Olam International (Olam) and TechnoServe Inc. (TNS) are combining their resources and efforts to become a catalyst for creating a viable and thriving cashew processing industry in Africa

Common strategic goals, organisational capabilities and operational footprints between Olam and TechnoServe created the potential for a global and innovative private-development partnership. Both TechnoServe and Olam share the goal of creating viable and sustainable businesses. The community development impact of a successful business and industry is central to the TechnoServe mission and important to Olam as a socially responsible global business.

The partnership began in 2004 as a pilot activity in Tanzania, with the objective of the development of the cashew nut industry. Cashew nut across Africa provides a critical source of cash income for over five million smallholder farming families and is a major export earnings contributor for 10 African countries. Early partnership success in the form of an implemented public-private-partnership in Tanzania has led to a multi-stakeholder pan-African cashew industry initiative – the Cashew Industry Alliance. A core activity of the production component of the Alliance activity has the potential to establish greater gender equality. The formation of Farmer Business Groups represents an opportunity to promote gender equality through the proactive encouragement of women to become members and to assume leadership positions. Based on the successful collaboration in cashews, discussions are underway about work in the other industries such as rice and cocoa with potential geographic expansion to Ghana, Uganda and Madagascar. The work that Olam and TechnoServe have embarked upon demonstrates the potential for global Corporate Social Responsibility in its true sense – harnessing private sector activity that positively contributes to communities while having explicit bottom-line impact.

Private-development partnership success factors / learnings

Make sure you understand your partner

The personnel of each partner share a lot in common – a blend of global strategic thinking with relentless ability to execute in highly challenging environments. Olam draws MBA graduates from the best Indian schools and teams them up with operational experts from origin countries. TechnoServe has a long standing partnership with the strategy consultancy McKinsey & Company, and a 'Volunteer Consultant' programme that sources top tier consulting and investment banking personnel to supply latest techniques in firm-level and industry analysis. These techniques are used by staff, attracted from the best educational institutions in-country, to shape strategy and drive implementation. The result is that Olam and TechnoServe can understand and debate the strategic direction of an industry, as well as determine the path to successful implementation.

Recognize the synergy from effective private-development partnership

Without full private sector engagement, public sector and development resources are normally insufficient to effect industry-wide, sustainable improvements to value chain competitiveness. The role that TechnoServe performed in facilitating the public-private-partnership in Tanzania demonstrates the benefit from private-development partnership. They worked closely with Olam and the public sector to create a policy factbase for the industry that all parties could agree upon as a point of departure for negotiations. The result is the implemented public-private-partnership that reformed cashew industry fiscal policy with impact in its first year including the creation of over 1,500 jobs, US\$ 5.5 million in export earnings and raising US\$ 2.7 million for cashew industry development activities.

Define a clear but flexible partnership scope

Being honest and open about areas which make sense for collaboration, versus areas that represent no overlapping interest, increases the likelihood of actions being driven to success. In contrast, extracting statements of commitment from the private sector for activities that offer no bottom-line impact is unlikely to motivate commitment. This means clearly distinguishing between activities which are more philanthropic in nature versus activities that represent true corporate social responsibility – the latter carrying some strategic value to the private sector organisation in question. Olam and TechnoServe formalized an agreement early, and revisit this scope periodically. An example of a set of clearly defined activities that contribute both to community development and bottom-line impact is a smallholder outgrowing programme started in Tanzania in 2005 with relevance across the continent. Olam has already contributed US\$ 20,000 to these multi-stakeholder activities that deliver technical and financial assistance to farmers on a sustainable basis via well organized, producer economic groups. Olam is willing to extend credit and offer a premium price in return for cashew farmers supplying a reliable, high quality, dried and bulked raw cashew nut.

Scale-up the partnership

Initially, Olam and TechnoServe collaborated in the area of policy reform in the Tanzanian cashew industry in 2004. The success of this seed activity led to the signing of a formal agreement and the rapid scale-up of the relationship to include activities along the cashew industry value chain throughout Africa and, more recently, a variety of other industries. A working partnership quickly attracts the attention of other leading global organisations. In the case of the African cashew industry, IFAD (UN) and USAID are pooling resources to drive truly industry-wide transformation with Olam and TechnoServe. For this coordinated stakeholder effort in the African cashew industry, it is now possible to define a 10-year 'vision of success' in terms of the following incremental impact: US\$ 100 million in yearly farmer revenue; Providing 2.9 million farmers with a local market; Creating 130,000 direct jobs (over 50 per cent being for female workers) and 29,000 indirect jobs together paying over US\$ 90 million in annual wages; US\$ 200 million in annual export earnings.

Both organisations share the vision of working together in at least 3 more industries globally during the next two years.