

## **CATIE and its Work with the Private Sector**

### **– Outline of a Working Policy<sup>1</sup> –**

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#### **Background**

In response to Resolutions 12-08 and 14-08 of the XXXIV and XXXV Ordinary Meetings, respectively, of CATIE's Board of Directors, the Center has begun to develop a policy for its work with the private sector, including work in and through public-private partnerships (PPP). A first draft outline of this working policy was presented during the XXXVI Ordinary Meeting of the BoD, held on March 26-27, 2009. An advanced version was presented and discussed during the XXXIX Ordinary Meeting of the BoD, held on August 31 – September 02, 2010. Based on the feedback provided by the board members and recent evolutions in our work with the private sector and in CATIE's Commercial Division, this outline was updated and will be ready for broader dissemination among our partners in the private and public sectors after receiving further feedback from the board members, partners and CATIE's foundations.

#### **The Problem**

In order to comply with its mission (to promote the sustainable management of natural resources and reduce rural poverty), CATIE has been working with the private sector for many years in different ways. This work has increased significantly in the last few years, reflected in the adoption of value chain approaches in R&D projects, participation in public-private partnerships (PPP), and the increased sale of germplasm, mostly of forest tree seeds. With relation to critical areas, such as poverty reduction, climate change and biodiversity conservation, it is crucial to have clear strategies to work with the private sector due to its dual role as part of the problem as well as part of the solution.

In this context CATIE is developing a policy to work with the private sector, evaluating different types and mechanisms to encourage public-private and private-private partnerships, following existing guidelines, including the Institutional Social Responsibility (ISR) Strategy, the Poverty Reduction Strategy, the Gender Strategy and Guidelines for the Meso-American Agroenvironmental Program (MAP). Likewise, the regional agreements related to agricultural, forestry and climate change policies and the Regional Agroenvironmental and Health Strategy (ERAS) are being considered.

#### **Principal Objective**

Private sector agents in the agricultural, forest and tourism sectors in Latin America have improved their competitiveness, environmental performance and the well-being of rural populations through environmental and social responsibility strengthened by CATIE's research, capacity building and technical cooperation programs. Related in-house capacity has allowed CATIE to capture increased funding for its R&D program and higher returns to the farming and tourism activities executed by its Commercial Division.

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## **Specific Objectives**

- 1) CATIE has at its disposal a clear strategy for its work with key actors in the agricultural, forest and tourism sectors and related value chains.
- 2) The environmental and social responsibility of private sector agents involved in these chains has been strengthened through CATIE's concepts, methodologies and tools and related technical assistance and training programs.
- 3) A stronger private sector orientation in CATIE's R&D program has improved its impact on rural poverty reduction and sustainable natural resource management, and has facilitated capture of additional funding from the private sector, foundations, and other funding sources.
- 4) CATIE's Commercial Division has generated higher income through improved farm management and service provision with a clear client focus.

## **Clients Focus**

The private sector in the region is composed of diverse types of actors, each of which faces different opportunities, needs and challenges. Our policy is based on the following typology of clients, all of whom are actual or potential partners and clients of CATIE's work:

- Small and medium rural producers
- Large rural producers
- Small and medium rural enterprises (SME)
- Large national and international companies
- Input providers
- Providers of technical, business and financial services

Some of the clients related to our work with the private sector belong to the public sector or civil society, namely those involved in service provision, underscoring the opportunities and need for PPP.

## **Criteria for Collaboration**

Our work with the private sector implies special challenges in view of the trade-offs that usually exist between the businesses' economic goals and society's social and environmental goals. We therefore consider it crucial to define collaboration criteria which ensure that our interventions with the private sector comply with CATIE's mission:

- Transparency of motives, intentions and goals for collaboration
- Interest in joint learning
- Opportunities to build assets, reduce poverty and create wealth
- Commitment with social and environmental responsibility, including gender equity
- Respect for intellectual property rights
- Use of validated methodologies, tools and germplasm.

## CATIE's Role

CATIE plays varying roles in its interactions with the private sector. In terms of R&D activities, the Center acts as a service provider. Insofar as its productive activities are concerned, the Center acts as a provider of inputs and raw materials to different chains. CATIE's roles include:

- Provision of **inputs**: germplasm for cacao, coffee, *musa* and a number of fruits, ornamental plants and timber species, including grafts, hybrids and *in vitro* plants
- Provision of **raw materials**: sugarcane, coffee, milk, beef, bananas, plantain, timber and firewood
- Provision of **technical services**: advising, training and graduate education in production technologies, post-harvest treatments, processing and conservation strategies
- Provision of **business services**: advising, training and graduate education in strategic orientation and business administration, business organization and development, risk management, and marketing
- Facilitation of **access to financial services**: linking with financial service providers from different sources<sup>2</sup>
- **Political advocacy**: research and advising for the formulation of public and private policies; facilitation of multi-sectorial and multi-stakeholder platforms.

We are convinced that sustainable rural business development requires improved and better articulated technical, business and financial services, including the provision of inputs. Even though CATIE's mandate is confined to the provision of inputs, raw materials and technical and business services, we consider it crucial to facilitate our clients' access to financial services. Such integrated service offer makes CATIE stand out in the region, constituting a clear competitive advantage. At the same time, our work needs to be embedded in collaborative agreements with a broad network of partners from the private and public sectors and civil society to achieve the desired impact on poverty reduction and natural resource management. Such collective action needs to allow for a logical sequence in the provision of and articulation between services, depending on the scale of the sector, sub-sector or chain; the stage of business development; and related asset endowments.

## Conceptual Framework

Key elements of our conceptual framework for sustainable rural business development are:

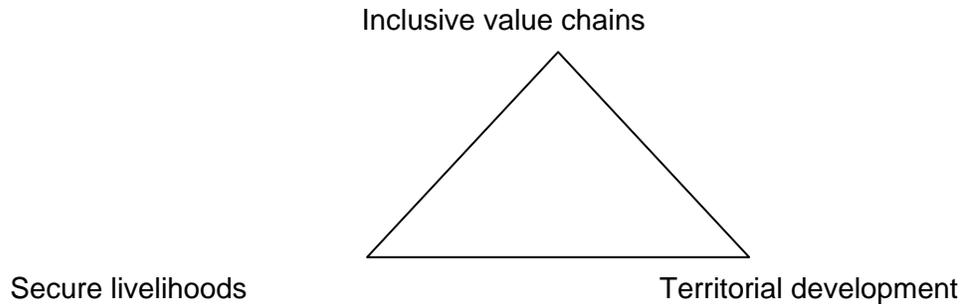
- value chain approach
- livelihoods approach
- territorial approaches
- environmental and social responsibility.

They help us to promote value chains with environmental and social responsibility, secure livelihoods and healthy landscapes.

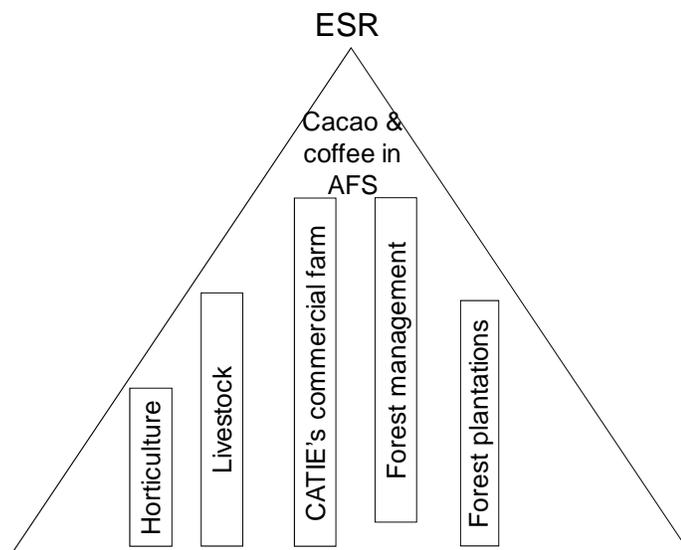
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<sup>2</sup> Over the past years, CATIE has strengthened its collaboration with the Finance Alliance for Sustainable Trade (FAST), a platform of 15 alternative finance service providers, as well as the Central American Bank for Economic Integration (CABIE/BCIE) through its project Central American Markets for Biodiversity Enterprises (CAMBio).

### *Triangle of approaches*



### *Environmental and social responsibility pyramid*



As is illustrated in the pyramid, there are production systems that already comply with many of the criteria for environmental and social responsibility (ESR). These include, for example, coffee and cacao produced in smallholder agroforestry systems rich in biodiversity that use little or no synthetic fertilizers or agrochemicals. On the other hand, there are other production systems with low ESR indices, such as intensive horticulture or livestock production. Within this wide range of manifestations of ESR, CATIE seeks to:

- 1) Widen the tip of the pyramid by expanding sustainable agroforestry systems based on coffee or cacao (examples: Innovations and Central American Cacao Projects)
- 2) Eliminate the "dirty bottom of the pyramid", for example to promote silvopastoral systems where intensive cattle production with few or no forest and tree resources prevails (e.g., degraded Pastures/Lands and GEF Projects); or clean vegetable production (Innovations and MCC projects).
- 3) Move the middle part up through, for example, sustainable management plans for natural forests and forest plantations (e.g., FINNFOR); or the reduction of agrochemicals and other less environmentally-friendly practices on CATIE's commercial farm.

## Promotion of Partnerships

CATIE promotes **public-private partnerships** in order to take advantage of common or complementary interests between the sectors and establish mechanisms to minimize risks and maximize mutual benefits through value chains. There are principally three ways to forge these partnerships:

1) Enter into **partnerships with large enterprises** to meet specific demands and negotiate resources for R&D activities; these include collaboration with companies such as Mars, Nestlé, ECOM, Dos Pinos and Walmart;

2) Facilitate **partnerships between the private sector and the public sector or civil society**, in order to ensure a better provision of services and complementary resources for a number of rural SME, including collective enterprises (cooperatives, farmer associations) and single-person enterprises. In some cases, for example in vegetable and livestock production, partnerships are also facilitated between micro-enterprises and state agencies or NGO.

3) Enter into **partnerships with service providers**: these include partnerships with tourism companies (e.g., tour operators, Costa Rican Tourism Institute, Turrialba Chamber of Tourism), to promote the corresponding activities in CATIE's farm and botanical garden with the aim of improving income from productive activities and services; with the Finance Alliance for Sustainable Trade (FAST) for improved provision of financial services; or with the banking and insurance sectors for improved availability of price and weather risk management products.

Likewise, CATIE promotes **private-private partnerships** among the very actors in the chains, to seek greater synergy among them and create win-win relationships. Examples include the provision of technical, business and/or financial services to and among different links in forest and timber, vegetable, coffee, cacao and other chains.

Finally, CATIE works in **public-public partnerships** to promote private sector development. An illustrative example is its role of Facilitating Unit of the Central American Learning Alliance for Rural Business Development, composed of CARE, CATIE, CIAT, CRS, Oxfam, SNV and SwissContact. During its five years of existence, this alliance has served as a platform to develop, validate and adjust a number of methodologies and tools for sustainable rural business development. Several partners have been strengthened in the subject in such a way that they have been able to negotiate multi-million dollar projects that altogether have improved the provision of business services in the region.

## Gender

There are gender-wise patterns of participation, labor division and decision making in most of the chains. In general, men define the terms for trade, and very few of the enterprises other than micro-enterprises have women in leadership positions. There are chains, such as those for timber products, where even the participation of women in basic activities is minimal. On the other hand, there are some examples where women have, in fact, encouraged the development of rural enterprises and have achieved their successful integration in value chains (e.g., small enterprises based on processed agricultural or non-timber forest products). In general, there is a number of cultural and socioeconomic factors that have hindered greater participation of women in rural enterprise development, some of which are:

- male chauvinism, with its multiple ramifications
- household responsibilities that are not well shared between men and women
- marginalization of girls and women in certain types of education
- lack of incentives for women entrepreneurs
- lack of guarantees to access credit.

These factors cannot be resolved in the short or medium term, and not by CATIE alone. For this reason, CATIE has formed a partnership with RUTA, GTZ, DFID, AECID, EARTH and several national organisms under the figure "Agenda for the harmonization of strategic actions to advance in the application of the gender focus in value chains in Central America." We hope that this partnership will allow us to intensify our work with the private sector with a gender approach and in particular, strengthen the opportunities for women entrepreneurs. In addition, we promote value chain development from a livelihoods perspective which detects intra-household and inter-household patterns of interactions according to gender.

### **Main themes**

CATIE's relationships with the private sector are as diverse as the areas covered. There is common interest in joint innovation, in particular with respect to:

- Genetic improvement
- Impact of the private sector on poverty and the environment
- Innovative mechanisms to share information, risks and benefits
- Business organization of small and medium producers
- Technical, entrepreneurial and financial capacity building of rural SME
- Development of global value chains
- International sustainable tourism
- Incentive policies to improve competitiveness and environmental performance
- Risk management, including mitigating practices and adaptation to climate change
- Promotion of the sale of products and services from CATIE's commercial farm.

One cross-cutting area is environmental and social responsibility of the businesses that CATIE seeks to strengthen, both within the Center (ISR Policy) as well as in the region. In this context, action-research activities that allow us to identify viable ways to minimize possible trade-offs between economic performance of the enterprises and social and environmental goals of society, are crucial.

### **Examples of current activities**

#### *Provision of Germplasm*

- Forest seeds: teak, gmelina ("uniformly good on nearly every site tested, and ... the best source in 22 of 26 tests in which it was included")
- Cacao (CATIE XX) tolerant to Moniliasis and other diseases
- Coffee "FI" (precocious, higher productivity, disease/pest resistant)
- *In vitro* plants (e.g. ferns, bananas and plantains)
- Fruits (e.g. anacardiaceae, sapotaceae, peach palm)

#### *Development of Value Chains*

- Timber and non timber forest products in Central America (IDB/MIF, FINNFOR)
- Cacao in Central America (MFA Norway)
- Sustainable coffee in Honduras and Nicaragua (MFA Norway)

- Clean vegetables in Honduras, El Salvador and Guatemala (MFA Norway, MCC)
- Animal products (MFA Norway, Nestlé, Rainforest Alliance)

#### *Capacity Building*

- Masters in "International Agribusiness Management" (MIAM), together with INCAE
- Masters in "International Sustainable Tourism" (MIST), together with UNT
- Diploma in Rural Enterprise Development, together with CIAT
- Specific courses in scientific masters programs and special topics for training
- Technical assistance and training upon demand within the framework of the projects

#### *Development of Methodologies and Tools for Business Development*

- Entrepreneurial organization for small producers
- Price and weather risk management
- Diagnosis of training and technical assistance needs in business management by rural SME
- Diagnosis of capacities of business service providers
- Funding of value chains
- Methodology to assess the impact of value chain approaches on poverty (Ford Foundation, with partners in USA, Asia, Africa and Latin America)
- Methodologies to measure or calculate carbon sequestration that facilitate access to Clean Development Mechanisms
- Methodologies to evaluate and value environmental services (protection of aquifers, biodiversity conservation) which help to minimize the environmental footprint of enterprises and, to the extent possible, facilitate access to payments for environmental services

#### *Public Policies*

- Leadership in the strategic theme Green Business in the Regional Agroenvironmental and Health Strategy (ERAS, for its acronym in Spanish), together with RUTA
- Advising to local governments in the creation of payments for environmental services
- Advising to central governments in the formulation of policies that facilitate the adaptation of the private sector to climate change

#### *Private policies*

- Development of a Code of Conduct for impact evaluation of certifications and other voluntary standard systems on poverty (Ford Foundation, with ISEAL and Sustainable Food Lab)
- Development of a methodology to evaluate the impact of value chains on poverty and the environment (Ford Foundation, with partners in USA, Asia, Africa and Latin America)
- Agreements for the co-management of watersheds, biological corridors, model forests and other types of territories (FOCUENCAS, FINNFOR, Innovations, etc.)
- Creating Shared Value (CSV) in the organic banana chain of Talamanca (with Gerber Ingredients – Nestlé)
- Developing a prototype of an index-based weather insurance scheme (World Bank, IDB/MIF, FIDES, RUTA, University of Berkeley)
- Price risk management (World Bank, RUTA)

*Public-private partnerships*

- INAFORESTA: improved relations among people, cacao, associated forest trees and the environment (MARS, ICRAF, IITA, CIRAD, and Conservation International)
- Mars: cacao genetic improvement and quality
- Nestlé: cacao somatic embryogenesis, flavonoids and cacao quality
- World Cacao Foundation: advising on environmental themes and agroforestry diversification
- Cacao clusters: through the Central American Cacao Project

*Public-public partnerships*

- Learning Alliance for Rural Enterprise Development in Central America (with CARE, CATIE, CIAT, CRS, Oxfam, SNV and SwissContact)
- Other networks and partnerships related to improved ESR of the private sector.

*Next steps*

<b>What</b>	<b>What for</b>	<b>What to do</b>	<b>When</b>
Brochure on CATIE's product and service offer to the corporate sector	Promote CATIE's germplasm, training and technical assistance programs among large companies	<ul style="list-style-type: none"> <li>• Involving students in specific research projects</li> <li>• Mobilize funds for printing</li> <li>• Disseminate brochures</li> </ul>	2011/12
Brochure on CATIE's product and service offer to small and medium enterprises	Promote CATIE's germplasm, training and technical assistance programs among SME and development agencies	<ul style="list-style-type: none"> <li>• Same as above</li> </ul>	2011/12
Business cases	Demonstrate the added value of CATIE's products and services to farmers and companies	<ul style="list-style-type: none"> <li>• Identify illustrative cases</li> <li>• Seek for collaboration with the endowed chair Steve Aronson (INCAE)</li> <li>• Involving students and senior researchers in case studies</li> <li>• Disseminate findings</li> </ul>	From 2011 on
Establishment of an endowed chair on Sustainable Rural Business Development	Ensure sustainability of research, education and outreach activities in this field	<ul style="list-style-type: none"> <li>• Use net earnings derived from the master's program in international agribusiness management (MIAM) as seed funds</li> <li>• Identify and tap into further funding sources</li> </ul>	From 2011 on
Support from Board of Directors	Leverage CATIE's initiatives with the private sector through tapping into the institutional networks of the board members	<ul style="list-style-type: none"> <li>• Identify potential clients in the private sector</li> <li>• Establish first contact through board members</li> <li>• Identify client needs for CATIE's products and services</li> <li>• Negotiation and delivery of products and services</li> </ul>	From 2011 on