

Realising systemic change through private sector engagement in development: lessons from two cases

Key messages

- Private-sector engagement in development can, under certain conditions, contribute to systemic change through multiple pathways and modalities
- Development programmes should adapt to local circumstances and opportunities to facilitate contributions to systemic change
- Understanding the local context is essential to capitalise on opportunities and embed practices in existing protocols
- Incorporating flexibility into programmes and their resulting frameworks will enable adaptive management.

Introduction

Private sector engagement has been increasingly embraced as a catalyst for inclusive development.¹The BHOS policy note *Investing in Global Prospects* attributes businesses with an important role in implementing development policy.² Engagement of the private sector is, among other benefits, assumed to enable large-scale and sustainable results.³ This is often referred to as systemic change.

Although the concept is contested, systemic change generally refers to change that lasts beyond the end of the project and reaches beyond the project's boundaries. It therefore needs to have scale and sustainability.⁴ This suggests that investing in processes of systemic change is an effective pathway towards the objectives of sustainable development. Nevertheless, in practice it has been seen that achieving systemic change is difficult, and that private sector engagement raises reservations.⁵ Realising systemic change is a complex process involving multiple actors,

¹ Rosca, E., & Bendul, J. C. (2019). Value chain integration of base of the pyramid consumers: An empirical study of drivers and performance outcomes. *International Business Review*, 28(1), 162-176.

Van Westen, A. G., Mangnus, E., Wangu, J., & Worku, S. G. (2019). Inclusive agribusiness models in the Global South: the impact on local food security. *Current Opinion in Environmental Sustainability*, 41, 64-68.

² BHOS (2018) *Investing in Global Prospects*. For the World, for the Netherlands. Policy Document on Foreign Trade and Development Cooperation. May 2018.

³ Van Tulder, R., & Keen, N. (2018). Capturing collaborative challenges: Designing complexity-sensitive theories of change for cross-sector partnerships. *Journal of Business Ethics*, 150(2), 315-332.

⁴ Nippard, D, Hitchins, R & D Elliott (2014). *Adopt-Adapt-Expand-Respond: a framework for managing and measuring systemic change processes*. The Springfield Centre: UK.

Kessler, A. (2014). *Assessing Systemic Change. implementation guidelines for the DCED Standard*. DCED. August 2014.

⁵ Backstrand, K. (2006). Multi-stakeholder partnerships for sustainable development: rethinking legitimacy, accountability and effectiveness. *European Environment* 16, 290-306.

Schouten, G. & Vellema, S. (2019). Partnering for inclusive business in food provisioning. *COSUST* 41, 38-42.

Van Tulder, R., Seitanidi, M.M., Crane, A. & Brammer, S. (2016). Enhancing the impact of cross-sector partnerships: four impact loops for channeling partnership studies. *Journal of Business Ethics* 135: 1-17.

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themes and processes that interact and unfold in unpredictable ways. So it is essential to learn more about how processes of systemic change originate and unfold.

Based on a process tracing approach,⁶ this paper reports on the successful contribution of two different modalities of private-sector engagement to systemic change:

- the [CREATE project in Ethiopia](#), which intends to include smallholder farmers in the malt barley value chain
- [IDH's PPI approach in Brazil](#), which focuses on policy implementation to facilitate a sustainable landscape that supplies responsible production to the markets. IDH is the Sustainable Trade initiative, headquartered in the Netherlands.

These two cases have been selected because of their successful contribution to systemic change, so we will not focus on assessing their success, but on exploring whether the change can be traced to the cases and what lessons can be distilled from the intervention processes.

Research found convincing evidence to confidently claim that both modalities contributed to processes of systemic change. CREATE has played a significant role in attracting new investors to the malt barley value chain in Ethiopia thereby contributing to sector-wide transformations. IDH's efforts have contributed to improved landscape governance in Mato Grosso, Brazil, to halting deforestation, while stimulating economic growth and social inclusion.

These cases examine two different pathways through which private sector engagement contributes to systemic change. The most important lessons from these cases are that systemic changes seem to be dependent on the ability to adapt to occurring opportunities; these lessons are also reflected in the literature on systemic change. Flexibility and a thorough understanding of local context and dynamics seem to be required for adapting to dynamic and changing circumstances.⁷

The remainder of this brief explains the two cases, narrates the causal processes from private sector development programmes to systemic changes for CREATE and IDH, and draws lessons from them.

Case 1: CREATE – upgrading the malt barley chain in Ethiopia

CREATE (Community Revenue Enhancement Through Agricultural Technology Extension) is a partnering project between EUCORD, a non-profit focusing on improving the livelihoods of farmers by linking them to guaranteed markets, and Heineken, a Dutch brewer. The partnership is supported by the Dutch Ministry of Foreign Affairs. It focuses on increasing agricultural capacity of smallholder farmers in Ethiopia while limiting Heineken's dependency on imported commodities by integrating smallholder farmers into the brewer's supply chain, and training them in good

⁶ Process tracing is a methodology that is increasingly explored in various development evaluations to assess the causal relationship between programme interventions and development outcomes. Process tracing unpacks the causal relationship into sets of interlinked events (entities engaging in activities) necessary for the outcome to occur. These events are substantiated by accounts of 'evidence' to increase our confidence that the event happened, and to claim with confidence the causal relationship between intervention and outcome. The guidebook 'Assessing partnerships' impact through process tracing – a methodological guidebook' presents insights, suggestions and tools for conducting a process tracing research.

⁷ [Thorpe, J. \(2014\). Business and International Development: Is Systemic Change Part of the Business Approach? IDS Evidence Report No 92.](#) [USAID \(2014\) Evaluating systems and systemic change for inclusive market development: literature review and synthesis. LEO Report No. 3.](#)

agricultural practices.⁸ Such vertical co-ordination arrangements for the management and interrelation of the value chain generally ensure all farmers' access to improved technology, credit and inputs. This in turn enhances supplier-buyer relations and farmers' investments.⁹

The implementation of CREATE in Ethiopia is considered a tremendous success, and its achievements have surpassed original targets.¹⁰ Alongside CREATE's planned achievements, including increasing the supply of quality barley to both beverage industries and food markets¹¹, the success of the project has triggered additional unintended effects on the malt barley sector. The increases in yield, improvements in quality, and the scaling up of barley production thanks to CREATE have attracted investments from two malting companies: Soufflet and Boortmalt. Although the malting companies' establishment of a factory in Ethiopia was beyond the original objectives, CREATE observed the maltsters' interests at an early stage in the process, and adopted a flexible approach in persuading the malting companies to settle in Ethiopia.

As such, CREATE has co-created a guaranteed demand for barley which can be sustained even after the Ministry's financial support ends. This development has the potential to bring economic benefits to low-income farmers, increase their revenues and guarantee barley offtake.¹²

Our process-tracing approach showed us convincing evidence that the value chain upgrade can be attributed to the success of the partnership. This means we can claim with confidence that CREATE contributed to upgrading the malt barley sector in Ethiopia. The causal process towards the investments that highlights the role of CREATE is shown below.

The introduction of new seed varieties, training for farmers and other inputs helped CREATE to increase the production and supply of high quality barley in the domestic market.¹³ The lack of domestic capacity for malting created investment opportunities for malting companies.¹⁴ Two maltsters showed interest in investing in Ethiopia. Their

⁸ [EUCORD project page](#)

⁹ [Bitzer, V. & Bijman, J. \(2014\). Old oranges in new boxes? Strategic partnerships between emerging farmers and agribusinesses in South Africa. *Journal of Southern African Studies*, 40, 167-183.](#)

[Delelegne A. Tefera, Jos Bijman & Maja A. Slingerland \(2020\). Multinationals and Modernisation of Domestic Value Chains in Africa: Case Studies from Ethiopia. *The Journal of Development Studies*, 56:3, 596-612.](#)

[Wijk, J. V., & Kwakkenbos, H. \(2012\). Beer multinationals supporting Africa's development? How partnerships include smallholders into Sorghum-beer supply chains.](#)

¹⁰ CREATE Annual Report #6, April 30, 2019

¹¹ In 2019, an estimated 75% of barley produced by project-supported farmers went to the food market, while about 25% was used by the beverage industry. CREATE Annual Report #6, April 30, 2019.

¹² [German, LA, Bonanno, AM, Foster, LC & Cotula, L. \(2020\). "Inclusive business" in agriculture: evidence from the evolution of agricultural value chains. *World Development* 134.](#) At the same time, the impact of global value chain development on inclusive development is not straightforwardly guaranteed and depends on the terms of engagement and additional structural factors including public policy [Bezabeh Ali, A \(2018\). Malt barley commercialization through contract farming scheme: a systematic review of experiences and prospects in Ethiopia. *African Journal of Agricultural Research* 13\(53\), 2957-2971.](#)

¹³ IFC Impact survey (forthcoming)

¹⁴ See these news articles <https://www.glassonline.com/beverage-industry-booming-in-ethiopia-with-increased-foreign-investment/>, <http://www.geeskaafrika.com/18392/inisitute-says-nations-beverage-industry-booming/>

<https://newbusinessethiopia.com/manufacturing/ethiopia-to-end-malt-import-boosting-local-production/> and [Gamosa, T. \(2016\). The Role of Smallholder Farmers in the Import Substitution and Industrialization of Ethiopia: The Case of Malt Barley Producers in Arsi and Bale Areas, Ethiopia. MSc thesis submitted to St. Mary's University \(SMU\), Addis Ababa, Ethiopia](#)

investments would facilitate sustained demand for barley, and sustainable inclusion of smallholder farmers in the barley value chain.¹⁵

However, the companies' concerns about the availability of foreign exchange and the general investment climate in Ethiopia made them reluctant to invest.¹⁶ Their decision was still pending when the CREATE project was about to terminate.

The partners feared that termination of the project might adversely affect the demand for barley and discourage farmers who might decide to shift to other crops before the maltsters arrived.¹⁷ The partners consequently decided to request an extension from the Ministry. The Ministry approved the request and granted a funded project extension to bridge the period until the new malting factories came in.¹⁸

Simultaneously, the International Finance Corporation (IFC) made a 40 per cent equity investment in one of the malting factories to encourage investment. The success of the CREATE partnership in proving the feasibility of a commercial barley value chain in Ethiopia was a key consideration in IFC's decision.¹⁹ Heineken Ethiopia also helped to secure one of the malting companies' new malting plants with a direct investment, and by agreeing long term off-take contracts.²⁰ As a result of the partnership's achievements, combined with the flexible attitude of the partners, the malting companies ultimately decided to invest in Ethiopia (please see the simplified visualisation in figure 1).

A great indicator of the success of the CREATE partnership and its links to the malt barley sector is the fact that the malting factories predominantly process the barley varieties Traveler and Grace, which CREATE introduced into Ethiopia.²¹

Figure 1. Causal process of CREATE's contribution to upgrading the malt barley sector



http://repository.smuc.edu.et/bitstream/123456789/2676/1/Tarekegn%20Garomsa_Main%20Doc_Final.pdf

¹⁵ Tefera, D.A., Bijman, J. & M. Slingerland (2020). *Multinationals and modernization in domestic value chains in Africa: case studies from Ethiopia*. *The Journal of Development Studies* 56:3, 596-612. German, LA, Bonanno, AM, Foster, LC & Cotula, L. (2020). "Inclusive business" in agriculture: evidence from the evolution of agricultural value chains. *World Development* 134.

¹⁶ Investment proposal documents presented to the IFC's Board

¹⁷ CREATE Annual Report #5, April 30, 2018

¹⁸ Appraisal document for financial adjustment of activities, Bemo, Dutch Ministry Foreign Affairs

¹⁹ Investment proposal documents presented to the IFC's Board

²⁰ Email, evidence seen but not included as it is not disclosed/confidential

²¹ Gamosa, T. (2016). *The Role of Smallholder Farmers in the Import Substitution and Industrialization of Ethiopia: The Case of Malt Barley Producers in Arsi and Bale Areas, Ethiopia*. MSc thesis submitted to St. Mary's University (SMU), Addis Ababa, Ethiopia.

Case 2: IDH – improved landscape governance in Brazil

The Sustainable Trade Initiative (IDH) works in Brazil through its Production, Protection, and Inclusion approach (PPI), to invest in sustainable landscape management and to curb deforestation, while improving the productivity and livelihoods of farmers. As part of this approach, IDH engaged in a multi-stakeholder initiative with businesses, civil society and government to launch the Mato Grosso State Produce, Conserve, Include (PCI) Strategy at the 2015 COP21 in Paris. This strategy aimed to increase agricultural production and efficiency, conserve remaining natural vegetation, and improve the socio-economic inclusivity of smallholder farmers and traditional communities in the state of Mato Grosso by 2030.

Although the Strategy is an achievement in itself, the challenge in Brazil is not so much the development but rather the implementation and enforcement of policy.²² States generally find it difficult to monitor environmental performance and the outcomes of their policies consistently,²³ and the implementation of economic development is often prioritised over environmental protection.²⁴ Political support is generally volatile, and the successful implementation of environmental policy is prohibited by lack of local knowledge, and shortages of institutional and technical capacity.

In general, a variety of obstacles – political, financial and capacity – often prevent the successful implementation of environmental policy.²⁵ This is why supporting the institutional anchoring of the Strategy in the state of Mato Grosso contributed to implementing and enforcing sustainable landscape management. Our research found convincing evidence to claim that IDH has played a significant role in realising the implementation of the PCI Strategy.

Our research uncovered a mechanism to link IDH's PPI approach to improved landscape governance. After the launch of the Strategy at COP21 in 2015²⁶, the stakeholders²⁷ came together in a two-day workshop, supported by IDH, to jointly design activities to realise the objectives of the PCI Strategy.²⁸ Stakeholders included government bodies, secretaries of state, civil society organisations such as the World Resources Institute (WRI) and EDF (an integrated electricity company active in generation, transmission and distribution), and businesses including AMAGGI and Carrefour.

The result of the workshop was a Roadmap that acknowledged the vulnerability of the Strategy and indicated that success would depend on proper implementation and monitoring.²⁹ IDH, aiming to achieve improved landscape governance in Mato Grosso, grasped the opportunity by supporting the institutionalisation and implementation of the Strategy to address the political, financial and capacity obstacles that had been the cause of failure to implement environmental policy. For the Strategy to contribute to improved landscape governance, it should be underpinned by

²² [OECD Environmental Performance Reviews Brazil](#)

²³ <https://www.oecd.org/environment/country-reviews/OECD-EPR-Highlights-inEnglish-light.pdf>

²⁴ [De Oliveira, JAP \(2002\). Implementing environmental policies in developing countries through decentralization: the case of protected areas in Bahia, Brazil. World Development 30:10, 1713-1736.](#)

²⁵ [De Oliveira, JAP \(2002\). Implementing environmental policies in developing countries through decentralization: the case of protected areas in Bahia, Brazil. World Development 30:10, 1713-1736.](#)

²⁶ [PCI Strategy](#)

²⁷ See for an overview of stakeholders [CEEPCI document](#)

²⁸ See PCI Roadmap and workshop minutes

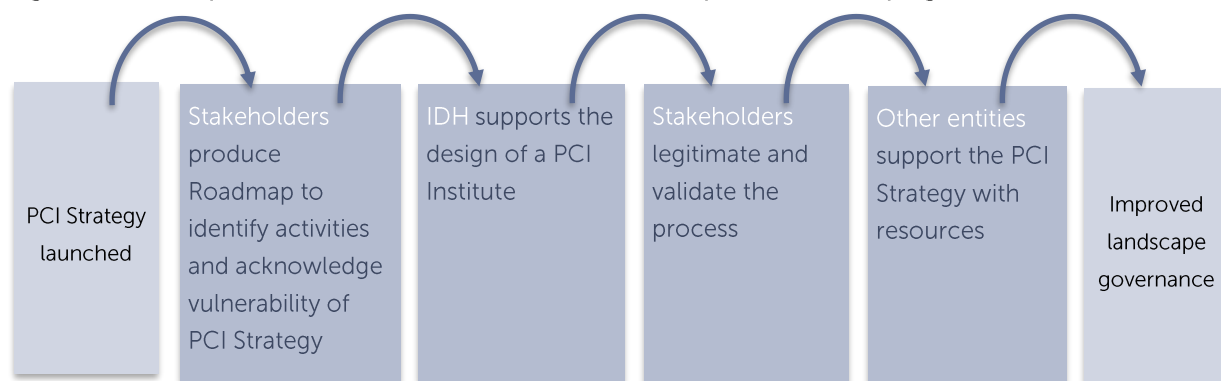
²⁹ Trama report, Anexo F

an institution embedded deep in the local context. IDH hired a consultant to define the preferred legal structure, operational business plan and executive set-up for the PCI Institute.³⁰

The consultant produced a design encompassing legal, financial and governance factors. It was based on considerations of the existing institutional landscape,³¹ and proposed a private entity to enable the incorporation of non-state actors in decision-making processes and protect it from political dynamics.

Involved stakeholders and Mato Grosso State unanimously validated the proposed structure, and IDH recruited volunteers who were willing to act as legal entities to establish the PCI Institute from among the stakeholders. The PCI Strategy managed to attract funding and support from other entities, including bilateral donors and the REDD+ for Early Movers (REM) project, supported by the KfW development bank and GIZ, one of the world’s largest development agencies.³² The recent endorsement of the PCI Strategy as an environmental safeguard in the form of an offset to the US\$ 250 million loan from the World Bank to the State of Mato Grosso is an indication that the policy is valued among a variety of entities. IDH has thus contributed to delivering the PCI Strategy to increase productivity while maintaining native vegetation cover and includes protecting the interests of smallholders and indigenous and traditional populations across Mato Grosso, Brazil.

Figure 2. Causal process of IDH’s contribution towards improved landscape governance



Lessons and recommendations

The two cases illustrate different pathways through which partnerships may contribute to systemic changes. CREATE illustrates a modality of private sector engagement in which the Ministry’s level of engagement is generally high, and the advantage appears to be that this enables flexibility to adapt to contextual requirements and opportunities. IDH’s case represents one of the Ministry’s strategic partnerships with an intermediary organisation. Although the Ministry is much less involved in the daily practices of the IDH partnership, the modality allows for the flexibility required to respond to relevant local processes and opportunities, such as with the development of the PCI Strategy.

³⁰ Contract between IDH and consultant: LND.291.2017.01 LoA Ludovino-PCI-sruct-phase1_signed_both.pdf

³¹ See various reports delivered from consultant to IDH

³² [REM programme](#)

This brief has demonstrated how different modalities of private sector engagement may contribute to systemic change. However, finding evidence that partnerships are causally related to a development result does not rule out other causes that co-contributed to the change. Complex results, such as systemic changes, seldom have a single cause. Rather, they frequently have multiple causes that together achieve the results.³³ The maltsters' decision to invest in Ethiopia is admittedly consequential to the CREATE partnership, but beyond its direct span of influence.³⁴ IDH facilitated the implementation of the Strategy, but could not have initiated the development of the Strategy itself.

This means that partnerships cannot control systemic change, but they can influence the speed and course of change processes³⁵ as we have demonstrated in the two example cases here. To that end, external influences and dynamics need to be well understood in order to identify opportunities to contribute to ongoing change processes.

Partnerships should in turn be able to be flexible in their implementation pathway so they can adapt the programme to local processes and dynamics. Understanding of unique local processes, dynamics and institutions is therefore essential.³⁶ The enhanced understanding of ongoing processes and context is crucial to fit interventions to local contexts and to match these to the nature of the problem. This cannot be done in advance by deductions or prior knowledge alone because of the complex nature of the issues – and the consequent uncertainty about the unfolding of processes of change. That means that development approaches require some leeway so they can adapt to unexpected opportunities and risks. This also requires flexibility from the donor. Rigid frameworks for results, which are reasoned from pre-defined implementation plans, prevent development programmes from tailoring their approaches to relevant developments. Rather, monitoring and evaluation should cover the process, the outcomes and the impact, and should be done throughout the programme to enhance partnership performance.³⁷

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³³ [Beach, D. & R. Pedersen. Beach, D., & Pedersen, R. B. \(2019\). *Process-tracing methods: Foundations and guidelines*. University of Michigan Press: Ann Arbor.](#) [Thorpe, J. \(2014\). *Business and International Development: Is Systemic Change Part of the Business Approach? IDS Evidence Report No 92*.](#)

³⁴ Among other factors, it has been codependent on Heineken's support to the maltsters, financial investments from third parties, and collaboration with government agencies.

³⁵ See for instance [Loorbach, D. and Rotmans, J. \(2006\). 'Managing transitions for sustainable development. In Olshoorn, X. and Wieczorek, A. J. *Understanding Industrial Transformation. Views from different disciplines*. Dordrecht: Springer.](#) [Dentoni, D., Waddell, S. and S. Waddock \(2017\) *Pathways of transformation in global food and agricultural systems: implications from a large systems change theory perspective. COSUST 29:8-13*.](#)

³⁶ [Schouten, G., M. Vink & S. Vellema \(2018\). *Institutional diagnostics for African food security: approaches, methods and implications*. NJAS 84: 1-5.](#)

³⁷ [INTRAC \(2018\) Adaptive management](#)