



CASE STUDY

# SUNRISE AZERBAIJAN



**OXFAM**



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# 1 FOREWORD

In 2010 Unilever and Oxfam started a five year project to learn how to do business with smallholder farmers in a way that can improve livelihoods.

Both organisations share a common vision of a food-secure, just and sustainable world in which smallholder farmers play an important role. By working together, Unilever and Oxfam aim to bring a holistic approach to achieving sustainable sourcing and improved livelihoods by harnessing their respective commercial and development expertise. Working together also presents an opportunity to leverage joint experience and learning to influence and advocate for change beyond the respective organisations.

The initial focus for Sunrise was to set up two new supply chains to supply Unilever with dehydrated vegetables for use in its Knorr brand products. One of these was to be in Tanzania and the other in Azerbaijan. This case study focuses on Azerbaijan.

The project there was intended to be a practical, hands-on attempt to set up new dehydrated-onion sourcing from low-income smallholders.

Working together Oxfam has been able to act as a critical friend to Unilever and engage with them to understand how a fast-moving consumer goods (FMCG) procurement operation impacts on the lives of those that they ultimately buy from.

*“This project has brought Oxfam, ourselves and the farmers in Azerbaijan many learnings. Not all pioneering projects we start necessarily lead to successful sustainable business cases, but in this project we have been able to advance a smallholder farmer community in their agriculture practice and choice of onion varieties leading to better yields. As a consequence, the learnings from this project have already helped us in other smallholder farmer development projects.”*

Dirk-Jan-de With, VP Procurement Ingredients & Sustainability, Unilever

*“Sunrise in Azerbaijan has provided us with a rich experience of engaging with the private sector through working in a partnership. This case study looks at the fine detail of the challenges around establishing a supply chain from scratch with new farmers and a new processor. Working in this way has given us invaluable learning that we are keen to share and build on in our future work on improving the lives of women and men smallholders engaged in the supply chains of modern markets.”*

Penny Lawrence, International Programmes Director, Oxfam



Dirk-Jan-de With



Penny Lawrence

## Acknowledgements

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## About This Case Study

The authors of this case study are from Reos Partners, a social enterprise specialising in multi-stakeholder collaborations that respond to complex social challenges. Being independent from both Oxfam and Unilever, Reos Partners aim to provide a balanced perspective on the Sunrise project.

In-depth interviews with key stakeholders, supporting organisations in Azerbaijan, smallholder farmers, their families and women's groups in Azerbaijan have helped inform the case study.

From the project in Azerbaijan the following key lessons have emerged:

### AVOID OPTIMISM BIAS AT THE RESEARCH STAGE

Starting a new smallholder supply chain with a combination of commercial and social-impact objectives is complex. Participants need to carefully consider a wide range of issues and consider both positive and negative factors likely to impact on the supply chain proposed.

### ASSESS THE IMPACT OF THE PROPOSED BUYING MODEL

The buying model has an enormous domino-like effect on the dynamics of the supply chain. For example, a surplus-buying model can be established more quickly than a contract-buying model, can develop a broader market and can increase the number of farmers involved in the long term. On the other hand, a contract-buying model offers more scope for specific produce requirements to be met, and can also provide a framework for all parties to justify upfront investments.

### INVEST STRATEGICALLY IN GREENFIELD SITES

Greenfield projects afford a great degree of freedom to design a supply chain "from scratch." Project leaders must strike a strategic balance between factors such as direct control and innovation on the one hand, and outsourcing and efficiency on the other hand.

### LEAVE ROOM FOR TRIAL AND ERROR

In supply chains where new approaches are being introduced and where innovation and learning are critical, there must be room for trial and error. Experimentation enables current understanding to be challenged and improved.

### AGREE ON HOW SYSTEMIC THE APPROACH WILL BE

Systemic approaches seek to address problems by dealing with their root causes rather than just addressing symptoms. Project teams taking this approach must make this choice clear upfront, and get all partners' agreement on it.

### MAKE OBJECTIVES CRYSTAL-CLEAR

When two organisations are highly motivated to collaborate, there is a danger of avoiding the difficult and sensitive conversations needed to identify differences in objectives, drivers, priorities and agendas.

### DEFINE "SUCCESS" CAREFULLY

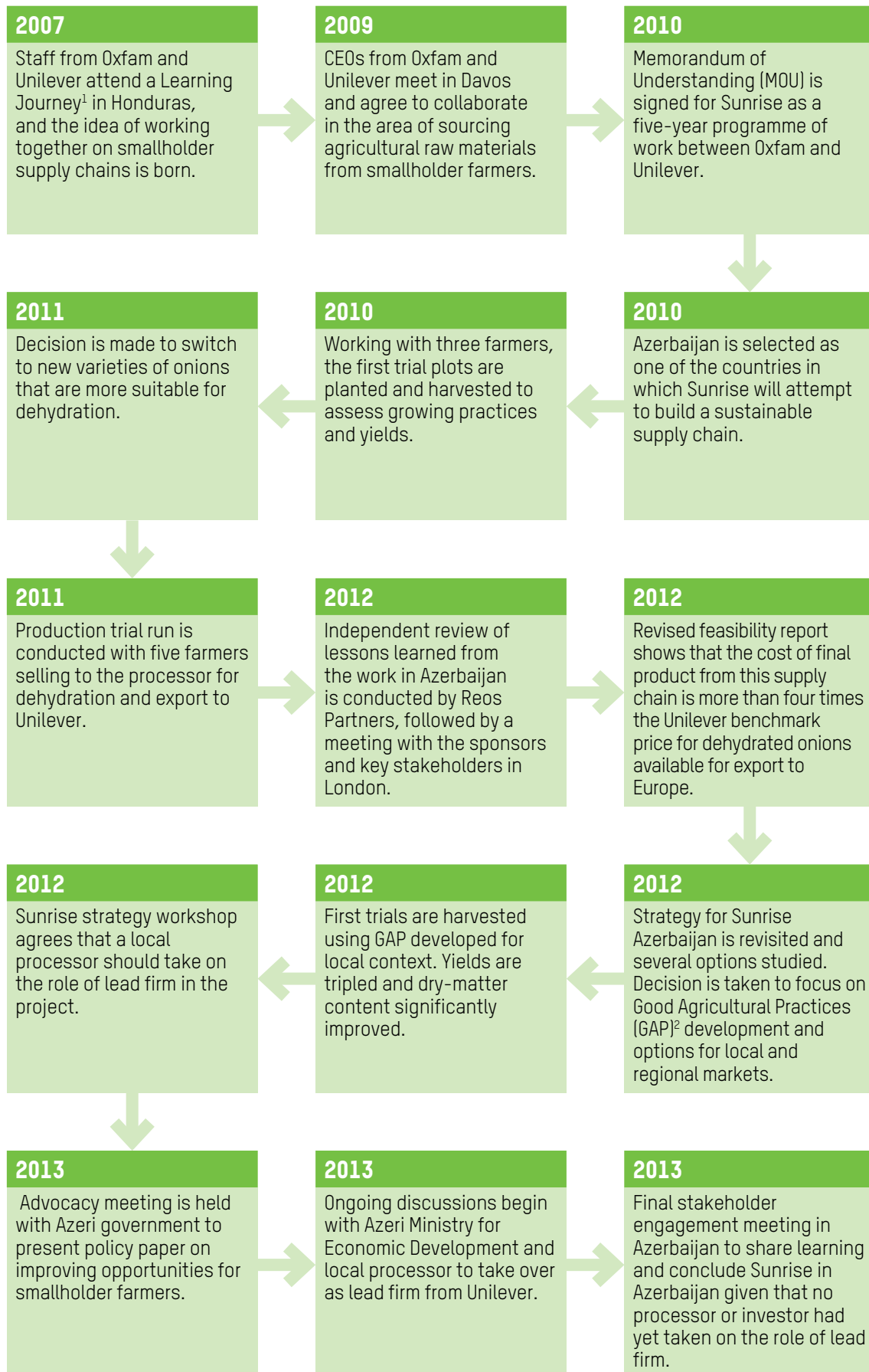
In a project that entails collaboration between a business and a development organisation, establishing success criteria becomes exceedingly complex. It is important to ensure that the outcome measurements selected match the objectives of the project.

### AGREE ON AN EXIT STRATEGY FOR ALL PARTIES

In the event that the project needs to be disbanded, all parties need an exit strategy. Formulation of such a strategy is best done at the start of the project, rather than when the first cracks appear. That way, each partner organisation understands from the outset what pathways are open to them as the project evolves.

The aim of this case study is to share these lessons and the background to them.

## Timeline



<sup>1</sup> Learning Journey is a group fieldtrip made to different sites to learn about a specific subject area, in this case sustainable food.

<sup>2</sup> The Food and Agricultural Organization (FAO) of the United Nations uses Good Agricultural Practices as a collection of principles for on-farm production and post-production processes, resulting in safe and healthy food and non-food agricultural products, while taking into account economic, social and environmental sustainability.

## Key Stakeholder Organisations

**Oxfam** is a globally recognised aid and development charity. Its aim is to find lasting solutions to poverty and related injustices around the world. Oxfam engages with the private sector in different ways, including working in partnerships to develop solutions to poverty through new business models. The learning from Sunrise has and will continue to inform how Oxfam develops its approach to a new programme of work in up to 15 countries on “Gendered Enterprise and Market” development. Within Oxfam, the lead sponsor for Sunrise is the Director of International Programmes. Operational engagement is with an advisory team focussed on business and markets programming.

**Unilever** is a multinational consumer goods company. Its offerings include food, beverages, cleaning agents and personal-care products. It is the world’s third-largest consumer goods company. Within Unilever, Sunrise is sponsored jointly by the Chief Sustainability Officer and the Vice President of Procurement for Ingredients and Sustainability. Operationally, Sunrise sits within the sustainable sourcing team as a part of the global procurement function. The learning from Sunrise is contributing to how the company meets its target of involving more smallholders in its supply chains, as stated in the Unilever Sustainable Living Plan<sup>3</sup>.

**AKTIVTA**, the Azeri Agri-input Dealers Association, is an NGO comprising a network of dealers trading seeds, fertilisers, crop-protection products and other agricultural inputs required by farmers to improve productivity. Within Sunrise, the role of AKTIVTA is to mobilise farmer participants in the crop trials and provide them with a range of technical services, including sourcing the most suitable onion seed varieties. The organisation specialises in working with low-income smallholders to support agricultural development.

**Agrotara** was the local processing partner for Sunrise, with a drying and processing facility in Ganja, approximately 100 km from most of the smallholder farms involved in the project. The company has established a successful domestic business in apple chips, apple jam, pear jam, dried fennel and fruit powder. During the course of the Sunrise project, Agrotara extended its product portfolio to potentially include dehydrated onion powder.

**CIIC**, the Caspian International Investment Company, is an investor in, and adviser to, Agrotara. CIIC channels foreign equity investment into the Azerbaijan economy, targeting all growth sectors with the exception of oil and gas. In Sunrise, CIIC played a significant role in the first two years as the main point of contact with the processor for Unilever and Oxfam in Azerbaijan.

## Key stakeholders

GB	AZERBAIJAN
Oxfam GB	CIIC (Investor)
Unilever	Agrotara (Processor)
	AKTIVTA (Technical capacity-building)
	Oxfam Azerbaijan
	Smallholder farmers
	Women’s groups

<sup>3</sup><http://www.unilever.com/sustainable-living/betterlivelihoods>

# 2 OXFAM AND UNILEVER

## Origins and Motivations

In 2007, the idea for Sunrise was sparked during a conversation between Oxfam and Unilever staff while they were on a Learning Journey in Honduras, organised by Oxfam and The Sustainable Food Lab<sup>4</sup>. Both organisations saw potential benefits in collaborating in the area of smallholder sourcing.

### Unilever: The business case for Sunrise

*“We were curious. Unilever has many smallholders in its supply chains globally. But how do we engage them in a better way? How do we create supply chains that are economically, socially and environmentally sustainable? We thought partnering with Oxfam could help us to learn about this.”* (Unilever)

One driver for Unilever to engage with efforts to improve smallholder livelihoods has been the desire to be considered a good corporate citizen. This is an area in which core business strategy, not philanthropy, can have a positive developmental impact. From a brand management perspective, having a favorable reputation would give the company a “license to grow,” as one member of Unilever put it.

Unilever also considers smallholders important from a supply chain management perspective. Early statements about Sunrise indicate the company’s belief that learning how to source from more smallholders would help the procurement team establish new sources of supply.

*“Demand for food is only going to grow. We currently rely on large developed farmers for supply. But we know [that] 85 percent of the world’s farmers are smallholders – so that’s a huge untapped resource. And their farms can be made more productive too.”* (Unilever)

Smallholders are a particularly promising source of new supply because there is scope for greatly improving their yields. Unilever’s estimates, also reflected widely among the development

community, are that, on average, smallholder yields can be doubled or tripled through improved knowledge, seed varieties, agricultural inputs and storage.

*“There is a vast untapped potential for diversifying [our] supply chain while improving livelihoods.”* (Unilever)

Through its existing supply chains, Unilever already sources from approximately 1.3 million smallholders globally. However, its knowledge of smallholders has been limited, owing to the fact that the company has not historically dealt with these farmers directly, except in the cases of tea and a few other low-volume ingredients. Rather, Unilever’s procurement team purchases through suppliers who, in turn, deal with farmers, some of whom are organised in groups through structures such as co-operatives, producer groups and out-grower<sup>5</sup> schemes. Sunrise offered Unilever an opportunity to deepen its knowledge of smallholders.

### Oxfam: The development case for Sunrise

Oxfam’s overall aim is to save lives by responding quickly with aid and protection during emergencies, to empower people to work their way out of poverty and to campaign for lasting change. Oxfam is keen to support small-scale producers.

*“With vulnerability, poverty, and hunger concentrated in the countryside, small farms are critical for poverty reduction – absorbing labour, allowing communities to build assets, and helping local markets to flourish. Almost two billion people worldwide depend on 500 million small farms for their livelihoods and food security, and growth in this sector has twice the effect on the poorest people as other sectors.”*<sup>6</sup> (Oxfam)

In addition to providing food and employment, investment in smallholders has a positive influence on all aspects of their lives, such

<sup>4</sup>Sustainable Food Lab website: <http://sustainablefood.org>

<sup>5</sup>Out-grower schemes’ is a term referring to contract farming operations, whereby farmers are linked with a large farm or processing plant that supports production planning, input supply, extension advice and transport.

<sup>6</sup>Power, Rights, and Inclusive Markets. Oxfam Briefing Note, 5 June 2013. [http://www.oxfam.org/sites/www.oxfam.org/files/bn-power-rights-inclusive-markets-agriculture-050613-en\\_1.pdf](http://www.oxfam.org/sites/www.oxfam.org/files/bn-power-rights-inclusive-markets-agriculture-050613-en_1.pdf)

as building their confidence, skills, political representation and social networks.

Linking smallholders to diverse market systems is therefore a critical part of Oxfam’s agenda. In 2010, Oxfam published a briefing paper for businesses explaining why they should consider including more smallholders in their supply chains. The major theme of the paper was captured in the expression “Think big, Go small.”<sup>7</sup>

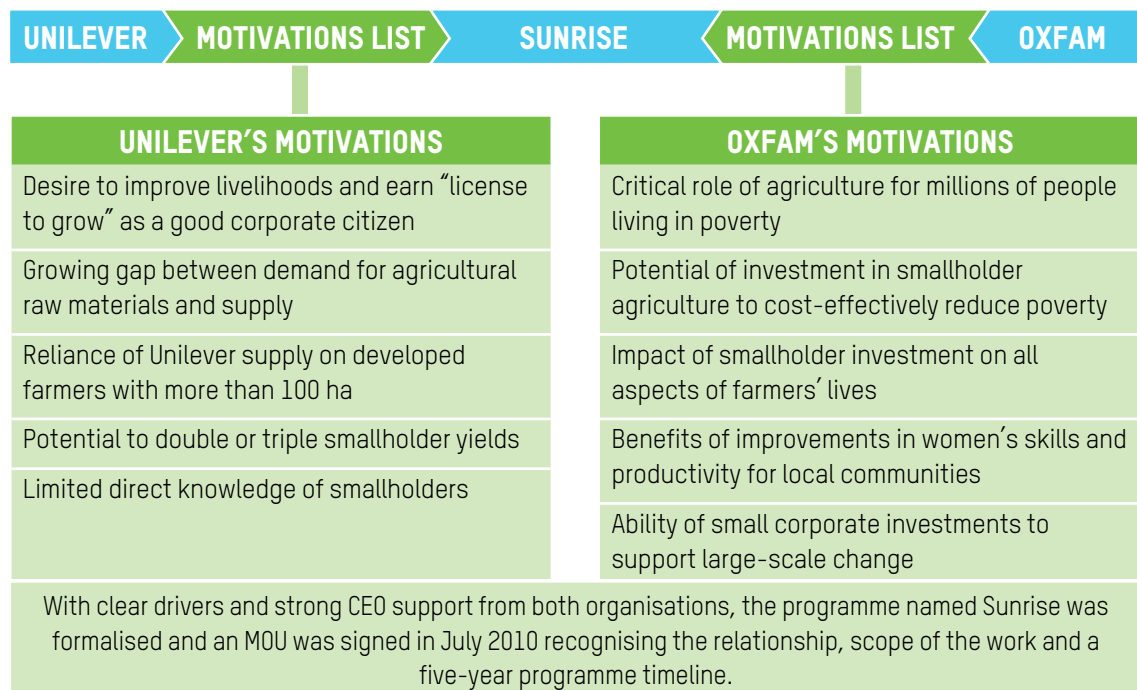
Oxfam also puts great emphasis on the role of women in poverty alleviation. In this organisation’s experience, women who earn income put a large proportion of their income into their households, transferring benefits to their families and communities. In many countries, agricultural production is dependent on women. If their skills improve, then quality and production of food increase, which in turn improves perceptions of women’s value in their communities.

Historically, Oxfam has focussed on driving change through a range of global campaigning and advocacy initiatives, and through working within countries on development projects. Collaborating with Unilever on development of smallholder-based supply chains presented a different approach to corporate engagement for Oxfam.

Early on, Oxfam perceived potential risks to its brand for being associated with a large corporation (“We were initially worried about compromising our ethical position” [Oxfam]). But the organisation concluded that this was an important opportunity to positively influence a major corporation that was already motivated to contribute to poverty alleviation.

By learning from its work with Unilever to develop a business model for smallholder sourcing, Oxfam could encourage others in the industry to follow suit. Proven models would reduce the risks facing businesses that engage with smallholders more effectively in their supply chains.

### The business and development case



<sup>7</sup>Think Big, Go Small: Adapting Business Models to Incorporate Smallholders into Supply Chains’ is a briefing paper published by Oxfam International in May 2010. The paper focuses on how domestic and global companies in the food and beverages sector can create value for themselves in ways that produce value for smallholder suppliers as well. May 2010, Oxfam International.



## Getting Started in Azerbaijan

The intention of Sunrise was to explore innovative sourcing models with smallholder farmers through practical pilot projects on the ground, so a list of potential geographies was created. Two key criteria informed the choice of countries:

- 1 Oxfam must have local capabilities in each country under consideration.
- 2 Unilever must have a sourcing gap or other strategic interest that can be fulfilled through setting up a supply chain in a potential target country.

Following an in-depth feasibility study of four shortlisted countries, Sunrise's sponsors and steering group selected two countries in which to conduct the pilot projects: Azerbaijan and Tanzania<sup>8</sup>.

In Azerbaijan, the aim was to source dehydrated onions for Unilever's Knorr brand in Europe, as a dry ingredient in its powdered soups and stocks range.

Having a potential supplier on board from the start was also a pre-requisite for choosing a project location, so from a very limited choice, Agrotara was selected from the outset. At this time, Agrotara was a new venture setting up to dry apple chips and other fruits. It subsequently built a factory in Azerbaijan's second biggest city, Ganja, about 100 km from the main growing area for onions.

As the intermediary processor, Agrotara was expected to buy onions from farmers, dehydrate them, and arrange packaging and export to Unilever. Dehydrating the onions correctly required new machinery, which in turn called for investment from Agrotara and its partners.

Unilever expected the local processor to be open to incurring short-term losses in return for establishing a secure and profitable new supply chain. However, it later emerged that Agrotara did not share the same level of risk appetite or confidence in the Sunrise project.

Meanwhile, Oxfam Azerbaijan allocated staff to create a local Sunrise team. In the spring of 2010, Oxfam opened a new rural office in Barda, close to the communities that Sunrise and a wider Oxfam programme aimed to work with.

After a year of negotiation, Oxfam Azerbaijan was able to secure further funds directly from the Swiss Agency for Development and Co-operation. The funds would be used to support a wider market-development programme focused on the provision of inputs and services required to improve quality and increase yields.

Oxfam hired a technical capacity-building organisation called AKTIVTA in Azerbaijan to mobilise smallholders and support them in surmounting their agronomical challenges.

Overall, the activities in Azerbaijan took off in a promising direction, with a strong understanding of the potential challenges and risks ahead.

<sup>8</sup> This case study focuses on Azerbaijan.

# 3 LOCAL CHALLENGES

As the Sunrise team began work in Azerbaijan, it faced several challenges related to the specific context of the country, the communities engaged, the processor's capabilities and the crop varieties being grown.

## Economic Policy

Azerbaijan is primarily an oil-based economy that has weathered the recent global economic crisis relatively well, owing to increases in oil and gas revenues<sup>9</sup>. Given that these revenues will likely decline with decreasing reserves over the coming decade, the government is striving to diversify the economy to achieve sustainable growth.

Agriculture is an important component of the country's non-oil economy. While agriculture accounts for only 7 percent of GDP in Azerbaijan, it is a key source of jobs. Moreover, it provides income for about 40 percent of the total workforce (which comprises individuals who are employed by others or who are self-employed). The agricultural sector also plays an important role in food security and in improving livelihoods in rural regions<sup>10</sup>.

Azerbaijan's varied climate makes it a fertile region to grow crops ranging from peaches and almonds to rice and cotton. There is significant potential for increasing and diversifying production to boost export revenues for the country.

The government of Azerbaijan has established a supportive policy for agricultural development<sup>11</sup> and there are several tools, such as subsidy mechanisms, for selling fertiliser at discount prices.

The government also supports state-owned and private seed producers. However, there is currently no support mechanism (subsidy or any other stimulation methods) related to promoting

the application of new crop varieties, such as onions suitable for dehydration.

As the Sunrise project was being implemented, Azerbaijan experienced a latent inflation of around 15 percent, while foreign exchange was fixed, hence local currency was highly overvalued because it was pegged to the euro. This made all exports, including agricultural produce, less attractive to global buyers.

Moreover, many smallholder farmers in Azerbaijan lack access to affordable credit. This makes it difficult for them to purchase high-quality seeds and other inputs as well as services, such as the leasing of modern machinery to prepare fields and sow seeds.

## Government Engagement

Though there is currently a strong government focus in Azerbaijan on agriculture as a sector, attention is mostly on larger-scale farming operations rather than smallholders.

*"In Azerbaijan right now is a good time to be in the Ag business. Not [such] a good time to be a small farmer."* (Oxfam Azerbaijan)

In the first year of Sunrise, a joint Oxfam and Unilever policy paper was presented to the government of Azerbaijan on the reforms needed to improve the situation for smallholder farmers. Beyond this, there was very little engagement with public-sector stakeholders. This was deliberate, as high-profile enterprises can sometime attract unwanted attention or intervention from government.

With the benefit of hindsight, a closer set of relationships with the government may have proved helpful to the success of Sunrise, given public-policy barriers to making the project commercially viable.

<sup>9</sup> World Bank statistics show a rise in income and reduction in poverty over the past 10 years.

<sup>10</sup> See the official web page of the National Statistical Committee of Azerbaijan Republic, [www.azstat.org](http://www.azstat.org)

<sup>11</sup> Sources: UNFCCC, Government of Azerbaijan.

## Infrastructure

It is commonly stated that infrastructure in Azerbaijan urgently needs improvement. The country's geographic position makes it an important link between the Black and Caspian seas and between Russia and Iran. Updating the road network has been identified as a priority in the country<sup>12</sup>.

The Sunrise team, during the feasibility stage, substantially underestimated the high costs of transport and logistics. These costs later proved to be a key barrier in the commercial viability for the project.

*"We really should have picked up on the high transport costs much earlier on."* (Unilever)

## Soviet Legacy

With the collapse of the Soviet era, collective farms called kolkhoz disappeared in Azerbaijan in 1991. Nearly all the land was privatised among farmers, who now own small plots. These plots vary in size between 0.5 ha to 2 ha depending on the number of family members and available land resources. Today, around 95 percent of crops in Azerbaijan are grown by smallholder farmers.

During the Soviet era, the state ran procurement centres, but these stopped functioning after the

collapse of the Soviet Union. Only grain produce continues to be subsidised, purchased and price-controlled by the government in Azerbaijan, owing to grain production's strategic importance to the country.

Smallholders currently sell their crops to the fresh markets through wholesalers and intermediary traders. Many of these individuals come directly to the farms in trucks to pick up goods.

Smallholders also sell certain crops to processing companies through contracted and non-contracted arrangements. However, most farmers have limited experience with, and knowledge of contract farming and working with private companies.

## Women in Azeri Agriculture

In the rural communities of Azerbaijan, most women do not have financial, social or political equality with men.

Women tend to work in the lower-paid sectors and are not well represented in senior positions. Their roles tend to be limited to unpaid family labour. Housework is reputed to be quite labour-intensive<sup>13</sup>, leaving little spare time for active participation in other spheres of life.

In addition, women require permission from the men in their families (father, brother or



<sup>12</sup> World Bank Country Overview of Azerbaijan <http://www.worldbank.org/en/country/azerbaijan/overview>

<sup>13</sup> Oxfam Azerbaijan suggests that, on average, women in rural communities perform household duties 8.5 hours every day.

husband) to engage in any activity outside the home. This requirement stems from a deeply rooted patriarchal model of family, in which men are the decision-makers and driving forces in society. Often, women's mobility is also restricted to "protect their honour". All these factors hinder women from forming groups or actively participating in community issues.

In the Sunrise project, women felt uncomfortable interacting with agronomic extension service providers because most of them are men.

In many areas in Azerbaijan, women have limited access to schooling or vocational training and to financial services, within both the formal and informal credit systems. In part, this is because 90 percent of land and property is owned by men.

*"Even informal money lenders will hesitate to lend women capital to start a small business."* (Oxfam)

Furthermore, as many as 9 out of 10 women in Azerbaijan are victims of domestic violence<sup>14</sup>. The government have set out to tackle this problem nationally, through campaigns to raise awareness of and prevent domestic violence. Such violence is a critical barrier to women's economic participation; women cannot participate while under threat.

On the other hand, projects led by Oxfam have shown that increasing women's economic activity and income has a positive influence on their involvement and level of decision-making in the home and community.

During the Sunrise project in Azerbaijan, Oxfam staff facilitated the formation of two women's groups of 10, in two different communities. The intent is for these groups to operate independently or to become leaders of new groups comprising men as well as women that will play a role in farming decisions in the community.

The women in the two groups took part in four training modules and made trips to four cities. During the trips, they met rural and urban female entrepreneurs and learned from their experiences. This exposure showed the women how to establish and run an enterprise and overcome challenges that come with dealing with different stakeholders.

## Conflict with Armenia

Officially, the war between Azerbaijan and Armenia is at a ceasefire. Yet tensions remain high, and two decades on, many regions are still being affected on both sides of the border.

Sunrise has been working with communities in three districts. Two of these are still considered 'frontline' because of their geographic position on the border with Armenia. Farmers report regular incidents of gunshot injuries and fatalities.

*"Every family here can tell you a story about someone [in their family] who has been shot while working on the farm. It is our day-to-day reality, so we are used to it. But there are not many other good jobs, so we must be with farming."* (Smallholder)

In this harsh setting, farmers taking part in Sunrise are coping with more than just economic difficulties. Their challenges make them more marginalised and vulnerable than might be deduced from their low income levels alone.

In addition, there are around 1 million internally displaced persons (IDPs) in Azerbaijan, many of whom find work as hired labour in the agricultural sector. In Sunrise, many of these workers would have come from the IDP community, working on a day rate.

Oxfam Azerbaijan has worked previously to support IDPs, and in Sunrise the aim was to deepen understanding of their role in the farming system. In particular, there was an interest in how conditions might become even more difficult for IDPs as a result of introducing practices aimed at improving yields, such as mechanisation of some crop processes, and what alternatives would be open to IDPs.

## Agricultural Knowledge

Inefficiency in agricultural extension services for smallholder farmers is a major barrier to improving productivity and quality in Azerbaijan<sup>15</sup>.

During the Soviet era, regions were assigned a number of agronomists who visited the collective farms and gave necessary guidance. Now many of these agronomists have become farmers themselves, so their knowledge is not being applied as widely as before. This is an

<sup>14</sup>Research conducted by the Azerbaijan Gender Association "Symmetry" in 1999. Much work has been carried out since 2001 with the support of the OSCE / ODIHR to strengthen the role of law enforcement agencies against domestic violence, such as the Law on Prevention of Domestic Violence.

<sup>15</sup>Report on Barrier Analysis and Enabling Framework For Adaption Technologies, October 2012. See [http://unfccc.int/ttclear/sunsetcms/storage/contents/stored-file-20130327152225451/BarrierAnalysis-Adaptation\\_Azerbaijan.pdf](http://unfccc.int/ttclear/sunsetcms/storage/contents/stored-file-20130327152225451/BarrierAnalysis-Adaptation_Azerbaijan.pdf)



ageing group whose training dates back to the 1980s. There have been only sporadic efforts, generally supported by external donors, to fill this capacity gap.

Despite this difficulty, it is telling that these ex-agronomists, or “advanced farmers,” often become anchors in their communities, owing to their ability to help others slightly increase productivity and income.

*“My husband’s phone is always ringing, and he leaves our farm to go and help at other farms. Sometimes the phone rings all day, so I think I must share my husband with everyone!”* (Smallholder and wife of former Soviet agronomist)

Many smallholders previously had other professions or they now split their time between two lines of work to boost their income. For example, some smallholders also serve as teachers or as medical staff in hospitals. But salaries from these positions are not enough to cover their cost of living, so they also grow food for personal consumption and for selling. This is why AKTIVTA had such an important role to play in Sunrise in building technical capacity.

Smallholder farmers are accustomed to using traditional methods for sowing seeds during the

cultivation process. In the Sunrise project, several demonstration days were held to show farmers the advantages of alternative technologies, including the use of a simple, manual seed drill for pneumatic sowing.

Poor management practices were also widely evident in other key areas such as weed management, fertiliser application, irrigation management, harvesting and curing. All of these can be addressed through relatively simple means, and improvements in these areas can make a significant difference for yields, quality and profitability.

To make matters worse, private-sector seed labelling is poorly regulated in Azerbaijan, and fraud (such as blending and re-labelling of seeds) is common. With very little private-sector regulation or enforcement in this area, it is difficult for smallholder farmers to know what variety they are actually planting, and therefore how to optimise yield.

## Contract-buying Model

In Azerbaijan there is no local market for dehydrated onions. The onions grown for optimal yield for dehydration are generally different (high-solid, white) from those preferred by the local population for cooking (smaller, yellow onions).

Initially, the aim of Sunrise was to source a vegetable that farmers in Azerbaijan already grow, for which there is existing knowledge and active local markets. Thus the crop of choice was onions. However, after further work identifying the variety required by Unilever’s procurement team, it became apparent that different onion types would be needed for which there is virtually no local market.

Unilever helped AKTIVTA to source options that would be more suitable, and the project moved forward.

The impact of this simple agronomic decision on onion varieties was much more significant than was perhaps appreciated at the time. By switching to a new variety that had no local market, the supply chain was shifted from what is referred to as a “surplus-buying model” to a “contract-buying model.”

The contract-buying model provides more security to both parties. Yet it often still poses a key risk to the buyer if an alternative market exists for the raw material that may offer higher prices at the time of harvest (that is, if farmers engage in side selling). However, this was not the case in Sunrise. On the contrary, farmers needed assurance that if they grew these new varieties, they would have a buyer. One smallholder explained his reluctance:

*"We need a guarantee that Agrotara<sup>16</sup> will buy these onions. Nobody here in this country will take them from us, except maybe the prisons for low price!"*

Similarly, because dehydrated onion was a new product for Agrotara, the processor needed assurance from the farmers that they would produce onions with sufficient quantity and quality before it would invest additional time and resources in the project.

Unilever saw this as a positive shift: *"Contracts are good. It works both ways – the farmer has a dependency on the processor buying his goods, and the processor has a dependency on the farmers to produce goods to the right standards at the right time."* (Unilever)

Oxfam team members expressed concern about the contract-buying model. This was because of the inherent risk that farmers are 'locked into' a variety that has no local market or no accessible alternative export markets. Such a situation makes them entirely dependent on a single buyer for that crop.

However, some farmers were enthusiastic about the model because it would give them a level of security they had not previously experienced. They were also free to grow other crops in rotation so they would not be wholly reliant on a single buyer for all of their produce.

The level of dependency on one buyer is related to the percentage of the farm dedicated to the crop in question. As one smallholder explained,

*"We will use one section of our farm for white onions<sup>17</sup> and have a guaranteed income, and the rest of our farm we will grow other crops for the local markets."*

The year 2011 also saw a huge crash in the price of the onion varieties that were sold to fresh local markets. Large heaps of these could be seen rotting on farms. As a result, farmers became highly insecure about price fluctuations in the market and keen to mitigate their risk with contracts.

## Buying models observed

MODEL	RELATIONSHIP WITH PROCESSOR	BENEFITS TO FARMER	RISK TO FARMER
Surplus buying	The processor buys surplus volumes from farmers who are also selling into local markets	Farmers can sell to the highest bidder at time of harvest, and don't have to invest in meeting bespoke specifications	Market volatility can lead to low prices and surpluses that can't be sold
Contract buying	The processor enters into a contractual arrangement with farmers to purchase varieties to a required volume and specification	Farmers have guaranteed income and are less dependent on fluctuations in market price at time of harvest	Higher level of investment by farmer is required, and contract is based primarily on trust

<sup>16</sup> Farmers saw Agrotara and Unilever as united, so some expected a contract from Unilever as well Agrotara.

<sup>17</sup> By 'white onion,' the farmers refer to the variety grown for dehydration purposes (as opposed to the 'yellow onion' sold in fresh local markets).

## Level of Risk

As a result of the above factors, Agrotara found itself under increasing pressure from farmers to provide a strong contractual agreement.

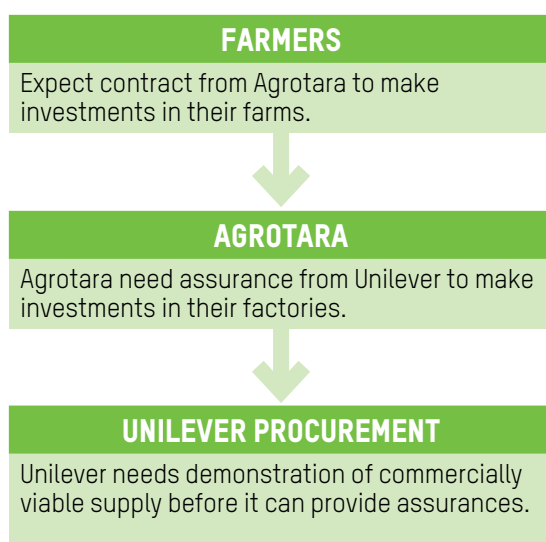
At the same time, Agrotara realised it also needed to make major investments in technology to improve dehydration yields and achieve large cost reductions. Without this investment, the dehydrated onions would not be competitively priced for Unilever's global procurement.

*"Sunrise put the processor in the centre of the supply chain, expecting them to take on the most risk. But Agrotara was not really prepared to play this role."* (Oxfam)

It emerged that Agrotara was reluctant or unable to make further investments until it felt confident that it had a definite buyer in Unilever. However, Unilever has a demanding set of criteria that must be met by any supplier before it receives such assurances. Agrotara had not yet demonstrated a commercially viable supply and so was not yet qualified.

The processor's limited risk appetite proved to be a breaking point in establishing this supply chain. In retrospect, this perhaps could have been avoided with a clearer agreement about how risk would be shared among all participants during this initial phase.

## Expectations



## Building Trust

In Azerbaijan, as in many other countries, poor smallholders do not naturally trust external organisations and their intentions. In turn, getting reliable information about matters such as production costs from smallholders can also be difficult for outside organisations.

*"Azerbaijan is a country where trust is a rare commodity. There are always second thoughts when it comes to prices. People say things are much more expensive because they are hoping to get a higher price. It is very hard to extract reliable information."* (Unilever)

Over a period of two years, the Oxfam team in Azerbaijan worked to build more reliable and trust-based relationships with farmers. As a result, there were high levels of understanding and willingness to co-operate between farmers and the Oxfam field staff.

The farming communities also appreciated Oxfam for its initiative in setting up and supporting women's groups. Many of the women who were part of these groups were connected to Sunrise in Azerbaijan through their husbands or neighbours.

In this process there were lessons learned regarding expectations management. During the trial periods, farmers developed high expectations of stable incomes despite being told that the supply chain was at a very early stage of development and that the commercial viability was being tested. Given the extreme variability in their income during the recent market fluctuations, stability was a priority for them. The involvement of Unilever, a successful global business, in the project may also have raised farmers' expectations.

# 4 COMMERCIAL VIABILITY

Oxfam and Unilever agreed that the supply chain must become commercially viable by the end of the five-year project timeframe. The intention was to increase the volumes sown and processed year on year to meet 10 percent of Unilever's global requirement for dehydrated onions by 2015.

## Trial Production Run

After overcoming initial challenges, a small group of farmers began work sowing and harvesting onions on trial plots in 2010. The September 2011 harvest was sold to Agrotara, so the whole supply chain could be put to the test.

Five farmers had been selected by AKTIVTA from a group of 20 interested smallholders, on the basis that they were willing to take a risk and that they agreed on the proposed price and yield requirements.

They were each given four different varieties to sow in the spring of 2011. AKTIVTA provided agronomic advice under a management plan that it drew up and that Agrotara approved.

The September 2011 harvest yielded 176 MT, of which 145 MT was delivered to Agrotara's processing factory. The difference between the reported yield and the tonnage delivered to the factory was due to farmers' recognition that, after initial deliveries, a large percentage of onions would be rejected because of their small size. For subsequent deliveries, onions were pre-sorted in the fields or left in the ground if they were too small.

One factor contributing to confusion over size requirements was a lack of product specifications in the contracts that Agrotara drew up with the farmers. For the fresh market, consumers prefer smaller onions, so the farmers assumed that smaller onions would also be acceptable to the processor.

Of the tonnage delivered, Agrotara purchased only 127 MT for processing. Thus 18 MT were not of an acceptable quality. The farmers were frustrated. They claimed that Agrotara had not clarified the specifications it was looking for, which was indeed the case. None of the farmers made a profit from the trial production run. However, they were all compensated by the project for losses incurred.

Further, the original agreement between Agrotara and the farmers was that AKTIVTA's services would be paid for by the farmers as a deduction from sales. Given the situation, this did not happen, and Agrotara covered the cost.

Agrotara processed the onions purchased, yielding 7.2 MT of dehydrated onion, which Unilever bought at cost from Agrotara.

## Contracting Challenges

A basic sales contract had been in place between Agrotara and the farmers, drawn up in consultation with legal advice from CIIC. The contract specified the price to be paid for the onions, expenses to be paid upfront and deducted from sales, and the obligations of the buyer and seller.

As mentioned above, a key oversight on the part of the project team was the lack of specification in the contract. Agrotara defined this in hindsight, once it realized that the unexpectedly high number of small onions would increase its costs.

Confusion also reigned over who would be responsible for bagging and transport costs from field to factory. Farmers thought they would be supplying the onions unpacked, but in the end, they had to bag them, which incurred additional labour and material costs. This level of detail was not covered in the contract between the farmers and Agrotara.



Agrotara claims that many of its difficulties and hesitations during this process stemmed from the fact that it was operating in a high-risk mode, as it did not have a contract with Unilever for the supply of dehydrated onions.

*“The farmers felt they were dealt with badly by Agrotara, and in turn Agrotara felt that Unilever had neglected their relationship with them by failing to provide a guarantee to buy or have a contract in place to say Unilever would buy processed volumes.” (Oxfam)*

Oxfam facilitated a resolution to the situation after the trial production between the farmers and Agrotara. It hosted an event addressing best practices in contracting, including ways to formulate contracts to engender trust among all parties. One such practice centers on including in contracts clear product specifications and payment terms that all parties understand in the same way. The feedback from smallholders on this event was very positive and led to the formulation of a more robust contract model for the future.

These early challenges are unsurprising, given that this was the first contract selling process many of the smallholders had taken part in. Until then, most farmers had sold to traders who came in trucks to the farm gate and bought produce

directly from them at a price agreed on that day, with less specific requirements for produce quality.

Similarly, most of the farmers had little or no experience in transportation of produce. Hiring trucks to get their onions to Agrotara’s factory gates was new for them. Many of them rode in the trucks to the factory to ensure that their produce reached the facility safely.

## Building Farmer Capacity

The harvest of these trial production runs revealed a number of improvements that would be needed to achieve the goal of a reliable and sustainable sourcing option for dehydrated onions from Azerbaijan.

The two main challenges were yield and dry-matter content. Therefore, crop establishment, fertilisation and weed management became key focus areas.

The plots sown in the spring of 2012 honed in on these aspects and examined the use of traditional crop technology versus modern technologies (pneumatic drillers).

Beyond harvesting, there was also a lack of understanding among farmers of the need for

post-harvesting management, including curing (leaving onions in the field to dry). Farmers had little understanding of this process because they had never grown onions for dehydration or storage. Therefore, they followed the conventional practices that they had long used for onions intended for the fresh markets.

The farmers also did not understand that the purpose of trying out different onion varieties was to see which varieties proved more productive.

The Sunrise team therefore changed their initial plan and decided that instead of scaling up production they would fund just two farmers to do an in-depth testing of different varieties as well as sowing methodologies. The goal of this approach was to assess differences in quality and yield.

A number of demonstration days were set up at key stages in the growing calendar. The aim was for these trials to demonstrate best practices and to spread lessons learned across the target communities that Sunrise hoped to work with.

The results of the spring 2012 trial, harvested in September 2012, clearly demonstrated that modern cropping technology and better management practices significantly increased yield while also reducing production costs.

## Decision on Commercial Viability

Following the trials in 2011 and 2012, the Sunrise team refined a number of cost models to cover the whole process from onion growing to drying, packaging and exporting. They identified what the costs would look like if all the realistic improvements were made over time.

According to these models, even if all the realistic potential improvements were made, the predicted price for the dehydrated onions would still be 10-20 percent above Unilever's benchmark price.

It was therefore difficult for Unilever to see how dehydrated onion powder from Azerbaijan could be produced competitively for a European export market.

*"Agronomy seems to be alright, but not highly attractive. Processing is alright-ish, but not highly attractive. But transport and logistics cost really tips it."* (Unilever)

However, what remained feasible and potentially competitive was a supply to Unilever in Russia, where transport and import costs are significantly lower when compared with export to Europe.

To be sure, both organisations appreciated the importance of the supply chain becoming commercially viable. Yet there was a lack of clarity and agreement on an exit strategy if it became clear that this was not going to be achievable.

In June 2012, Unilever's procurement team decided that it was no longer prepared to support the pursuit of a supply from Azerbaijan for the European market.

The Sunrise steering group and sponsors decided to decrease the scope of the Azerbaijan project to a regional supply model. The intention was that the lead firm role would shift from Unilever to a local processing partner.

The feasibility of this depended on the success of growing raw materials and processing at competitive cost and at incomes attractive to farmers.

Between autumn 2012 and autumn 2013 variety trials continued as did work to embed Good Agricultural Practices, through for example the holding of demonstration days.

In October 2013 it became clear that although a commercial opportunity existed, there was not a viable processing or investment partner willing to play the role of lead firm.

As such, Sunrise in Azerbaijan came to an end with a final stakeholder workshop to re-iterate lessons learned over the past two years and to say that Oxfam would continue to work on smallholder development in other areas such as vegetable seed production.

Unilever will consider buying Azeri dehydrated onions for Russia over the next few years if a processor can meet the company's price, volume and quality requirements.

The Sunrise project was based on the belief that a coherent programme of activities could be put into action that would help both Unilever and Oxfam meet their distinctly different objectives. At a partnership level, achieving this was a complex process, characterised by competing priorities, approaches, theories, norms and agendas.

# 5 PARTNERSHIP CHALLENGES

## Managing Priorities

*“We had a big ambition in this project. We pushed a big combined agenda: commercial viability, gender relations, climate change, without agreeing internally as to what was most important and why.” (Unilever)*

The two organisations differ on a fundamental level: Oxfam’s primary purpose is social impact, and Unilever’s is sustainable growth. The synergy in Sunrise is that one could support the other. But when it came down to actual programme priorities and workflow staging, there was a lack of complete agreement on what to do first and how to use limited resources.

One way of understanding this difference is that Oxfam aims to systemically address the root causes of a problem rather than treat its symptoms in the short term. This approach takes time and resources, and thus can delay the point at which the supply chain in question becomes commercially viable.

*“Oxfam endeavour to apply a systems approach to all interventions they participate in.”*

*In Sunrise, Oxfam were eager to explore beyond primary production to other activities that impact marginalised farmers, whereas Unilever specialise in establishing supply chains and wanted to focus on that first. The systemic work was therefore often seen as a distraction.” (Oxfam)*

## Parallel Market Development

One of Oxfam’s drivers was parallel market development in working with smallholder communities. This meant supporting farmers to find other markets for their onions so that the farmers would not be overly dependent on contracts from Agrotara.

In the case of Sunrise in Azerbaijan, establishing parallel markets was difficult, because there was no local market for the new varieties introduced. Some in Unilever saw the search for alternative markets as a distraction from the main task at hand. Unilever was supportive, but only so far as the support helped stabilise its potential supply chain and did not draw too many resources away from that task.



## Women's Engagement

Sunrise aimed to improve the lives of marginalised farmers, particularly female heads of households, who could benefit from the new supply chain.

Unilever initially wanted to work with more established farmers, because they could move more quickly and would likely have access to finance to invest in the technologies required to achieve commercial viability. Oxfam also agreed with this approach, but was wary of excluding women from the project altogether.

Several members of Unilever quoted the example of the black soybean sourcing model used with smallholders in Indonesia. This is a contract-buying model for sourcing from smallholder farmers. After three years of profitability, several positive social changes have emerged, including a successful women's empowerment programme.

*"If in Indonesia with the black soya beans we had gone in with a long checklist of social-impact criteria, the supply chain would have become very expensive and [would] never have got off the ground. But now a lot of those things are coming in."* (Unilever)

Unilever was also concerned that Sunrise was trying to achieve too many objectives at once, which would put the programme at risk of not achieving any of the goals.

Oxfam members felt that activities aimed at establishing a parallel market and including women had to be designed into the project from the beginning. They highlighted that the gender component can often be achieved beyond the supply chain, such as through the creation of jobs for women in services such as seed production.

*"What's the point of starting a new supply chain from scratch with significant resources, if we don't at least try to do all the things we know are needed for a healthy supply chain in the long-term?"* (Oxfam)

## Smallholder Profile

Both organisations agreed that the project should begin with more "commercially ready" smallholders. Therefore, in Azerbaijan, the farmers selected for the trials were generally more advanced and well resourced, and most were men.

However during the two years in Azerbaijan, Sunrise also facilitated the start-up of two women's groups, which continue to meet regularly to discuss farming-related opportunities and challenges. Some of these women were financially and socially marginalised, and the women's group provided them with additional support.

In hindsight some members of the Sunrise team felt that the women's group initiative, while valuable, may have channelled too many resources away from the work required to assess short-term commercial viability.

One reflection from the Sunrise team is that there are benefits to working with the more established (and often wealthier) leaders of the agricultural community first, gaining their buy-in and then including the more marginalised community members, such as poorer farmers and women.

## Contingency Planning

As questions arose about the commercial viability of the supply chain, it became clear that there had been a notable lack of contingency planning for a situation in which the project may not succeed as planned.

*"We had spent a lot of time discussing expectations and alignment, but only in terms of success. There was no discussion about what we [would do] if the project was not a success."* (Oxfam)

It proved difficult for the leadership of the Sunrise team to decide when to draw the line on the lack of commercial viability and how to revise the strategy in Azerbaijan.

## Public Communication

Sunrise has been an exciting collaboration between two leading organisations, and sits in an innovative social-impact space. It is easy to understand why senior management from Unilever and Oxfam were enthusiastic about this project and keen to talk about it publicly.

The high-level support has been a blessing in many ways. Yet it has also been a “mixed blessing,” because it raised expectations and put pressure on the project to deliver communicable results quickly.

This may have affected the way decisions were made and may have made participants reluctant to acknowledge and embrace failure on some fronts. From an innovation perspective, pressure to succeed results in a lower risk appetite and less ability to learn from mistakes, because of the desire to frame each result in positive terms.

## Impact and Scale

The MOU signed between Unilever and Oxfam set high expectations regarding the number of beneficiaries the overall programme would reach. Initially that number was 100,000 across two projects on the ground—one in Azerbaijan and the other in Tanzania. These figures were based on Unilever’s volume requirements and the expectation of developing parallel markets in both countries.

As the work in Azerbaijan progressed and the project in Tanzania failed to get off the ground, these figures for beneficiaries proved to be a significant overestimate.

During the early trial phases, the project in Azerbaijan involved work directly with a much smaller number of farmers (three or four) for the growing trials. Later, a larger number of farmers was engaged in sharing experiences from the demonstration days and in developing a set of Good Agricultural Practices guidelines. In total, around 30 or 40 farmers have been affected by Sunrise to date.

These farmers were anchored in local communities and linked to much larger numbers of potential future growers for the supply chain

beyond the trials and piloting phase. However, the project has not yet reached that stage.

Because of the poor commercial viability results from the trial, the project did not progress quickly in terms of scale. Indeed, after early trials, the number of farmers was reduced rather than increased. This came as a disappointment to many.

*“We never imagined that at this stage we’d still be just talking to three or four farmers!”* (Oxfam)

## Headcount Calculations

The reason that the farmer headcount remained lower than the original intent was that the actual level of demand and required scale of participation from farmers shifted during the course of the project.

## Key factors in the change in numbers:

- 1 A number of miscalculations early on in the feasibility process were made with regard to ratios of raw materials to dehydrated end product. This stemmed in part from the fact that much of Unilever’s dried-vegetable portfolio was not suitable for low-tech production and air-drying. In other words, the potential for sourcing from smallholders was not as high as the Sunrise project team had initially hoped.
- 2 In Azerbaijan, the expectation was that by Year 5 in the project timeline, Unilever would be sourcing 10 percent of its global requirement for dehydrated onions. This equates to approximately 1,400 MT of dried onion powder. Based on land holdings and projected fresh yields of (on average) one to two ha at 40 MT per ha, this would require an initial pool of about 350 farmers.
- 3 Both Unilever and Oxfam expected that over the long term, parallel market development would bring additional farmers into the project. However, this expansion has not yet happened.
- 4 Initially, the number of farmers expected to be involved in the Sunrise project was based

on the surplus-buying model, whereby a greater number would be needed to reach the volume requirement. Switching to a contract-buying model reduced the number of farmers required. This is because the farmers would be dedicating more land to the contract crop and benefiting from increased yields by using better agricultural practices.

## Agile Decision-Making

At many stages in the project, members of the Sunrise team struggled with decision-making processes. In part, this stemmed from the difficulties that came with collaboration between individuals in two different organisations, spread out among several countries, reporting to their regular teams as well as the Sunrise team. The limited opportunities for in-person meetings made collaboration even more challenging.

The biggest difficulty, however, was the lack of clarity for the ground team in Azerbaijan on what decisions were being made at the centralised project level, and what decisions the ground team could make. The project also had a large steering group made up of senior members from both organisations, and this slowed down decision-making processes significantly.

*“What is advice, what is a decision? The distinction is never that clear to us on the ground (in Azerbaijan). In the end, we waste a lot of time checking with several people before we know what we can do.”* (Oxfam)

## Greenfield Development

Unilever has successfully scaled projects with other partners, such as with the Rainforest Alliance in tea and cocoa. However, these interventions have focussed on existing supply chains and on changing agricultural practices within them. Improving livelihoods and raising incomes of smallholders on a large scale is difficult to do in practice, and knowledge of how to do this is still developing.

‘Greenfield’ development of a smallholder supply chain was new for both Unilever and Oxfam. After Sunrise in Azerbaijan Unilever has concluded that a committed and capable intermediary supplier-partner is essential in initiatives like this.

*“The Sunrise experience has led Unilever to re-think their approach to engaging with 500,000 smallholders world-wide, as set out in the Unilever Sustainable Living Plan (USLP)<sup>1</sup>. It became clear that the majority of this engagement had to come through working with suppliers in existing supply chains, rather than setting up smallholder-based supply from scratch.”* (Unilever)

*“The major issue was either naivety on what two organizations like Unilever and Oxfam can change or what needs to be in place for the likelihood of success, in a ‘greenfield’ site.”* (Oxfam)

Some individuals in both Oxfam and Unilever felt that without a strong trading partner, the supply chain was too reliant on the Oxfam community and local partner relationships.

*“Sunrise needed an established production or established supplier base of farmers when selecting a greenfield site. Lacking both when the shift was made to a contract-buying model meant that Azerbaijan was no longer a suitable country.”* (Oxfam)

## 6

## LESSONS LEARNED

Rich and complex lessons have emerged from the Sunrise Azerbaijan experience. These lessons will be interpreted, prioritised and applied differently by teams within Unilever and Oxfam, as well as by the wider audience reading this case study. Below, we distill and highlight key lessons relevant to similar programmes.

### **Avoid optimism bias at the research stage**

Starting a new smallholder supply chain with a combination of commercial and social-impact objectives is complex. Participants need to carefully consider a wide range of issues ranging from regulation, transport and existing market dynamics to political conflicts, trust and contracting culture. While many challenges can be overcome, participants must be as fully informed as possible.

For this reason, the research cannot only be off-the-shelf “market analysis.” Project leaders need to tailor insights to the specific group of smallholders in question. Moreover, the research must be carried out by those with expertise in and understanding of agriculture, development and markets, rather than generic business consultants.

### **Assess the impact of the buying model**

The buying model has an enormous domino-like effect on the dynamics of the supply chain. For example, the surplus-buying model can be established more quickly than the contract-buying model, can develop a broader market and can increase the number of farmers involved in the long term. On the other hand, the contract-buying model offers more scope for specific produce requirements to be met, and it also provides a framework for all parties to justify upfront investments.

Project teams need to carefully weigh the trade-offs and include farmers and all other intermediaries in their analysis. The risks must be clear and acceptable to all, to prevent drop-

outs later. If a project decides to pursue the contractual model, then it must support the farmers to develop the relevant skills as many will have not dealt with contracts before.

### **Invest strategically in greenfield sites**

Greenfield projects afford a great degree of freedom to design a supply chain “from scratch.” On the other hand, every new component (such as a new crop or new transport method) that needs to be established adds to the costs and time involved. There is also the option of outsourcing specific parts of the supply chain management by bringing in further partners and intermediaries with specialist skills, knowledge or relationships.

Project leaders must strike a strategic balance between factors such as direct control and innovation on the one hand, and outsourcing and efficiency on the other hand.

Trust-based relationships take time to establish, and in a greenfield project involving new participants, project leaders must allow for this time. Inviting genuine participation in decision-making can help accelerate trust-building.

### **Leave room for trial and error**

In supply chains where new approaches are being introduced and where innovation and learning are critical, there must be room for trial and error. Experimentation enables current understanding to be challenged and improved.

Accordingly, the project leaders should manage expectations of success, both within and beyond the organisations involved. Well-intended but misplaced expectations can adversely create an atmosphere in which the project leaders are uncomfortable to take risks out of fear of “failure” and public disappointment.

This process requires patience and a willingness to await results that test predictions and assumptions as the project unfolds. A robust and agile decision-making process is essential for dealing with new information as it emerges.



### Agree on how systemic the approach will be

Systemic approaches seek to address problems by dealing with their root causes rather than just addressing symptoms. Project teams taking this approach must make this choice clear upfront, and get all partners' agreement on it.

If a systemic approach is applied, the team needed to look at a much wider range of issues than would be entailed in a conventional supply chain project. For example, the team would have benefited by considering the role of women in the target communities, parallel market development, worker and labour standards, political stability, national policy and other factors.

In addition to a diverse range of issues, a multi-stakeholder group from across the system must be engaged. The assumption is that the more "eyes" that are brought to bear on a problem, the more likely it is that a solution will be found. A diverse group also brings diverse relationships and agency to the solutions developed, increasing the likelihood that the solutions will last.

The stakeholder group can include individuals and organisations from the public sector, agricultural

input providers, processing agents and transport providers, as well as potential buyers in the wider marketplace.

### Make objectives crystal-clear

When two organisations are highly motivated to collaborate, there is a danger of avoiding the difficult and sensitive conversations needed to identify differences in objectives, drivers, priorities and agendas.

The organisations need to discuss such differences in practical terms, to identify common-interest activities and determine whether these constitute a viable programme, or not. Such conversations may benefit from independent facilitation.

A shared 'theory of change' can also be extremely helpful, because it provides a framework for making tough and agile decisions during the project. This kind of framework informs prioritisation of different focus-areas; for example, women's empowerment or the sustainable use of water. By allowing both organisations to appreciate how different strands of work will support and enable other strands over the longer term, there is greater buy-in at each stage of the project.

**Define “success” carefully**

In a project that entails collaboration between a business and a development organisation, establishing success criteria becomes exceedingly complex. It is important to ensure that the outcome measurements selected match the objectives of the project. The wrong emphasis can channel attention away from the work at hand, particularly if the project is high profile.

The number of beneficiaries to be engaged will often feature prominently in conversations about the design of a development project, because that number speaks to scale and therefore impact. However, simple “headcounts,” while tangible and easy to communicate, may not always be the most appropriate indicator of success. The number of farmers that can be involved in such a project will be affected by factors such as gender and the level of baseline poverty.

In addition, if the project’s objective is to generate innovation and learning, then scale

(as in numbers of farmers involved) may be less important than the quantity and quality of new ideas and models tested, fresh insights gained or level of active community participation in the programme.

**Agree on an exit strategy for all parties**

In the event that the project needs to be disbanded, all parties will need an exit strategy. Formulation of such a strategy is best done at the start of the project, rather than when the first cracks appear. That way, each partner organisation understands from the outset what pathways are open to them as the project evolves.

Defining exit strategies removes some of the anxiety and paralysis that is common when a project does not go according to plan. It also prevents resource-intensive activities from continuing even though they are no longer constructive. Most important, it helps maintain the health of the partner relationships and the possibility of later building on work done.

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# 7 LOOKING FORWARD

Working together with smallholder farmers and local partners Unilever and Oxfam have learnt much together. The legacy of the Sunrise effort is summed up in the figure below:

Developed Good Agricultural Practice guidelines for smallholder farmers growing onions in the key growing regions of Agdam, Tarta and Barda

Introduced new varieties suitable for dehydration and therefore potential for smallholder farmers to access processing markets both domestically and internationally

Improved yields through the introduction of better management practices and implementation of GAPs (e.g. use of fertilisers, pesticides and post harvest management)

Improved technical ability of a local processing business to supply dehydrated products

Engaged in dialogue with, and made recommendations to, the government of Azerbaijan on improving the situation for smallholder farmer access to inputs, services and markets

Created a better understanding among target communities of the role of women in the value chain and the opportunities for women's empowerment

Worked with target communities to establish producer groups and promote the idea of cooperation in production and marketing as the main aspect of achieving economies of scale and so the ability to trade in to more formal markets

Demonstrated how corporate social responsibility, social impact and commercial viability can come together in a project context that has allowed for a sharing of experience and perspectives with local and national level businesses in Azerbaijan

## Sunrise 2.0

In December 2012, members of the Sunrise steering group met to discuss and agree on a new strategy for the remaining two years in the Sunrise programme timeline.

Drawing on the experiences in Tanzania and Azerbaijan, the Sunrise team agreed that setting up new supply chains is not the best use of Oxfam's and Unilever's shared resources in terms of learning how to do business with smallholders.

The following insight was presented to Oxfam's and Unilever's CEOs in June 2012:

*"'Greenfield' new developments with local partners are not a resource-effective scalable model for future value chain development."*

The outcome of this meeting with the CEOs was that Sunrise should focus on learning from existing supply chains within and outside Unilever and choose supply chains where Oxfam and Unilever have already had success in sourcing from smallholders. The aim of this new project



focus is to understand key success factors and what Oxfam's perspective can contribute.

Therefore, the goal of "Sunrise 2.0" is to learn how to do business with smallholders in a way that improves their livelihoods. The intention is that this will inform Unilever's business model and Oxfam's development model and that lessons will be shared widely among other NGOs and businesses.

The project will do this by conducting research to understand supply chain actors' roles and functions as well as to understand the power dynamics in supply chains currently sourcing from smallholders. Research will include analysis of examples and experience from Unilever, Oxfam and other organisations.

The outputs from this research will be used to deliver tools and guidance that can help Unilever's procurement function and its suppliers to improve smallholders' livelihoods.

Beyond Sunrise 2.0, Oxfam and Unilever will continue to develop their work and impact in the area of smallholder livelihoods.

## Oxfam

Oxfam continues to take a systems-level approach to supporting the development of smallholder enterprises that create linkages with multiple markets. In particular, it works within specific projects to broker linkages and to help market participants adapt their business models to trade with smallholders. Oxfam also supports the development of innovative financial and agricultural services for women and other marginalised producers and their enterprises. In addition, it highlights the importance of and advocates the need for integrating women's economic leadership into market-based initiatives. Oxfam also seeks to develop smallholders' ability to influence governance and regulation of agriculture, as well as supporting smallholder capacity and farm productivity.

### Current Oxfam projects include:

- Country-level agricultural market development programmes that identify and support opportunities to integrate women and other marginalised smallholders into sustainable value chains.

- Corporate engagement through partnership projects—for example, with Unilever—aimed at integrating women and other marginalised smallholders into supply chains.
- Support for the development of learning materials on investing in smallholder agriculture. Oxfam also supports organisations seeking to improve best-practice sharing. (See [www.linkingworlds.org](http://www.linkingworlds.org).)
- Support for Learning Journey events for key corporate leaders. Through such events, leaders can visit key projects and discuss and share opportunities and challenges with NGO practitioners and leading thinkers in the field of new business models.

## Unilever

Unilever continues to pilot a number of initiatives with smallholder farmers to scale up certification and connect new sources of raw materials from smallholders with its supply chain. As the world's largest purchaser of black tea, it has led the way with the Rainforest Alliance to certify its tea supply. Unilever is also now purchasing cocoa certified by the Rainforest Alliance and is part of the Roundtable on Sustainable Palm Oil (RSPO) Smallholders Task Force, which is working on achieving sustainable certification for palm-oil smallholders.

Under its Sustainable Living Plan, Unilever has set a goal to engage with at least 500,000 smallholder farmers in its supply network. The aim is to help the farmers improve their agricultural practices and thus enable them to become more competitive, which in turn would improve the quality of their livelihoods.

Unilever focuses its efforts on interventions that improve agricultural practices and that demonstrate how such practices can enhance farmers' livelihoods. To that end, Unilever is working with NGO and academic partners to develop an appropriate smallholder livelihoods assessment methodology to be piloted in 2013 and 2014. Unilever has much to do to demonstrate the impact of its work with smallholders. However, its procurement standards and ability to share best practices show that as a business, Unilever can have an important and widespread influence on the business sector.

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