

German Development Cooperation



Successful Public Private Partnerships

through high-quality project management

gtz

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The case of the GTZ-Metro PPP

"Supply Chain Development and domestic market policy in Vietnam"

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1. Introduction

GTZ has more than 30 years experience managing development cooperation projects, in which cooperation with the private sector now plays an increasingly important role.

Metro Cash & Carry was founded in 1964. During the past 40 years, the company has successfully developed its self-service wholesale and is operating more than 650 outlets in 29 countries. Its operations in Vietnam started in 2002.

This brochure illustrates a development cooperation approach to the management of Public Private Partnerships (PPP) applying Capacity WORKS - a process management tool developed by GTZ and which is based on five success factors, namely strategy, cooperation, steering structure, processes, and learning and innovation.

To explain the role of these success factors, this brochure uses the example of the Public Private Partnership project between Metro Cash and Carry Vietnam and GTZ, which aims to improve supply chains and the domestic market policy.

This PPP was carried out from 2005 to 2008 within the framework of the Value Chain Component of the Small and Medium Enterprise Development Programme (SMEDP) in Vietnam.

"Supply Chain Development and Improvement of Domestic Market Policy" PPP

Brief Project overview

Objective: Development of supply chains for the fruit and vegetable sector which fulfill certain quality criteria (food safety) and contribute to higher in-come for the farmers.

Interventions:

A) A training and technology transfer component which qualified farmers, collectors, wholesalers and retailers involved throughout the fruit & vegetable supply chains in Vietnam.

B) Advice and transfer of know-how to the Department for Domestic Market Policy of the Ministry of Trade, which included support to develop a legislative framework for a national distribution network.

Main activities:

- a. 112 training courses for different stakeholders within the supply chains (farmers/cooperatives, collectors, government staff etc.) with 6,771 participants
- b. Investment in/establishment of packing stations and storage facilities
- c. Global Good Agricultural Practices Certification (GlobalGAP) for selected producers
- d. Inputs for new legislation on the distribution network.

Project results for Metro:

- e. Many cooperatives and farmers have become constant suppliers to Metro
- f. Better access to safe fruit and vegetables.
- g. Possibility for branding. Efforts to establish a safe brand - Cali

Project results for the producers and general public

- h. Professionalism: Many farmers and cooperatives work according to new management techniques: fewer losses, fewer inputs and better linkages.
- i. Farmers can sell their products directly to Metro, which leads to higher prices and higher income.
- j. GlobalGAP certified cooperatives now have potential for export
- k. Less use of chemical pesticides and fertilizer reduce environmental impact and improve food safety.
- l. Consumers and farmers benefit from a longer product shelf life and safer products.
- m. Improved framework conditions through new legislation.



2. Benefits through High Quality Management

2.1 General Benefits of Public Private Partnerships

Public funds and know-how alone cannot address the complex challenges of poverty reduction and sustainable development in developing countries. Therefore development cooperation needs private partners to achieve its objectives. On the other hand, private companies operating in a globalised world have realized that joining forces with development cooperation partners such as GTZ can be of strategic importance - especially if the company's policy is to pursue corporate social responsibility and sustainable development. For that reason, GTZ has been implementing development partnerships with the private sector in more than 70 countries since 1999.

The general advantages of PPP are the following:

- Funds from the private sector are mobilised for sustainable development and poverty reduction
- The public and private sector work jointly to achieve objectives they would otherwise be unable to achieve on their own
- The private and the public sectors achieve their objectives quicker, more efficiently and at a lower cost
- The private sector becomes an engine for economic development in less developed countries
- The public and private sectors can enhance their reputation through successful cooperation
- In a PPP the private partner assumes at least 50% of total project costs

Benefits of the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

- Closer link between farmers and market and better income of farmers (economic growth)
- Export promotion through establishment of internationally recognized standards
- Metro achieves better quality and consistent supply, stable prices (supplier network)
- Consumer trust in products is increased
- End user receives better quality and higher food safety
- Good agricultural practices support environmentally friendly production methods
- Farmer organizations are strengthened. Establishment of cooperatives, net-working and joint product promotion

THE PROJECT HAD A POSITIVE ECONOMIC, SOCIAL AND ENVIRONMENTAL IMPACT

2.2 Relevance

When selecting a topic for a Public Private Partnership it is crucial that it is of high relevance to the private partner, development cooperation and the general public to create a positive momentum.

In general the following applies:

- The environment must foster the change - pick an innovative topic that is on the rise and actors will contribute and multiply.
- Concentrate on market orientation - rely on the private sector and its networks to define what is needed.



Relevance of the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

- Modern supply chain management is becoming increasingly popular.
- Food safety and traceability are issues that receive increasing attention.
- International quality standards (international competitiveness) gain importance, especially after Vietnam's accession to the World Trade Organisation.
- All stakeholders see the importance of improving production and using new equipment to improve the chains.

3. Success Factors of PPP Implementation

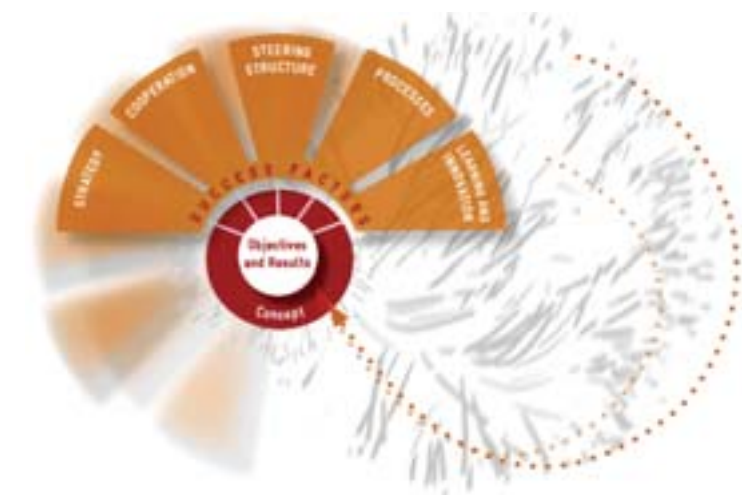
When starting a PPP one must

- Define a clear common objective
- Balance interests of all stakeholders
- Ensure that benefits are equally spread
- Ensure ownership of all stakeholders
- Assure continued learning

To achieve this, PPPs need to be thoroughly managed and quality standards have to be applied. From our experience, projects need to work on, and assure quality in, the following areas:

1. **Strategy:** negotiating and agreeing with project partners and stakeholders on a clear and plausible strategic direction for the project.
2. **Cooperation:** providing cooperation structures and formats to a selected group of partners, allowing a network of people and organisations to facilitate change through a clear understanding of project stakeholders and their respective functions.
3. **Steering Structure:** negotiating the optimal steering structure with project stakeholders.
4. **Processes:** designing, implementing and improving processes that facilitate social innovation.
5. **Learning and Innovation:** encouraging learning among participants to facilitate sustainable capacity development.

All these aspects are included in the Capacity WORKS management model applied by GTZ





To understand the set up of the PPP one must consider the **Management Approach of the GTZ-MPI Small and Medium Enterprise Development Programme (SMEDP)** under which the PPP functions. The following are characteristics of its approach in the value chain component:

- Strategy to work with the whole supply chain and its support structures (systemic approach) to mobilise resources, spread knowledge (line departments, universities, institutes, private service providers, associations etc.) and "institutionalise" the approach.
- Analysis of the chain before starting the intervention to understand the context and interest of different parties.
- Definition of intervention strategy where GTZ acts as a facilitator and not an implementer.
- Constant feedback and reflections from various levels to ensure continuous learning.

Based on this, one can analyse the five different success factors and their contribution to the achievement of the objective of the PPP (See 1. Introduction)

3.1 Success factor 1 - Strategy: Negotiate and Agree on Strategic Orientation

What is important for a successful strategy?

- It centres on the cooperation project's objectives (benefits for all involved)
- It is the result of a selection process of various options
- It is the result of a negotiation process between private enterprise, GTZ and public partners
- It focuses on potentials especially the combination of private and public sector knowledge and goes beyond the core business of the private enterprise
- It creates synergies between public and private actors

Strategic orientation of the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

- The project suits the environment as there is a perceived need for a modern supply chain management to become more competitive (anticipated trend in society and business world - outward dimension)
- The baseline studies in different regions and of different fruit and vegetable supply chains gave input to strategy development.
- Knowledge and capabilities available from GTZ, Metro and selected partners to foster change (inward dimension)

The strategy focuses on:

- Multi-level approach on macro (ministries at national level), meso (regional departments, universities, research institutes) and micro level (associations, farmers)
- Market orientation (local, national or international markets)
- Demand orientation (bottom-up approach)
- Incentives and innovation
- Communication strategy to increase awareness about new topics (food safety, standards, traceability)
- Sustainable development economic benefits, social change, environmentally sound (triple bottom line)





3.2 Success factor 2 - Cooperation: Link Actors and Organisations to Facilitate Change

What is important for successful cooperation?

- Identify possible cooperation partners who can contribute to the project
- Negotiate and agree on common objectives (win-win situation)
- Define roles and responsibilities clearly. The private enterprise plays an active part in the cooperation project
- Use and combine strengths of partners
- Share power and influence to increase ownership
- Make conflicts and perspectives transparent

Cooperation in the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

- Common objectives of GTZ, Metro, Ministry of Industry and Trade/ Department of Agriculture and Rural Development (MOIT/DARD) were established
 - Joint project development: Detailed plan and agreements on expected results in the beginning
 - Clear definition of roles and responsibility: Metro responsible for supply chain bottom-up, GTZ responsible for support to macro and meso levels
- Baseline study in the beginning supplied clear and complete overview of stakeholder landscape.
- Associations and line departments included as multipliers/promotion agents to achieve ownership by:
 - Making benefits visible to actors
 - Helping them fulfill their roles (training, Global GAP standard application) with new contents and standards
 - Including them in the survey
 - Contributing to training concept development and its implementation
- Conflict resolution
 - Awareness through feedback from implementing partners
 - Bringing partners together to resolve conflicts (for example resources, time etc.) in common meetings

- Utilise the strength of the different partners
 - Knowledge (all actors)
 - Financial contributions (Metro, GTZ)
 - Relationship at macro level (GTZ)
 - Influence (associations, line departments)
 - Private sector networks (Metro)
 - Innovation (Consultants for Global GAP application, subcontractor for design and construction of packing houses)



3.3 Success factor 3 - Steering structure: Negotiate the Optimal Steering Structure

Steering Structure needed for:

- Strategy development
- Planning of activities



- Resource management
- Coordination of stakeholders and resources
- Conflict management
- Result and impact monitoring

Essentials:

- Clearly defined responsibilities
- Transparency
- Efficiency
- Multi-perspective - joint decision between public and private partners
- Sensitivity to conflicts
- Flexibility
- Suitability and functionality

Steering structure of the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

- Simple steering structure with clear responsibilities
 - GTZ, METRO, MoIT on political level
 - Core project team for all management decisions consisting of GTZ, METRO and MoIT employees (3 persons responsible)
 - Responsibility for implementation with METRO employees
 - Important inputs for achievement of objectives provided by universities, associations (for example Tien River GAP association) and line departments
- Decisions on steering structure made in the beginning and fixed with project planning/design
- Clearly defined processes within the steering structure
- Frequent and efficient communication at core project team level
 - Regular meetings every two months initially
 - Later, frequent informal exchanges
 - Joint running of events
- Day to day business and conflicts are dealt with at core project team level
 - Only changes in the project planning are subject to decision at political level
- Reporting system (once every six months)



3.4 Success factor 4 - Processes: Design Processes for Social innovation

What is important in process design:

- Identify process that facilitate change: fields of common interest among private and public actors
- Initiate change processes
- Transfer new process knowledge to partners

Criteria for process quality

- Result orientation
- Speed
- Stability
- Learning

Process optimisation

- Problem identification
- Process analysis
- Definition and redefinition of processes



"Supply Chain Development and Improvement of Domestic Market Policy"

PPP: Selection of change processes

- Recognition of core problems: low quality, high percentage of losses of fresh produce (40-50%), no direct access to the market for farmers and production not according to demand due to lack of knowledge
 - Linkages that do not work
 - Heterogeneous products
 - Inadequate cultivation, harvest and post harvest methods
- Analysis of 18 supply chains: Survey to understand context and identify constraints and potentials in the supply chains
- Selection of 12 supply chains and specific regions where changes should take place
- Define interventions to improve the selected supply chains: level of production, collection, storage, transportation, distribution, assistance to establishment of farmer cooperatives
- Design of training courses and adaptation of courses to the need of the target group: harvesting and post harvesting techniques, logistics, business skills
- Implementation of trainings and support through investment in facilities: packing houses, sorting stations
- Certification of selected products/ producers according to Global Good Agricultural Practices Standard (GlobalGAP)
- Assessment:
 - Analysis of loss reduction in a specific supply chain
 - Assessment of improved fruit quality
 - Improved access of farmers to the market
 - Increased number of suppliers - registered cooperatives for Metro (3)
 - Cooperatives that work according to GAP standards
 - Increased quantity of products
 - Line departments and other actors acquired knowledge about modern supply chain management and requirements



3.5 Success factor 5 - Learning and innovation: Focus on Learning and Innovation Capacity

What type of learning is led:

- Individual learning
- Organisational learning
- Learning networks and systems
- Learning how to facilitate change processes

Process for learning and innovation:

- Variation
- Selection
- Stabilisation and restabilisation

Self-observation is needed for this process

Learning and innovation strategy of the "Supply Chain Development and Improvement of Domestic Market Policy" PPP

Innovation

- Modern supply chain management and application of international standards as innovation topics

Learning on various levels was a central objective of the project:

1. **Knowledge transfer** through trainings at the level of farmers, collectors, retailers, wholesalers (individual level)
 - Farmers learn how to establish cooperatives and become more influential thus achieving better contracts with wholesalers
 - Farmers learn how to apply new technology for cultivation and post-harvesting
2. **Constant upgrading** in the supply chain. Set incentives for learning for farmers
 - Contract with METRO after achievement of METRO quality standards
 - Open up new markets by producing for the export market after achieving certain standards and receiving certificate (Global GAP)
3. **Training of trainers** courses to promote international standards and to improve capability of business development service providers and governmental agencies (learning networks)



4. Organizational learning

- Metro integrated the approach how to set up stable supply sources and how to work with farmers in their business strategy
- Line departments learned about modern supply chain management and the improvement toward it (organizational learning on regional level)

5. Learning systems

- Vietnamese actors learned how to work, innovate and learn in a Public Private Partnership

6. Dissemination of knowledge through workshops and events (project implementation knowledge)

7. Learning instruments

- Reporting structures, surveys etc. (learning on project implementation level)





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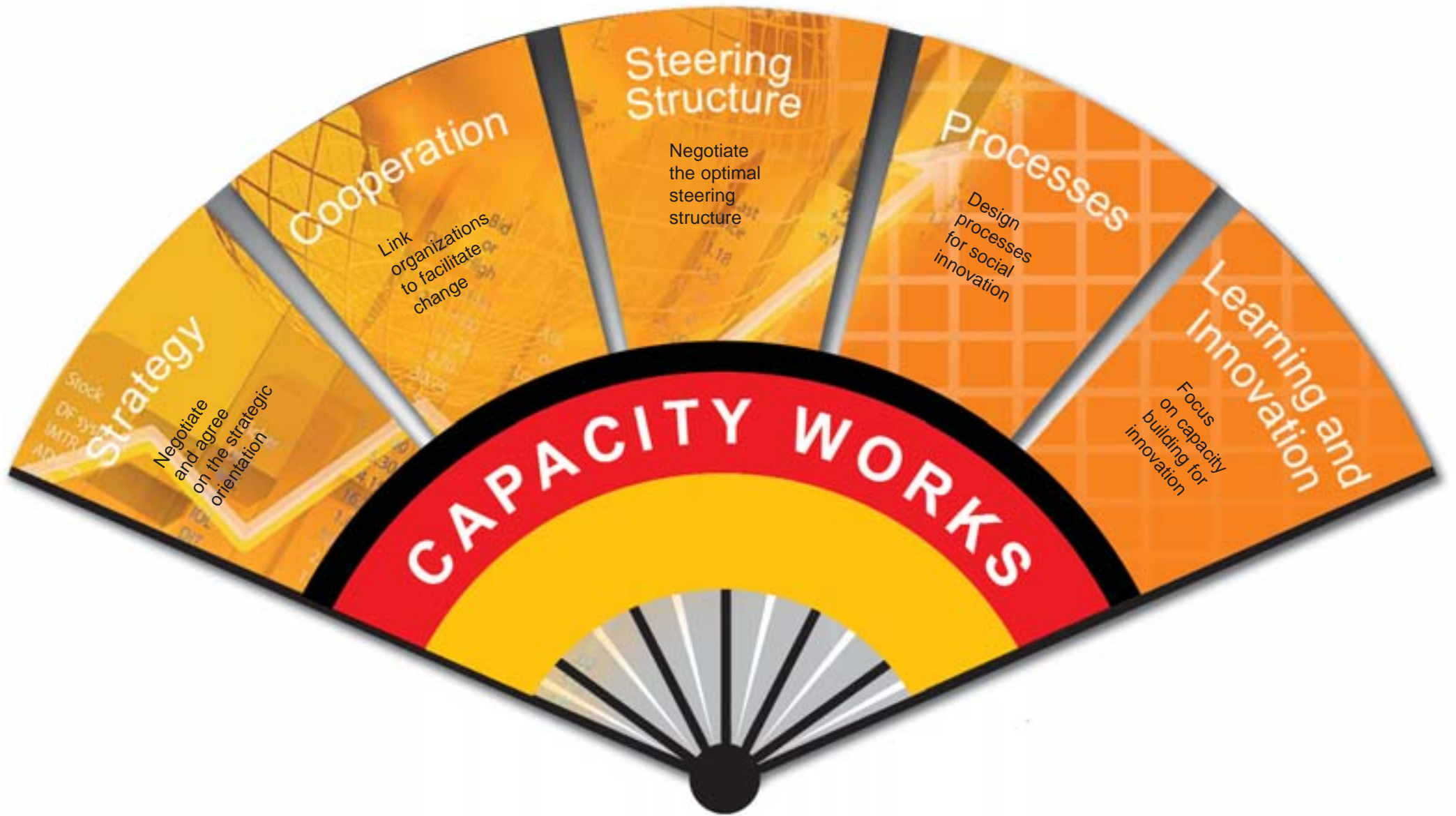
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BACK of design



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