

The Effectiveness of the Trilateral Partnership between The Netherlands, Malaysia and Indonesia

Review of the World Summit on Sustainable Development Partnership Programme in Palm Oil, Shrimps and Fruits & Vegetables

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Acronyms and Abbreviations:

ADB – Asian Development Bank
ASEAN – Association of Southeast Asian Nations
CAP – Consumers’ Association of Penang
CPO – Crude Palm Oil
DKP – Indonesian Ministry of Marine Affairs and Fishery
DoF – Malaysian Department of Fisheries
DDE – Department for Sustainable Economic Development of DGIS
DGIS – Directorate for Development Cooperation (DGIS) of the Dutch Ministry of Foreign Affairs
DKP – Indonesian Ministry of Marine Affairs and Fishery
ECSAD – Expert Centre for Sustainable Business and Development Cooperation
EKN – Embassy of the Kingdom of the Netherlands
EU – European Union
FAMA – Federal Agricultural Marketing Authority
FAO – Food and Agriculture Organization
F&V – Fruits and Vegetables
GAP – Good Agricultural Practices
GAPKI – Indonesian Palm Oil Association
IPOB – Indonesian Palm Oil Board
IPOC – Indonesian Palm Oil Commission
IVEGRI – Indonesian Vegetable Research Institute
LEI - Agricultural Economics Research Institute of Wageningen International
HCCP - Hazard & Critical Control Points
LEI - Agricultural Economics Research Institute of Wageningen International
LNV – Dutch Ministry of Agriculture, Nature and Food Quality
MARDI – Malaysian Agricultural Research and Development Institute
MDG – Millennium Development Goals
MRL – Maximum Residue Limit
MoAAI - Malaysian Ministry of Agriculture and Agrobased-Industry
MPOA – Malaysian Palm Oil Association
MPOB – Malaysian Palm Oil Board
MPOC – Malaysian Palm Oil Commission
MoU – Memorandum of Understanding
NAP – Malaysian Agricultural Policy
NGO – Non-Governmental Organization
PIFWA – Penang Inshore Fishermen Welfare Association
PPP – Public Private Partnership
RIKILT – Dutch Institute for Food Safety
RSPO – Roundtable on Sustainable Palm Oil
SALM – Farm Accreditation Scheme Malaysia
SGS – Société Generale de Surveillance
SOM – Malaysian Agricultural Scheme
SPLAM – Malaysian Aquaculture Farm Certification Scheme
SPS – Sanitary and Phytosanitary Standards
VROM – Dutch Ministry of Housing, Spatial Planning and the Environment
WSSD – World Summit on Sustainable Development
WWF – World Wildlife Fund

Executive Summary

This is a report for the Dutch Ministry of Agriculture, Nature and Food Quality (LNV) and the Directorate for Development Cooperation of the Dutch Ministry of Foreign Affairs (DGIS). It reviews the trilateral partnership between The Netherlands, Malaysia and Indonesia. This partnership was established within the framework of the World Summit on Sustainable Development (WSSD) partnership programme on 'Capacity Building and Market Access'. This report presents the findings of desk research, interviews with partnership participants in The Netherlands and field missions to Malaysia and Indonesia in April and June 2009. The research was executed by researchers from Maastricht School of Management (MSM) under the coordination of the Expert Centre for Sustainable Business and Development Cooperation (ECSAD).

At the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002, it was concluded that agricultural trade and market dynamics can play a major role in achieving sustainable development and eradicating poverty. To benefit from trade, however, countries must ensure that their products meet the high quality standards for agricultural products in the field of health, food safety, social standards and environment. International experience highlights the respective roles of the government and the private sector to meet the challenges for high-value agricultural export products. Cross-sector or 'public-private partnerships' can play a role in conducting research and capacity building to develop agricultural practices, meet the new domestic and international sanitary and phytosanitary standards (SPS), and train and assist farmers to adopt them (World Bank, 2008).

To profit from the 'collaborative advantages' from these partnerships, in 2002 the governments of The Netherlands, Malaysia and Indonesia agreed to start a trilateral agricultural partnership. The objective of the collaboration was to enhance market access through capacity building. Capacity building was chosen as a tool in order to comply with international food safety regulations. Additionally, it was envisaged to contribute sustainable development through strengthening structures and creating awareness. So, not only economic, but also social and ecological issues were addressed. Under this framework three collaborative initiatives were set up, focusing on palm oil, shrimps and, on smaller scale, tropical fruits and vegetables. The partnership was aimed at identifying and addressing bottlenecks in the production chain. Solutions were based on participation of important stakeholders from government, the private sector and civil society. Specific activities in the field of capacity and institution building were undertaken to allow countries to effectively deal with multilaterally agreed standards, and with standards related to EU-policy and legislation. The overall partnership was steered by a 'Trilateral Co-ordinating Committee', composed of high-level governmental officials of the three countries.

Relevance

The partnership project was complex since it involved three countries, three sectors and three different types of stakeholders (government, NGOs and corporations). Building capacity for market access was required for all three sectors (palm oil, shrimp and fruits and vegetables). The instrument of 'partnership' appeared especially relevant to improve mutual understanding in addressing the most important food safety problems for Indonesian and Malaysian export oriented agriculture. Problems in particular related to market failure and government failure were addressed in various degrees of success, but problems of 'civic failure' proved much more difficult to address. For two commodities (palm oil and shrimp) the partnership was enacted at the right moment in particular for Indonesia. Palm oil and shrimp exports faced urgent access problems at European markets. The partnership provided the means to solve (some of) the problems of Indonesian actors. For the shrimp sector, the partnership introduced activities to improve chain custody processes. For one selected sector (fruits and vegetables) the need for problem solving was less urgent, which impacted its effectiveness.

Stakeholders from The Netherlands, Malaysia and Indonesia (initially) had a strong interest in the partnership. Because the main players of the sectors from each country had been involved, the collaboration between importers and exporters had a strategic character. At the start of the partnership process the Dutch industry had a key role in project design and implementation. Although Malaysian as well as Indonesian actors understood the relevance of partnering with each other, it was less clear why a trilateral constellation would be necessary. The palm oil sector is a notable exception. Since Malaysia and Indonesia share the main export positions for palm oil in third markets, both realized it as beneficial to

cooperate on such issues as improving the reputation of palm oil or introducing standards for sustainable production.

The shrimp sector provides another interesting case for a particular type of partnership. In 2006, the partnership project indirectly helped the Indonesian government to formulate a timely request for assistance by the Netherlands to assist in rewrite the Indonesian Residue Monitoring Plan - a requirement of the European Commission. Faced with the same challenge, the Malaysian partners did not build up enough confidence in the partnership to consider it as an effective instrument to comply with new EU requirements for market access. Moreover, the actual dynamism of the shrimp partnership lowered its effectiveness. The discontinuation of NGO participation and exclusion of some stakeholders implied that sustainability issues that were on the agenda of the civil society in all three countries, were hardly addressed – and therefore could not be solved. Instead some stakeholders followed their own agendas outside of the partnership, which severely limited the legitimacy of the partnership objectives in shrimps regarding to sustainability.

Value and complexity of a joint platform

The trilateral partnership between actors of the three countries created a formal platform that did not exist before. The platform mainly focused on exchanging knowledge and creating awareness for market access issues and to a lesser extent on sustainability. It demonstrated that traditional power imbalances between state, market and civil society in the specific context need to be taken carefully into consideration when designing the partnership governance structure. It proved difficult to apply a multi-stakeholder approach in a trilateral partnership head-on, due to a variety of reasons: a) stakeholders engagement practice differed in the participating countries and b) cultures differ on power-sharing and power-distance, c) the parties were not completely independent of each other (either as part of a donor relationship, or in terms of cross-country ownership for instance in the palm oil sector). This negatively influenced the development of an effective and integrated strategy that could actually be supported by all actors. Moreover two partnership ‘realities’ were created: a formal reality focusing purely on food safety management issues as described in the Memorandum of Understanding and an informal reality as practiced in the international meetings which combined market access issues with sustainability issues. This led to a different understanding of the objectives of the trilateral partnership and to miscommunication between the actors involved.

Because the trilateral partnership included three countries decisions had to be made in a trilateral setting. This proved rather complex and often created a formal and political character of decision-making procedures in the partnership. Due to its – sometimes underestimated or not well understood – complexity, the trilateral partnership was challenged to address external factors such as existing rules of relations between actors or of stakeholder inclusion. This specifically burdened the step from decision-making to project implementation. Additional, appropriate and timely funding mechanisms have been the most common problem for materialising projects. Such problems seem part and parcel of this type of partnership. Rather than deny these problems, it is advisable to develop more sophisticated decision-making models that are able to address this type of complexity in a participative manner. By doing so the partnership may be more effective in overcoming institutional, cultural, strategic and geographic distances that create (real and perceived) gaps between the participating actors.

Overall it can be concluded that the trilateral partnership provided no panacea but nevertheless a good framework to deal with common problems. The partnership has until now resulted in rather modest but positive effects for most Indonesian and some Dutch partners and stakeholders involved. From the Indonesian perspective the objective of the partnership – to improve market access through capacity building related to phytosanitary and veterinary measures - have been achieved in palm oil and shrimps. Partnering created a new understanding and learning of situations and possibilities. From the Malaysian perspective, the partnership did not fully fulfil its objectives for instance since hardly any technology transfer took place towards Malaysian participants. From a Dutch perspective, the partnership succeeded in solving urgent food safety concerns and created a platform for more attention on good practices in agriculture what may lead to more sustainable and profitable agricultural exports in future. In terms of sustainability the partnership stimulated discussion and supported synergies with the Round Table of Sustainable Palm Oil.

Main lessons learned and recommendations

Partnership Design

Complexity of partnership

Designing a tripartite and trilateral partnership including three sectors, three countries and three different types of stakeholders (government, NGOs, corporations) is very complex in terms of administration and coordination. It proved difficult to apply a multi-stakeholder approach in a trilateral partnership head-on, due to:

- a) Stakeholder engagement practice differed in the participating countries;
- b) Cultures differed on power-sharing and power-distance
- c) The parties were not completely independent of each other (either as part of donor relationship, or in terms of cross-country ownership for instance in the palm oil sector).

Recommendation:

- *Make a more elaborated first scan of four dimensions (institutional distance; cultural distance; strategic distance; political or power distance) that can create (real and perceived) gaps between the participating actors, before the actual partnerships is enacted.*

Clear understanding and operationalisation of the objectives of the partnership

It was important that the partnership focused on achieving mutual benefits operationalised in activities that enable partners to meet their own objectives as well as the common goals. In fact, two 'partnership realities' existed: the one followed the more narrow objectives as formulated in the MoU and the other one took on board a broader sustainability perspective. This hampered the effective operationalisation of objectives in output and outcome criteria which should be achieved by the partnership. Finally, the partnership was threatened to lose its effectiveness because not all partners were able to identify their own interest through the partnership.

Recommendation:

- *Develop a clear vision of the objectives residing over the partnership and to which all involved parties would be effectively committed.*
- *Foster a clear understanding of mutual benefit to all partnership partners and stakeholders.*
- *Agree on objectives which are well-defined in output and outcome criteria. This can provide a clear path for the partnership to go.*

Stakeholder involvement

The trilateral partnership was challenged by formal differences in rules and laws dealing with stakeholder involvement (in particular as regards civil society). The culture and rules of stakeholder inclusion in the participating Asian countries had a considerable influence on the partnership performance. Most organisations were not used to working together in partnership in a multi-stakeholder setting. It was agreed to involve stakeholders for consultation on national level. Main concrete outputs that were envisaged, hardly integrated the perspectives of the different partners – in particular on sustainability issues; thus, an effective strategy was only partially developed. The weak involvement of NGOs in the partnership decreased the relevance of the partnership for sustainability and development.

Recommendation:

- *A more bottom-up planning is required to reach and include the main beneficiaries of projects. One possibility is to involve the business sector (and whenever desirable NGOs) from the beginning start at a more strategic level.*
- *The roles of the different stakeholders need to be defined and communicated thoroughly.*

Partnership Governance

Formality and flexibility in partnership paper work

Besides the MoU, work plans were developed for each sector which often followed a broader objective than the MoU and included a broader stakeholder base. The co-existence of two documents made it sometimes difficult for partners and stakeholders to follow the same reference framework. One lesson learned is that formal contracts and Memoranda of Understanding are important in situations where sufficient trust among partners can not automatically be assumed – as was the case in the trilateral partnership. In due course when trust can build up partners may nevertheless agree to side step the original objectives.

Recommendation:

- *Develop clear reference frameworks for all partners and stakeholders involved in the partnership and be clear about their relevance and importance.*
- *In case objectives shift, it is beneficial when there is flexibility to renegotiate the underlying paperwork.*
- *In cases where little trust is given between partners the underlying paperwork needs to set a clear framework for collaboration. Be aware that in case of little trust, operations outside of the set framework may provoke discontent of partners or stakeholders what finally can lead to the termination of the partnership.*
- *The partnership governance process can be facilitated by “neutral” external experts what might support trust building.*

Decision-making models

The trilateral partnership framework was a compromise and rather than offering genuine partnership with full participation, the trilateral partnership tended to give governments a privileged position as partners, while stakeholders had a voice but were not considered as equal partners by all governments. It can be concluded that in cases where institutional distances were strongly developed, it was a tall order to introduce governance novelty.

Recommendation:

- *It has to be carefully assessed in how far stakeholder approaches can be applied in the culture of the participating countries and what leeway exists for introducing new governance mechanisms.*
- *More sophisticated decision-making models that are able to address the complexity of the partnership in a participative manner throughout the different partnership process phases need to be developed if possible. There are several governance models which can be applied in different settings. They range from collaborative governance which implies a collective decision-making process which is formal, consensus-oriented and deliberative towards applying different modes of governance (network, hierarchy and market) throughout different phases of the partnering process.*

Partnership Management

Administrative support system

A well functioning administrative support system can contribute to partnership effectiveness and efficiency throughout the partnership process. Capacity, engagement and commitment of personnel involved in management and support processes of the partnership have facilitated initial success in mobilizing the most relevant actors of the palm oil, shrimp and fruits and vegetable sector, and in designing and developing a completely novel structure of collaboration and thus stimulating a process of joint problem solving.

Recommendation:

- *Support a well functioning intra and inter-organisational coordination mechanism.*
- *Advocate for administrative support systems during all stages of the partnership. Ensure that they have the required capacity and capability to deal with the whole complexity of the partnership process.*

Partnership Monitoring

Constant monitoring

Monitoring of partnerships is a sensitive, but vital issue in partnerships. Monitoring often involves the question ‘who is monitoring whom’. As in the case of the trilateral partnership, transparency can become especially challenging when partners are also competitors. Partners may try to hold back information or strategically choose when to reveal certain information.

Recommendation:

- *Develop and stimulate constant partnership self-supervision which provides feedback and transparency to all partnership partners and stakeholders on the developments of the process.*
- *Partnerships include constant learning of the actors involved; therefore a participative monitoring or auditing system which is facilitated by external actors can support partnership effectiveness.*

Efficiency

Appropriate funding mechanism in order to manage expectations

Appropriate funding mechanisms were not sufficiently clarified in the programme under consideration. This limited the effective and realistic management of expectations – an important precondition for efficient partnerships.

Recommendation:

- *A clear financial framework need to be in place*
- *A more equal financial share seems to be appropriate in order to develop more commitment and create ownership*
- *A fund for 'urgent projects' could support the implementation of such projects for which the usual mechanisms for funding are inadequate.*

Dealing with external threats

This review showed that the partnership mechanism is a good model for working towards improvements within existing social, cultural and economic power structures, but less suited for achieving drastic changes within a short timeframe. The partnership stumbled to address the external factors effectively. The partnership managed however to adapt quickly to new realities (e.g. when NGOs used an exit option and stepped out) and followed a pragmatic approach for reaching its goals. Pragmatism seems to be a precondition for implementing partnership projects in Asian countries.

Recommendation:

- *Ensure that partnership partners develop a common understanding on threats and opportunities. The partnership might adopt a more flexible and pragmatic approach to address external factors. In the ideal case, the partnership will develop an 'own identity' what makes the partnership more efficient in addressing externalities impacting on partnership performance.*
- *In order to develop this identity, much effort, time and flexibility of key actors is required.*

Effectiveness

Relevance

An urgent problem which affects several actors need to underlie the partnership. Only than full commitment of the actors for the partnership is assured and dynamics develop. It was experienced as less relevant to work in trilateral cooperation between Malaysia, Indonesia and The Netherlands. The palm oil sector was a notable exception.

Recommendation:

- *In the cases of fruits& vegetables and shrimps bilateral cooperation between The Netherlands and Indonesia could be most valuable. It should be assessed if a focus on specific product groups (e.g. star fruit) would add value, compared with broadening the focus (e.g. take also ornamental fish into consideration). The objective of the partnership needs to be clarified.*

Synergies with other initiatives

Hardly any coordination or integration took place a) between initiatives of different donors and the trilateral partnership, b) between different Dutch supported programmes in the respective sectors and c) between programmes of different departments of the partner countries. Programmes and projects often follow similar if not overlapping objectives. More synergy creation could contribute to identifying the relevance and requirement of specific activities within the partnership. Stepped-up information sharing on the lessons learned of this partnership could be a step in the right direction.

Recommendations:

- *It is relevant to stimulate more intra-organisational coordination between governmental departments and ministries in partner countries as well as in The Netherlands. A more established partnership facility or function in these organisations is advisable.*

Changing realities

Changing realities can affect the effectiveness of a partnership. In the palm oil case for instance, the broader context of discussions on the usage of palm oil as biofuel created a new reality. In parallel with the Dutch governmental efforts to support Indonesia meeting food safety standards to secure access to the European palm oil market, other segments of the Dutch government as well as the European Union worked out new sustainability standards for palm oil imported as biofuel. The problem of 'mixed' identities and changing roles of (one of) the partners throughout the partnership process is particularly difficult to grasp, let alone manage.

Recommendation:

- *Changing conditions have to be taken into constant consideration. Their implications on the partnership performance need to be carefully discussed and communicated.*

1. INTRODUCTION – Rational of the trilateral partnership

The challenges of international competitiveness in agriculture have moved beyond price and basic quality to food safety concerns such as risks associated with microbiological pathogens, residues from pesticides, veterinary medicines and other agricultural inputs for many higher-value foods, including fruits, vegetables and shrimps. There is currently a greater scrutiny of the production and processing techniques employed as well as concerns over the fairness of social and labour conditions along the supply chain. Food safety, social and agricultural health standards can impede trade, especially for developing countries, through explicit bans on imports of particular products or through the high costs of compliance with stringent standards, which can diminish competitiveness. There is a concern that several countries lack administrative, technical, and scientific capacities to comply with emerging requirements. The combined effects of institutional weakness and rising compliance costs could contribute to the further marginalization of weaker economic players, including poor countries, small businesses, and smallholder farmers (Aksoy and Beghin, 2005).

The new landscape of proliferation and increasingly stringent food safety can also be a basis for the competitive repositioning and enhanced export performance. Standards – whether economic, social or environmental – can also provide incentives for modernizing supply chains and help clarify the necessary and appropriate risk management functions of government. The greater attention to good practices in agricultural production and processing may not only improve export competitiveness, but also generate spill over benefits to domestic consumers. From this perspective, standards can provide the basis for more sustainable and profitable agricultural exports in the long term (World Bank, 2008). Key is therefore the ability to *upgrade capacity* and make necessary adjustments in the structure and operation of agricultural supply chains (Aksoy and Beghin, 2005).

At the World Summit on Sustainable Development (WSSD) in Johannesburg in 2002, the goals of sustainable development have been set. World leaders concluded agricultural trade and market dynamics can play a major role in achieving sustainable development and eradicating poverty. In order to profit from trade, however, countries must ensure that their products (also) meet the high quality standards for agricultural products in the field of health, food safety, social standards and the environment. In Johannesburg governments were encouraged to launch new partnerships between state, business and civil society in order to stimulate solutions for amongst others the above mentioned problems. These voluntary agreements between governmental organisations, non-governmental organisations (NGOs) and firms aim to reach a common objective or carry out a specific task, in which parties share risks, responsibilities, means, competences and profits (Ministry of Foreign Affairs, 2004). The underlying idea of partnerships is that by generating additional knowledge and resources, results can be achieved that benefit all parties and which they could not have achieved on an individual basis (Kolk et al., 2008). Moreover, partnerships are not just looked upon as ways to deliver positive development outcomes, but as new governance mechanisms (Glasbergen et al., 2007; Rochlin et al., 2007). What is often called a ‘public-private partnership’ or a ‘cross-sector partnership’ is understood as a mechanism which effectively addresses:

- a) *market failure* to ensure continuous improvement in product and process development;
- b) *government/governance failure* to secure accountability between decision makers, industry and society;
- c) in case NGOs are involved, the partnership might also address so called ‘*civic failure*’, which basically refers to the problem that civil society initiatives often lack the efficiency of market players, which could hamper the longer term sustainability of development projects by making partners overly dependent upon continued flows of subsidies.

In this context, the Government of the Netherlands (through the Ministries of Foreign Affairs, and Agriculture, Nature and Food Quality) has taken the initiative for establishing partnership programmes for market access and sustainable development in a number of countries. The partnership programmes aimed to enhance market access through capacity building. Capacity building was chosen as tool in order to comply with food safety regulations. Additional, it was envisaged to contribute to sustainable development through strengthening structures and creating awareness. So, it not only does emphasize economic, but also social and ecological issues. The latter aim is based on the understanding that agricultural exports are expected to contribute directly to poverty alleviation by generating foreign exchange and creating employment, particularly in rural areas. With the governments of Malaysia and Indonesia the Dutch government has agreed to start a trilateral cooperation in the agricultural sector. The initiative focused on the following products: palm oil, shrimps and, on a smaller scale, tropical fruits and vegetables. The

partnership identified bottlenecks in the whole production chain and tried to find solutions with participation of stakeholders from the government, private sector and civil society. Specific activities in the field of capacity and institution building were undertaken to allow partners to effectively deal with multilaterally agreed standards, and with standards related to EU-policy and legislation. These activities were implemented preferably by applying a multistakeholder approach. The overall partnership was steered exclusively by a 'Trilateral Co-ordinating Committee', composed of high-level governmental officials of the three countries. The trilateral partnership officially ended in November 2008, when Malaysia decided to step out of the partnership.

This synthesis report discusses the main findings of a review of the above described trilateral WSSD partnership programme 'Capacity Building and Market Access' between The Netherlands, Malaysia and Indonesia. The report is structured as follows: in section two the research strategy and the review process are outlined. In section three the main findings of the process are presented and discussed. Section three gives special attention to the objectives of the partners and stakeholders involved in the partnership and to the partnership governance system. Section four presents the findings on the outcome of the partnership by focusing on the contribution of the partnership to improved market access and economic and social development. By focusing on the 'effectiveness' and 'efficiency' dimension of the WSSD partnership programme, we seek to analyse in detail perceived cost-benefit ratios, critical success factors and the added value of the partnership programme. The aim of this review is to provide lessons learned on the process, efficiency and effectiveness of the partnership between The Netherlands, Indonesia and Malaysia.

The appendices include overview sheets on the findings in each commodity (palm oil, shrimps and fruits and vegetables). Factsheets on the three partnerships, which comprehensively describe the sector context, the stakeholders involved and their motivation, the process of each partnership, developed projects and outcomes, are available as supplementary appendices. The complete mission reports of Malaysia and Indonesia are available as supplementary documents.

2. REVIEW STRATEGY AND PROCESS

There is yet not much experience in the review of partnerships in development cooperation, not in the least because many partnerships materialized only recently. The focus of the present assessment studies on partnership therefore aim to facilitate a systematic coverage of the ‘lessons learned’ from partnership activities in order to give feed-back, i.e. on how to improve the design and implementation of partnerships. ‘Partnering’ is assessed based on (a) programme results and (b) process-oriented results:

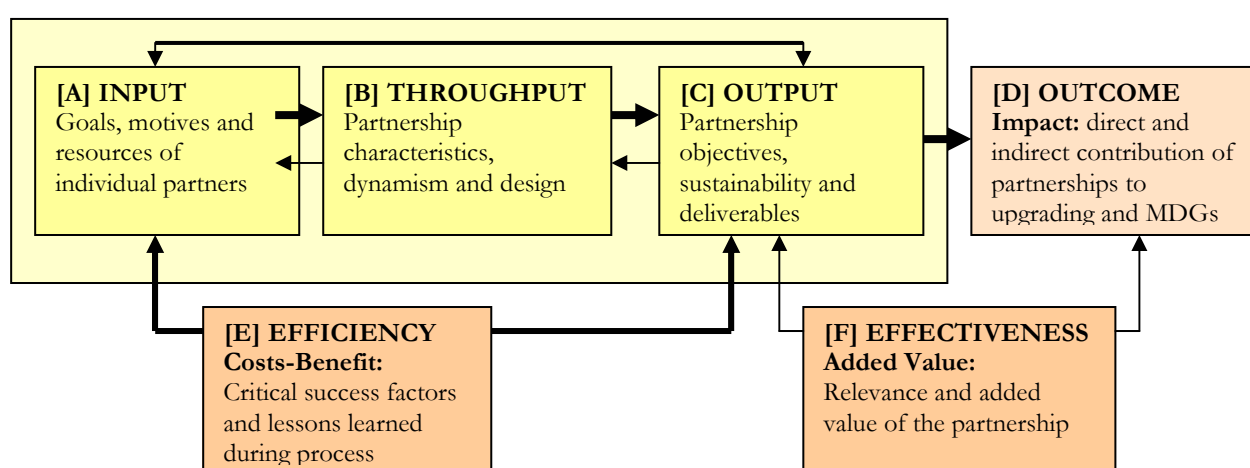
- (a) Programme results refer to assessments of project outcomes
- (b) The process-oriented assessment is focused on the partnership governance and management and aims at identifying (i) synergies mobilized by the partnership; (ii) obstacles in the process and ways in which partners may collaborate more effectively in the future; (iii) factors that may contribute to success and scalability.

By focusing both on specific results and collaborative processes, this review aimed to answer the question whether the WSSD trilateral partnership has indeed successfully reached its goals and has added value for the partners and stakeholders involved as well as for sustainable development. The objective of the review was to analyse the effectiveness and efficiency of the trilateral partnership and to identify factors influencing its performance.

2.1 Framework of analysis for partnerships

Research on effectiveness of partnerships in a development context is not yet well established. Assessment frameworks of these collaborative ventures have largely focused on tangible project outputs rather than reviewing the effectiveness of the partnership. Given that partnerships require significant time and resources to develop and maintain, understanding how to maximize their added-value is crucial (Caplan et al., 2007; Kolk et al., 2008). The Expert Centre for Sustainable Business and Development Cooperation (ECSAD)¹ developed an analytical framework and a detailed interview and dialogue protocol to evaluate the efficiency and effectiveness of partnerships (Van Tulder and Kostwinder, 2007). The analytical framework aims to measure the efficiency of the process of partnering and the effectiveness of the partnership instrument. The analytical framework is based on the premise that most partnerships go through comparable stages. Basically the partnership process consists of four stages: (a) input, (b) throughput, (c) output, and (d) outcome; and has two evaluative dimensions: (e) efficiency and (f) effectiveness (Figure 1).

Figure 1: Framework of analysis for partnerships



Source: Van Tulder and Kostwinder, 2007

¹ The Expert Centre for Sustainable Business and Development Cooperation (ECSAD) is a network of institutions: Sustainable Development Center (Maastricht School of Management); Amsterdam Graduate Business School (University of Amsterdam); Rotterdam School of Management (Erasmus University Rotterdam); European Institute for Business Ethics (Nyenrode University) and Wageningen University and Research Centre. The complementary skills and expertises of the network increase the knowledge of the role and functioning of international and local business in promoting economic growth and sustainable development in countries in transition. For more information see: <http://www.ecsad.nl>

2.2 Review process of the trilateral partnership

In 2007, the partnership partners conducted an internal mid-term review, resulting in three documents.² The commissioned 'external review' at hand builds on the outcomes of the mid-term review as well as discussing developments before, at the time and after the mid-term review was conducted. The trilateral partnership officially ended in November 2008. Since some projects of the partnership are still running, it was agreed that activities will continue as planned. In total, the review consisted of desktop research, interviews with policy makers, experts and stakeholders in The Netherlands and field missions to Malaysia and Indonesia in April and June 2009:

- Field mission to Malaysia took place from 27th April to 1st May 2009, performed by Stella Pfisterer and Meine Pieter van Dijk.
- Field mission to Indonesia took place from 24th June until 1st July 2009, performed by Stella Pfisterer, Jeroen van Wijk and Huub Mudde.

The functioning of the partnership in each of the three sectors (palm oil, shrimps and fruits and vegetables) was reviewed through a series of focused interviews with major stakeholders (individual and group meetings) and questionnaires (see appendix 1 for a full list of respondents).

The respondents can be divided in:

- a) primary stakeholders (partners) who were involved in the decision-making process on trilateral level;
- b) and secondary stakeholders who were mainly involved on consultative basis and in project implementation.

In total 75 respondents directly or indirectly involved in the trilateral partnership have participated in the review. 33 primary stakeholders (representatives of the organisations which agreed upon the MoU and representatives of focal points) were interviewed. 42 stakeholders were involved on a consultative basis or in project implementation. Most respondents (26) were involved in the shrimp sector followed by the palm oil sector (21). 14 respondents have been involved in the partnership without a sector specification. This group includes for instance staff members of the Agricultural Offices of the EKNs and staff members of LNV or DGIS.

Table 1: Overview Respondents

	Primary Stakeholders	Secondary Stakeholders	Total interviews
Involvement without sector specification	14		14
Palm oil	5	16	21
Shrimps	9	17	26
Fruits and Vegetables	5	9	14
Total	33	42	75

We applied semi-structured interviews (individual or group). Several stakeholders have been sent questionnaires, but the response rate was very low. The Indonesian mission included fieldtrips, to gain an impression of activities in each of the three sectors. The fieldtrip to Buatan (Riau, Sumatra) involved project visits of the partnership activities in the palm oil sector. The fieldtrip to Surabaya included discussions with stakeholders active in a quality assurance project implemented by SGS. The fieldtrip to Bandung included the visit of a bilateral project supported by the Agricultural Office of the EKN in Jakarta. Some field trips did not include visits of projects implemented under the trilateral partnership. By demonstrating results of collaborative programmes running on bilateral basis between the Netherlands and Indonesia, these project visits provided the review team with additional knowledge for assessing the effectiveness of the trilateral partnership in the Indonesian context.

² Mid-Term Review WSSD-Partnership Market Access for Shrimps (The Hague, 3. December 2007); unpublished document.; Draft Mid-Term Review WSSD-Partnership Market Access Fruits/Vegetables Discussion Paper (December 2007); unpublished document;

Mid-Term Review on the Trilateral Partnership on Palm Oil Market Access (December 2007); unpublished document.

**Meeting with stakeholders of
the shrimp sector in Surabaya (Java)**



**Meeting with farmer groups in
Buatan (Sumatra)**



2.3 Method of analysis

This synthesis report brings together the findings obtained in Malaysia and Indonesia and The Netherlands. The findings of the review were presented in two mission reports focusing on the point of view of the partners and stakeholders in respectively Indonesia or Malaysia. This allowed us to analyse the partnership in its specific context. For this synthesis report we followed a two step analysis. First, the relevant information from each country per sector was compared and analysed along the analytical framework. The elaborated findings were presented in factsheets (see appendices 6 to 8). In a second step, the findings of each sector were compared together with information obtained by respondents not specifically involved in one sector but active in the overall partnership process. The analysis for these three sectors and two Asian countries allowed a certain degree of generalisation of the more detailed findings as revealed in the factsheets.

3. PARTNERSHIPS AND PARTNERING: MONITORING THE PROCESS

[A] INPUT

A1. Context of agricultural exports from Indonesian and Malaysian to The Netherlands

The context of agricultural exports in Malaysia and Indonesia are different. Malaysia is a middle-income country, which has transformed itself since the 1970s from a producer of raw materials into an emerging multi-sector economy. In terms of total contribution to the Malaysian economy, the agricultural sector showed a comparative decline by contributing 9.2 percent of GDP in 2008 (down from 38 percent in 1960) and occupying about 14.7 percent of the employed work forces in 2008 (World Bank, 2008). However, in terms of absolute value, its contribution to the economy remains significant since agriculture still accounted for 8.5 percent of export earning in 2008 (World Bank, 2008).

Table 2: Overview Indonesian and Malaysian agriculture data

Variable	Malaysia	Indonesia
GDP (per capita 2008)*	15,300 \$	3,900 \$
Agriculture % GDP (2003-2005)	9.2	14.9
Agriculture annual % growth rate (1990-2005)	1.2	2.3
Employment in agriculture % total (2002-2004)	14.7	44.6
Agricultural exports \$ million (2003-2005)	10,562	10,606
Agricultural exports %total exports (2003-2005)	8.5	15.1
Agricultural imports \$ millions (2003-2005)	5,594	4,623
Indonesian government spending % agriculture value added (2004)	12.7	3.1
Public R&D spending in agriculture % agriculture value added (2000)	1.58	0.21
ODA to agriculture % total ODA to country (2003-2005)	0.8	3.7

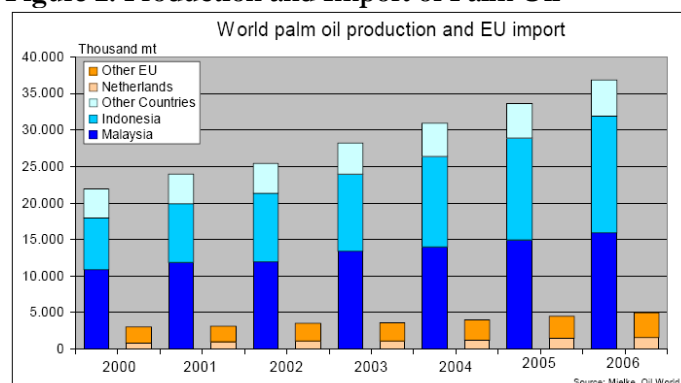
Sources: WorldBank (2008); *CIA World Factbook (2009)

In Indonesia, agriculture is still the most important sector in providing employment (more than 44.6 percent of labourers between 2002 and 2004). The agricultural sector has played a major role in developing the Indonesian economy during the past three decades. Between 2003 and 2005, agriculture contributed 14.9 percent to the national economic growth (5.4 percent) – and ranked eighth in sector growth in the economy. Agricultural exports were about 10.6 million \$ and contributed 15.1 percent of total exports between 2003 and 2005 (World Bank, 2008).

Palm Oil

More than 80 percent of the palm oil produced in the world is produced in Malaysia and Indonesia, while over 90 per cent of the world's palm oil exports originate from these two countries (Figure 2). In 2008 Indonesia exceeded Malaysia as the world's largest producer.

Figure 2: Production and Import of Palm Oil



Source: MVO (2007)

The palm oil industry is the largest agricultural enterprise in Malaysia. It has evolved from just producing Crude Palm Oil (CPO) to a more diversified industry, consisting of milling, refining and manufacturing of various food and non-food products such as soaps and oleochemicals. Malaysia currently accounts for 41 percent of world palm oil production. 4.49 million hectares of land in Malaysia are currently under oil palm cultivation; producing 17.73 million tonnes of palm oil and 2.13 tonnes of palm kernel oil. The industry provides employment to more than half a million people and livelihood to an estimated one million people (MPOC, 2009). In 2008, Malaysian palm oil counted 47 percent of world exports. With approximately 91 percent of its total production being exported, Malaysia is currently the world's largest palm oil exporter.

Indonesia produced 18 million tonnes of palm oil on 7 million hectares of land in 2008 (IPOC, 2009). The government intends to expand oil palm acreage to 8 million hectares that could produce 23 million tonnes in 2010 (Aglionby, 2008). In 2008, Indonesia exported 14,290,686 tonnes of palm oil. Palm oil exports from Indonesia have increased by 65 per cent between 2004 and 2008 (IPOC, 2009).

China and India are the main destinations for Malaysian and Indonesian palm oil. European markets make up around 15 percent of Indonesia's CPO export, of which two-third enters the region through the Dutch harbour of Rotterdam. The Netherlands imports approximately four percent of the total global production. Of this amount, two-third is intended for further export. In the past few years, some large palm oil producing companies have opted to invest in the Netherlands (MVO, 2007). For instance, Loder Crocklaan (owned by IOI from Malaysia) has the largest palm oil refinery in the EU in the Maasvlakte in Rotterdam. World palm oil trade and processing is dominated by a limited number of companies. One of these companies is Unilever with seat in Rotterdam. Unilever buys over one million tonnes, which amounts to 6-8 percent of the total world production, mostly from Malaysia and Indonesia.

Shrimp

The global shrimp market has increased considerably over the last couple of decades. Shrimp is now the most important internationally traded fishery commodity in terms of value. About 90% of the production (in weight, 2004) of the industrial shrimp aquaculture is located in South East Asia (China, Thailand, Indonesia and India). In Malaysia shrimp accounted for the highest value of production, with about 65 percent of the total value of brackish water aquaculture production, and 52 percent of the total value of aquaculture production in 2003 (FAO, 2009). In Malaysia, the shrimp industry has a workforce over 10,000 direct employees and an estimated 50,000 indirect labours. The production as a whole contributed between 1.37 and 1.73 percent to national GDP during the years 2002 and 2004 (Othman, n/a).

In Indonesia, the fisheries sector is responsible for about 2.9 percent of Indonesia's GDP (DKP, 2005a). Total shrimp production in 2008 was 630,000 tons of which 410,000 tons based on aquaculture (Indonesian Fisheries Federation, 2009). Shrimp is Indonesia's largest fishery export. In 2004, shrimp represented 15 percent of all Indonesian fishery exports by volume and 50 percent by value (DPK, 2005). The value of the latter equals more than US\$ 1.5 billion (est.)

Intensive shrimp production with aeration devices in Lampung (Sumatra)



As a result of increasing demand for tropical shrimp over the last few decades, the Netherlands have become a major importer and trader of shrimp products. Dutch imports have soared to over 30,000 tonnes annually, worth more than 80 million Euros. During the last decade, imports have more than doubled. In the Netherlands the shrimps are defrosted and cooked, refrozen and packed. Consumption in the Netherlands is relatively small; about 80% of the imported shrimps are exported to other countries, mainly in the EU. Imports per country fluctuate considerably from year to year, due to price changes, health requirements, diseases etc.. In 2003, main Dutch imports came from India (34.4 percent), Pakistan (14.9 percent) and Indonesia (14.1 percent) (ICUN, 2005).

Fruits and Vegetables

Indonesia ranks fourth as tropical fresh fruit producers world wide (FAOSTAT, 2009). In 2002, horticulture contributed 23.4 percent to the Indonesian agriculture sector GDP (second position after food crops) (Bahar, 2008a). Moreover, from 2001 to 2003, labour absorption of the horticulture sector increased from 2,275,950 people in 2001 to 2,731,200 people in 2003. Indonesian fruits and vegetable exports declined, especially for vegetables. In 2006 the value of exported fruit amounted to 3,710,000 US\$. The value of fresh vegetables was 1,180,000 US\$ in the same year (FAOSTAT, 2009).

Malaysia holds only a small percentage of the total market share on fruit exports. In 2004, Malaysia's fruit exports achieved a value of 36,153 thousand US\$, what amounted to a market share of 0.13% in the same year. The fruits and vegetable industry in Malaysia is small and fragmented. There are about 5000 farmers involved in fruits and vegetable growing in Malaysia. The majority are smallholders with an average farm size of 0.3 to 3 hectare (FAMA, 2007).

Both countries have growing imports of fruits and vegetables. In 2000, about 233,000 ton fruit was imported by Indonesia. This is about 0.6 percent of the total fruit in international market. In particular the rapid growth of the supermarket sector has an impact on retail and processing of fresh fruits and vegetables. In Malaysia, despite the improvement in self-sufficiency levels of fruits and vegetables over the period 1995-2005, the trade balance has continued to widen in favour of imports.

Although Malaysia has penetrated the EU fruits and vegetables market for the past years, the total export is still minimal and concentrated in particular on star fruit (carambola). In the period of 2004 to 2005 Indonesian exports to the EU declined in value and quantity. Export performance to the EU is volatile in terms of value and quantity. In general, most exports of Indonesian and Malaysian fresh fruits go to regional markets such as Singapore or to markets in the Middle East.

A2. Market access bottlenecks for Indonesian and Malaysian agricultural exports

All three commodities from both countries experienced increasing challenges in accessing European markets. Specific EU standards have been developed, in order to translate the multilaterally agreed standards to the regional context or in response to consumer concerns in Europe. Furthermore, food processors and retailers are often using stricter criteria themselves, in order to be competitive. There is a concern that the growing complexity of food safety standards and the lack of harmonisation between countries present potentially insurmountable barriers for developing countries that lack administrative, technical and scientific capacities to comply (Henson and Jaffee, 2006).

Malaysian and Indonesian agricultural exports were faced with two types of challenges in particular: food safety and reputational concerns. The latter factor relates primarily to ecological and social concerns. Recently, sustainability risks involving environmental, social and ethical issues get more and more attention. An increased awareness of environmental protection is influencing consumer perception in lead markets such as in Europe. Highly publicized effects of ongoing palm oil expansion such as deforestation and the loss of biodiversity, land right issues with indigenous peoples, increased greenhouse emissions, and the weak position of smallholders have weakened for instance the reputation of Southeast Asian palm oil in European markets. In 1999, contaminated palm oil arrived in Rotterdam from Indonesia. The published case had a strong impact on the reputation of palm oil as a product and consequently impacted on the competitiveness of the whole sector. Sustainability concerns and market access are therefore often

linked and implemented in increased monitoring and control. Examples of major standards that focus on sustainability in food production and trade are for instance the defined 8 principles and 39 criteria for sustainable palm oil production by RSPO (2005) or the Marine Stewardship Fishery certification and seafood ecolabel which recognise and rewards sustainable fishery.

Box 1: Roundtable on Sustainable Palm Oil

Roundtable for Sustainable Palm Oil (RSPO) is an international platform through which welfare organisations and industry are aiming to make worldwide palm oil production more sustainable. The RSPO has more than 300 members, including representatives from the entire production and processing chain of palm oil (for instance Unilever, The Body Shop, IOI/Loders Crokiaan, Golden Hope/Unimills, Ahold, Shell, WWF, Oxfam-Novib). The members cover around 40% of the global palm oil production. In November 2005, the RSPO defined 8 principles and 39 criteria for sustainable palm oil production. The criteria were drawn up by a special working group in which both civil society organisations and companies were represented. One of the main principles adopted for the production of sustainable palm oil is that, whatever the case may be, new plantations may not replace any 'primary forest' or areas with 'High Conservation Values'. The first shipment of RSPO-certified palm oil arrived in Europe in November 2008 (Agliony, 2008), but European demand is modest. According to the latest RSPO trade flash the production capacity of RSPO certified palm oil has reached 1.75 million ton. This means that per month on average 140.000 ton of certified palm oil will become available to the market (RSPO, June 2009). But less than one percent of the certified sustainable palm oil produced was purchased by consumers (WWF, 2009) at a 10 percent premium over uncertified palm oil (PalmoilHQ, 2009). The Asian palm oil industry blames the European food and palm oil-processing manufacturers for being reluctant to purchase sustainable palm oil (PalmoilHQ, 2009).

Urgent food safety concerns can build immediate barriers to enter the European markets. Antibiotic residues in aquaculture products, particularly in shrimp, were prohibited, which caused huge losses when consignments for export found to be contaminated were rejected and destroyed. In 2003, the risk for Indonesian and Malaysian exporters mounted that their consignments were going to be refused at the EU border. Strict standards were applied (zero tolerance) for Indonesian and Malaysian shrimp products. An industry can also get (self) banned as in the case of Malaysian shrimp in 2008. Guidelines of shrimp exports to EU were given to Malaysian authorities in 2005 but they were not implemented properly within the assigned period of three years. According to an EU report, of the 16 items found to have been non-compliant to their standards, 11 touched on matters handled by relevant authorities mainly on issues concerning fishing vessels, landing ports and agriculture farms. Random checks on nine companies exporting fishery products to Europe (in total 51 companies are recognized by the European Union) showed six where found lacking in health standards and practices set by the EU.³ This example shows that also more structural barriers can hinder or jeopardise market access.

Compliance requires effective food safety management. Malaysia has a well developed institutional framework for its agricultural export products but has difficulties in the implementation of the rules for instance due to a lack of capacity of laboratory staff and facilities. Food safety management aimed at export products involves a cluster of basic and more sophisticated technical and administrative functions, requiring a broad range of skills, physical infrastructure, institutional structures and procedures and financial resources (Henson and Jaffee, 2006). The example of the Malaysian shrimp ban also demonstrated that a system of food safety management for exports needs to be based on a broad awareness and an acceptance of own responsibility for sustaining sufficiently high standards among stakeholders. Where awareness is weak, as for instance within smallholders in the fruit production in Malaysia or Indonesia, any attempt at regulatory enforcement will almost certainly be flawed. Recognition

³ Edwards, A. (2008) Seafood exports to EU stopped, in Star online. <http://globalmalaysians.com> (June 20, 2008); Yee, L. (2008) Shrimp farmers blame local authorities for failure to comply with EU standards, in Star online. <http://globalmalaysians.com> (June 18, 2008)

and understanding of major food safety challenges and opportunities is needed at several levels; among senior agricultural and trade officials; among owners and managers of agricultural and food processing and exporting firms as well as among the industry organisations that represent them; and among farmers and their employees (Henson and Jaffee, 2006).

A2. Objectives of partners and stakeholders

Both countries Malaysia and Indonesia experienced common and/or similar concerns when exporting palm oil, shrimps or tropical fruits to the EU. But individual partners have specific objectives and motives for joining a partnership. These objectives and motives to enter into a partnership are strongly influenced by their societal position (market, state or civil society). The objectives of each stakeholder group involved in the trilateral partnership can be summarized as follows:

- **Indonesian government and industry:** to overcome obstacles of contaminated palm oil and shrimp ban; diversification of markets; support by Dutch government on political level and through technical assistance; harmonisation and benchmarking of local standards and accreditation schemes.
- **Malaysian government and industry:** to overcome market access challenges; better reputation of products; increased exports; better promotion of export products; support by Dutch government on political level; technology transfer; harmonisation and benchmarking of local standards and accreditation schemes.
- **Dutch industry:** to achieve full traceable supply chains; improve sector reputation; lobbying; regular contacts with Malaysian and Indonesian government.
- **NGOs:** to enforce policies and strategies to overcome ecological and social concerns
- **Dutch government:** to achieve benefits for European distributors and consumers through enhanced quality and quantity of agricultural products entering the EU; secure the Dutch leading position within the EU on agricultural imports; to stimulate a discussion on sustainable development.

All actors had an interest to participate in the partnership, but each one had its own agenda as well. Actors entered the partnership with different expectations. Different expectations were most obvious in the shrimp case. While NGOs saw an urgent need to address ecological problems caused by shrimp farming, the industry and Indonesian and Malaysian government expected the partnership to address the urgent need of securing and improving the economic position of shrimp exports (and imports).

In the fruits and vegetable case almost no stakeholders from the Dutch side were involved. It was suggested that due to the fact that relations between fruit importers and exporters are already well developed the partnership was not of high relevance for problem solving for the Dutch importers of fruits and vegetables.

A3. Partnership overall objective and strategy

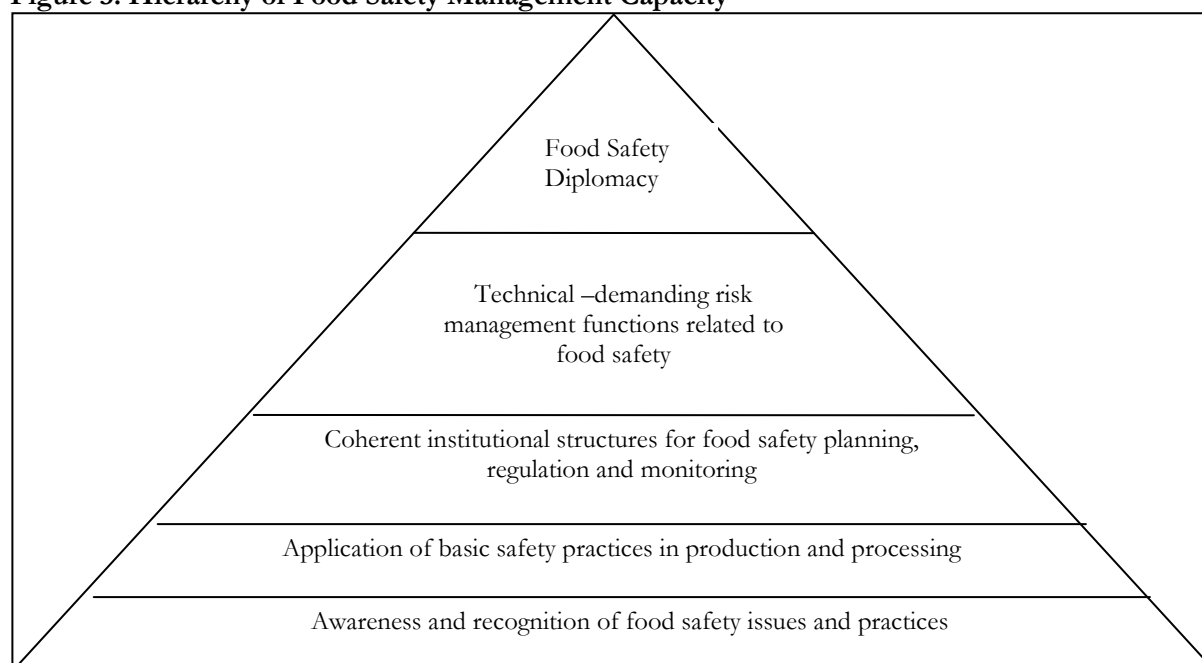
The Minister of Agriculture of the Republic Indonesia, the Minister of the Agriculture and Cooperatives of Malaysia and the Minister of Agriculture, Nature Management and Fisheries of the Netherlands, agreed on addressing bottlenecks for export to improve market access of agricultural products from Malaysia and Indonesia by enhancing cooperation in the field of trade in agricultural products, food safety standards, market access and capacity building related to health, veterinary and phytosanitary measures. In the Memorandum of Understanding that was signed in April 2003 between Indonesia and the Netherlands the following areas of cooperation were suggested:

- Strengthening expertise and adequate institutional capacity in order to deal effectively with international standards for food safety in the fields of food, plants and animals;
- Exchange knowledge of national standards and process of standards setting, especially sound scientific analysis and evidence, consistency, transparency, involving a thorough review of all relevant information and systematically documented;
- Assisting in reviewing and evaluating existing systems of standards and standards setting, including risk assessment systems, legislation, certification and quarantine systems;

- Transfer of technologies related to the process of setting of standards, implementations as well as control and inspection of standards;
- Monitoring and surveillance systems and building the capacity of institutions responsible for plant and animal health as well as control and inspection systems;
- Promoting the investments of the private sector, especially in strengthening the food chain from production to consumption;
- Training programmes related to the above areas for further cooperation.

These areas of cooperation highlight the capacity building element along all layers of food safety management (figure 3). The application of risk management by agricultural firms and producers along the supply chain for export products including implementation of good agricultural practices (GAP) and traceability highlights the important role of the private sector in the enhancement of capacity; too often food safety management is regarded as primarily a public sector responsibility. Certain hazards, however, cannot be managed without more systematic and broader oversight and/or collective action on the part of the public and private sector. Therefore the chosen strategy was to involve all relevant national stakeholders as well those international and European stakeholders that are interested to actively contribute to implementing actions and measures.

Figure 3: Hierarchy of Food Safety Management Capacity

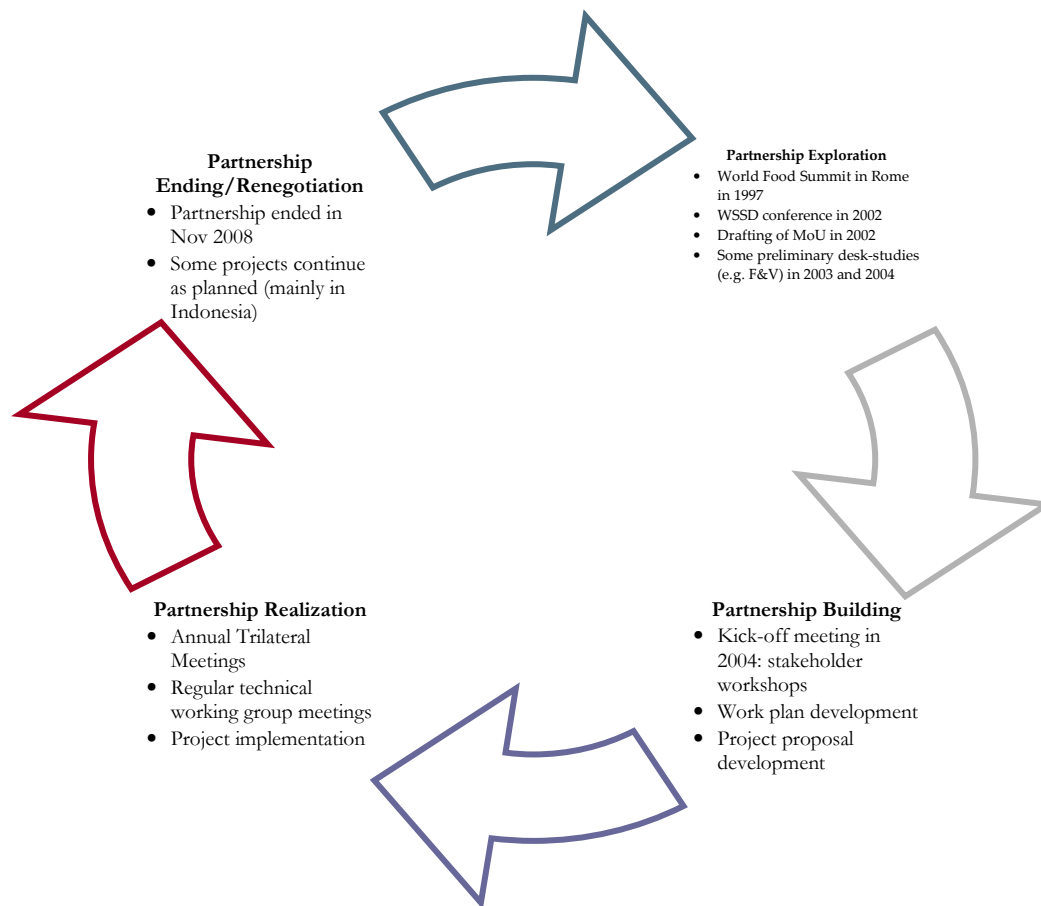


Source: Henson and Jaffee (2006).

A4. Partnership exploration and building

Following the World Food Summit in Rome (1997) first ideas for enhanced cooperation in the agricultural sector have developed. At the WSSD in 2002, the agricultural ministers of the three countries agreed on a trilateral cooperation in order to improve market access. Needs assessments were conducted in each of the three sectors by independent consultants and institutions such as Wageningen University. The results were presented in form of work-plans. These documents also included some first ideas for pilot projects. A kick off meeting was held in 2004. It served as stakeholder-workshop where actors of the three partner countries jointly justified the results of the need assessment and discussed possible solutions for solving the identified challenges. Since then, each year a trilateral meeting has taken place. Working groups involving private, public and civil society worked back-to-back to the trilateral co-ordination committee. Meetings have been held in Jakarta (June 2003), The Hague (August 2004), Kuala Lumpur (June 2005), Palembang (September 2006), Den Haag (2007) and Kuala Lumpur (2008). During the last meeting in November 2008, the Malaysian partners announced to step out of the partnership. The trilateral partnership therefore officially ended. Some projects of the partnership are still running, because it was agreed that ongoing activities will continue as planned.

Figure 4: Partnership cycle



Reflection: Challenge to create a clear vision on the partnership objective

Malaysian and Indonesian agricultural export products faced problems in terms of food safety as well as concerning their reputation. The latter was mainly challenged through public discussions about sustainable production taking into consideration ecological and socio-economic aspects. An increased awareness about environmental protection is influencing consumer perception in lead markets. The development of sustainability criteria and principles for sustainable products is increasingly becoming a new barrier (and opportunity) for agricultural export products from countries such as Indonesia and Malaysia. Food safety and sustainability are increasingly linked with each other.

The context in Malaysia and Indonesia and in the three sectors under consideration was different (sector performance and institutional framework) which required capacity building with sometimes slightly different focus. The importance of securing or improving trade of palm oil, shrimp and to a lesser extent tropical fruits to EU markets was obvious. The Dutch importers and industry related to shrimp and palm oil had a clear motivation to be actively involved in a partnership with Indonesia and Malaysia. They aim to have a fully traceable supply chain expected to improve the quality of products, secure market access of products and lead to a better reputation of products and hence to more competitive products. The Malaysian and Indonesian partners' objectives were partly congruent with the ones of the Dutch industry. Additionally, Indonesian and Malaysian actors expected capacity building and technology transfer. In terms of sustainability, the Indonesian and Malaysian stakeholders realized the importance to sustain the supply chain through increases transparency. More strict ecological and socio-economic sustainability concepts were however not within their expectations of this partnership. The intention of the two Dutch ministries was to create a balance between trade and sustainability in the partnership. Through a multi-stakeholder approach and a specific focus on small-growers, pro-poor and ecological issues were expected

to have a prominent role in the partnership. The different objectives regarding capacity building for improved food safety and capacity building for sustainable development was a challenge underlying the partnership. In order to get civil society organisations actively involved, the latter objective was relevant and needed to be included in the overall partnership objective.

Even when the partnership is under the umbrella of the WSSD – where sustainability was the key issue – the MoU of the partnership does not mention explicitly ‘sustainability’ as objective. The agreement between the three governments mainly focused on increasing collaboration in the context of food safety. The partnership goal – as stated in the MoU – was set by governmental officials without inclusion of stakeholders. In general, different drivers of actors can be considered complementary, which might be a vital precondition for the success of partnerships. Different expectations were raised by actors participating in the partnership. The different perspectives were brought together in work plans. The late involvement of some stakeholders, however, did not develop a common objective where all actors realized mutual benefit of the partnership.

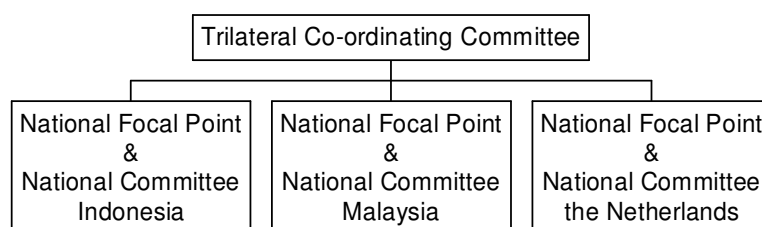
[B] THROUGHPUT

When the partnership was set up, there was no formula or “blueprint” how to design such a collaboration. To partner with three countries on three sectors was a novelty for all actors involved. The set up of the partnership structure and process had therefore an experimental character. In the following it is explored what factors have influenced the dynamics of the partnership process.

B1. Partnership structure and administration

LNV worked closely together with the Department for Sustainable Economic Development (DDE) of DGIS to develop the structure of the partnership. Per sector *National Focal Points* were identified in each country. Each *National Focal Point* was responsible for coordinating stakeholder involvement and activities for its sector.

Figure 5: Partnership structure



Stakeholders were involved on a consultative basis in working groups or so-called ‘national committees’. Ideally, three working groups existed in each country– one on palm oil, one on shrimp and one on tropical fruits – where government, industry and civil society discussed bottlenecks of the sector and develop activities to address them. Decisions on activities per sector were made by the *Trilateral Co-ordinating Committee* which consisted of high-level governmental representatives from each national committee (see Figure 5).

Administrative processes

A good functioning partnership secretariat, responsible for the daily communication between partners and stakeholders, helped. It was not only important in the start up phase. The central focal point in The Hague had the overview of the daily operations and the progress of the partnership. Changes in staff in the central administration hampered the management of the process.

To set up focal points in Malaysia and Indonesia has fostered some degree of institutionalisation of the partnership within the selected departments of the Ministries of Agriculture. In general, intra-organisational coordination was described as divergent, from positive and effective coordination towards difficulties in communication between different departments. Staff changes in the Malaysian and Indonesian administration led to delays in information exchange and slowed down internal decision-

making processes. A contextual problem was identified in the Malaysian administrative system. The involvement of two ministries and responsibilities at different levels due to federal competencies challenged an efficient process of information exchange and strategy formulation on the Malaysian side.

Exchange of information between the different focal points per sector was difficult to manage. In the shrimp case the Indonesian government hosted a secretariat for activities in shrimps. However, it was perceived as difficult to receive information from the shrimp focal point in Malaysia.

The organisation of the meetings at the international level has been perceived as very efficient (e.g. to combine a meeting with visiting the seafood exhibition in Berlin) and well organised. However, the meeting frequency was not high enough to keep things going and it was not always clear who would take the initiative in between two meetings of the trilateral coordinating committee.

Process facilitation

The communication in Malaysia and Indonesia with partners was organised solely by the Agricultural Offices of the Embassies of the Kingdom of the Netherlands. Partnerships often need a 'driving force' which keeps the momentum and steers the process. In the case of the trilateral partnership the Agricultural Offices of the EKNs in Jakarta and Kuala Lumpur fulfilled this task. The EKN in Indonesia had received a 'delegation letter' for the trilateral partnership, which meant that the responsibility for the implementation of the projects within the trilateral partnership was delegated to the Agricultural Office of the EKNs. The Indonesian and Malaysian partners mentioned that the Agricultural Counsellors played a significant role in moderating all kind of negotiations in the context of the partnership. Indeed, the Agricultural Counsellors and their staff had a strong role in advising and supporting the partnership partners. Focal points could discuss together with the Agricultural Counsellor how to achieve project targets even when the implementation was delayed. It needs to be critically assessed that the Agricultural Offices can only work within their capacities. Facilitation of the partnership process on a constant high level was perceived as almost impossible by the EKN staff.

Process facilitation became even more challenging when administrative tasks for project monitoring increased. One solution could be to involve an external facilitator who supports the process. The partnership partners however did not perceive the involvement of a broker or process facilitator as important. The partners had a high level of confidence that no assistance was needed for solving issues or managing processes. In terms of improving coordination and communication external support for partnership administration would have been helpful.

B2. Partnership Governance

In general, partnership governance is a process by which a partnership is managed and regulated. Partners who seek to collaborate must understand how to jointly make decisions about the rules that will govern their behavior and relationships; they also need to create structures for reaching agreement on collaborative activities and goals through shared power arrangements. The understanding of the processes involved is necessary in order to understand to what extent a partnership is living up to its potential, or which factors contribute to more success or failure of a partnership (Caplan et al., 2007).

B 2.1 Stakeholder involvement

The partnership is listed as a follow-up programme of the WSSD conference in 2002. In Johannesburg a new framework for partnerships (or so-called 'Type Two partnerships') was established 'to contribute to and reinforce the implementation of the outcomes of the intergovernmental negotiations of the WSSD' (Kara and Quarless, 2002). In the guiding principles of these partnerships it was affirmed that partnerships should follow a multistakeholder approach and preferably involve a range of significant actors in a given area of work. They can be arranged among any combination of partners, including governments, regional groups, local authorities, non-governmental actors, international institutions and private sector partners (Kara and Quarless, 2002).

The Dutch government followed the idea to actively involve stakeholders on different levels of the partnership process. For the Malaysian and the Indonesian partners it was a new concept to involve stakeholders (in particular NGOs) in decision-making processes. Stakeholder engagement in Indonesia and Malaysia has only evolved slowly (see box 2). In the Netherlands, it is common practice to work in collaboration with a broad spectrum of societal stakeholders. The trilateral partnership was challenged by formal differences in rules and laws dealing with stakeholder involvement (in particular as regards civil society). As a result, it was agreed to involve stakeholders for consultation on national level but that decision-making would take place in inter-governmental form on international level.

Box 2: Stakeholder involvement in Southeast Asia

The early days of independence in Southeast Asian countries featured the strong hand of the governmental bureaucracy and the central role of the state. The appropriate function of the business and civil society sectors to national development was to comply with strict bureaucratic rules and procedures crafted by governmental institutions to regulate the 'market' and the 'public sphere'. Faced with the practical financial, managerial, technical and resource constraints that went with highly centralized structures and processes, the 1980s saw a noticeable shift in the alignment of power in Southeast Asia. This was particularly evident between the government and the private sector. Not only did business become the primary engine of growth and economic development, but public-private arrangements became more common. Along with the regional economic boom, civil society became a critical partner in regional development. The formal role of civil society organisations in cooperation with government remain however minimal. Governance innovations take place mainly within an environment that already begins to show signs of greater receptivity to new approaches of governance. (Gonzales et al., 2000)

In the shrimp case the existing rules for non-cooperative relationships have been so 'set' in such a way that the partnership faced major structural and institutional barriers. The environmental NGO community considers industrial, export-oriented shrimp farming, let alone further expansion, can never be considered sustainable in view of ongoing pollution and loss of mangroves in shrimp development areas in Malaysia and Indonesia. The NGOs were concerned that the Malaysian and Indonesian governments may not undertake measures to improve shrimp farming policies and practices towards sustainable development (AIDEnvironment, 2004). They did not consider the partnership a tool to improve the situation and decided in 2005 not to be involved in the partnership anymore. Only NGOs with a more process approach towards sustainability remained involved in the partnership (Visseren-Hammakers, 2007). As a result some discourses were not heard, or at least underrepresented in the shrimp case, which diminished the potential of the partnership to address sustainability issues.

In the palm oil case, however, slowly more space for cooperation was developed for NGOs. As an initiator of the partnership, the Dutch government and especially the LNV counsellor had an important (and successful) role in selling the idea of active stakeholder inclusion to the Indonesian and Malaysian partners.

B 2.2 Decision-making process

The Johannesburg WSSD in 2002 emphasised the importance of not just multistakeholder *consultation*, but multistakeholder *partnership*. In the trilateral partnership, the differentiation between 'stakeholders' and 'partners' became evident when NGOs or the RSPO initiative started submitting project proposals to the trilateral coordination committee. The discussion started who is allowed to submit proposals to a government-to-government partnership. The Malaysian and Indonesian partners expected that only projects involving a governmental agency could be financed by the partnership funds. In general, governance structures should allow for both government leadership and genuine stakeholder engagement and participation, so that also governments still retain a certain level of sovereignty and take ultimate responsibility, yet other actors increasingly share responsibility in the governance (Stewart and Gray, 2006). Striking this balance was a central problem of the trilateral partnership.

The trilateral coordinating committee was the executive body of the partnership. It was the forum for the official partners – the Indonesian, Malaysian and Dutch government – to steer the partnership. The meetings were attended by high level policy makers. This ensured that the partnership was closely linked with policies and strategies in all three countries. It also underpinned the highly political character of the partnership. The role of formality in the partnership was two sided what became evident in discussions on the Memorandum of Understanding (MoU) that underlay the partnership. On the one hand, the Malaysian and Indonesian partners considered the trilateral coordination meetings as strategic government-to-government mechanisms with a high level of formality. On the other hand, the MoU was never signed by the Malaysian partners, only by the Dutch and the Indonesian partners. For Malaysia a ratification of the MoU was required. The Dutch government followed a rather pragmatic approach aimed at not restricting the partnership right from the start.

Besides the MoU, work plans were developed for each sector which often followed a broader objective than the MoU and included a broader stakeholder base. In the shrimp case, for example, the work plan included sustainability issues and next to the governments, also NGOs and businesses were involved in setting up the work plan. The co-existence of two divergent documents made it sometimes difficult for partners and stakeholders to follow the same reference framework. This was obvious since for several proposals focusing on sustainability issues no consensus was reached by the partners because some partners referred to the fact that sustainability issues were not within the objective of the partnership as defined in the MoU. One lesson learned is that formal contracts and MoU's are important in situations where sufficient trust among partners can not automatically be assumed. In due course when trust can be built up partners may nevertheless agree to side step original objectives.

B 2.3 Accountability

Compliance

Compliance suggests a sense of predictability. Partners know and have documented what is required for successful achieving partnership goals (Caplan, 2002). Unclear definitions of responsibilities for each partner, no agreement on sanction mechanisms and no clear procedures for decision making resulted in development of project proposals without sufficiently considering the financial implications. This led to frustration by stakeholders who had spent time and put efforts in developing the project proposals. In some cases, partners ensured funds but could finally not fulfil their commitments. As a result, projects did not materialise. In general the perception dominated that the available money was mostly allocated to projects in Indonesia. This can be explained by the fact that the funding usually came from the budget of Official Development Assistance (ODA) managed by the Dutch Ministry of Development Cooperation, but Malaysia, given its level of development, does not qualify for such support. The Malaysian partners had the impression that Indonesia benefited more of the partnership; they considered that unfair project funding eroded the feeling of ownership of the partnership.

Transparency

Transparency requires that all partners have information on decisions taken and the related actions, performance and outcome. Little information could be obtained about internal transparency at the national level in Malaysia and Indonesia. The Dutch partnership secretariat prepared minutes of meeting of national committee meetings and of trilateral meetings. Private sector stakeholders involved in working group meetings in Indonesia and Malaysia stated that they were not informed about decisions and hardly any follow-up took place.

The trilateral partnership did not develop a specific monitoring or evaluation system. Conventional monitoring mechanisms such as progress reports have been applied, but no technical assessment took place. A mid-term review was conducted in 2007 where all focal points assessed their activities. The results have been brought together in a document and have been discussed. The partners had different perceptions about the process: some stated that it created confusion and that it was difficult to reach consensus for the final version of the document. Monitoring is a sensitive issue in partnerships. It often involves the question 'who is monitoring whom'. Including an external audit, for instance, is difficult in a partnership of high political nature. As in the case of the trilateral partnership, transparency can become especially challenging when partners are also competitors. Partners may try to hold back information or strategically chose when to reveal certain information.

Responsiveness

Partnerships require a certain level of responsiveness to demonstrate resilience when difficulties occur. The trilateral partnership had problems to respond to the needs of the stakeholders involved. The different expectations of the NGOs and the industry in export-oriented shrimp led to the NGOs (except for WWF) stepping out of the partnership. Responsiveness is characterized by flexibility, openness and awareness about the possible risks which might occur along the partnership road. These characteristics have not been developed sufficiently in the trilateral partnership. In 2008, the Malaysian government withdrew from the partnership because the Malaysian actors have not witnessed the expected added value for their sectors. The following reasons have been listed for withdrawing:

- a) no equality in treatment;
- b) conflicts of interests;
- c) difficult to achieve implementation of activities;
- d) insufficient communication;
- e) non availability of funds for Malaysian projects
- f) shift of partnership objective towards sustainability.

Reflection: Managing institutional, cultural and strategic distances

In practice, successful partnerships show that partners fulfil obligations and often go beyond what was expected from them. In an 'experimental phase' flexibility is a key precondition for partnerships to be effective. The balance between flexibility and a formal agreement however is difficult to achieve in cases where trust is not given due to 'cultural' or 'strategic' distance of actors. The latter means that actual market interests of the partners needs to be managed by the partnership.

The organisational structure of the partnership developed new communication and decision-making structures. In order to manage a complex partnership good functioning administrative support structures are relevant. For several organisations it was difficult due to political, administrative and capacity constraints to implement their commitment effectively. In order to implement the partnership effectively a well functioning intra-organisational coordination mechanism is required. Process dynamics have been influenced by the functioning of the partnership secretariat in The Netherlands and by the involvement of the Agricultural Office of the EKNs. Capacity, engagement and commitment of personal involved in management and support processes of the partnership have facilitated successful mobilizing of the most relevant actors of the palm oil, shrimp and tropical fruit sector. By designing and developing a completely novel structure of collaboration a new process for joint problem solving was stimulated.

The challenges of the trilateral partnership in coming to terms with a governance structure seemed to be driven mainly by government-led pressures, reflecting their prevailing political systems of stakeholder inclusion. The trilateral partnership framework was a compromise and rather than offering genuine partnership with full participation, the trilateral partnership tended to give governments a privileged position as partners, while stakeholders had a voice but were not considered equal partners by all governments. It can be further asked whether to step out of the partnership half way was not a missed opportunity of several NGOs? It can be concluded that in cases where institutional distances were strongly developed, it was a tall order for the partnership to change existing rules (Visseren-Hamakers et al., 2007).

[C] OUTPUT

C1. Implementation mechanisms and results

While the trilateral partnership continued to create and maintain an effective organisational structure and focused on partnership and stakeholder relationship building, these efforts took place in parallel to on-the-ground implementation activities, pilot projects and research studies (see appendix 2). The trilateral partnership actively engaged in:

- Building awareness in order to improve communication and knowledge exchange among partners and stakeholders. Information-sharing platforms to collaborate on data collection, to report on experiences and to propose models and tools for managing technologies and natural resources have been set up. Information-dissemination activities were limited to project reports.
- The key element of capacity building was prominent in the partnership, in particular through training activities. Capacity building included the organisation and participation in conferences, workshops and training sessions and the formation of expert networks. In terms of food safety, some projects delivered concrete results and addressed urgent problems such as in the area of contaminated palm oil exports to the EU. The information exchange on regulations and market conditions supported the further coordination of Malaysian and Indonesian standardisation efforts.
- Limited technology transfer took place by private-sector partners from The Netherlands to Indonesian or Malaysian stakeholders. Besides, some small-scale projects were supported such as awareness development of fire and haze management to palm oil smallholders in Indonesia. Projects were supported for the recycling of palm oil waste which fit the governmental policy of rural energy self-sufficiency.

Prototype wood chipper



Charcoal briquette press device Buatan, Indonesia



C2. Goal alignment

One obvious output criterion is the extent to which the project objectives have been achieved. In general, the project results mirror the emphasis on food safety and market access issues (such as capacity building for laboratory workers and development of an adequate residue monitoring plan). The partnership results are in line with the objectives stated in the MoU. The partnership was successful in addressing a wide range of food safety management issues. The activities focused on different levels of the food safety management capacity pyramid (figure 3, p.22). Since projects were done on a rather small scale it was difficult to create synergy between them. Interventions took place at horizontal levels of food safety management but could hardly develop a vertical integration of capacity building in food safety management. It was challenging to develop trilateral projects. In order to keep the stakeholders and partners motivated it was required that their interests were operationalized in activities.

Shrimp case

Stakeholders considered the partnership as successful. Dutch and Indonesian stakeholders realized benefits of the partnership activities for their own organisations and for the export-oriented shrimp sector. The Roadshow was an important project for the whole sustainability strategy of the partnership. By informing Indonesian shrimp farmers, middlemen and feed suppliers on sustainable production and product safety, it enhanced communication between the three societal actors and reached out to the grassroots level. The development of a quality assurance system by the SGS project in Indonesia was in particular of interest for the Dutch shrimp industry. By setting up a working group, representatives of the public and private sector and civil society shared information on better chain management and sustainable production methods. With support of international experts a working group formulated a Code of Practice for the Indonesian shrimp sector. The applied methodology for this project supported chain custody.

Palm oil case

Five years after the partnership became operational, the stakeholders of the palm oil case considered tangible project results are minimal. The reasons are that several projects did not materialize. Stakeholders considered in particular activities in the area of quality assurance as main success of the partnership. Studies on possible presence of mineral oil in crude palm oil and capacity building for laboratory workers had most positive output for the stakeholders in Malaysia and Indonesia. The Dutch stakeholders also appreciated these projects which support chain custody of palm oil. In this regard the palm oil partnership addressed effectively the original urgent problem (contaminated palm oil) since through studies and trainings chain custody could be improved and knowledge on reasonable standards for mineral oil in palm oil was developed.

Fruits and vegetable case

In the fruits and vegetable case it was rather cumbersome to develop trilateral project proposals. One explanation was that Malaysia and Indonesia had different interests. In order to not lose the momentum, it was agreed that projects under 'Post Harvest Handling' should be realized in bilateral cooperation with The Netherlands. The outputs of activities such as trainings and information exchange were perceived as relatively modest by all stakeholders involved.

4. PARTNERSHIPS AND PARTNERING: ASSESSING THE OUTCOME

[D] OUTCOME

No measurable indicators have been set at begin of the partnership. It was therefore difficult to work towards a clear outcome. In the following the impact of the trilateral partnership on improved market access, on promoting sustainability, and the spin-off effect on socio-economic development and cooperation and coordination are discussed.

D1. Impact on improved market access

In general, the trilateral partnership has resulted in modest, though positive results for most stakeholders involved. The setting of clear threshold levels, awareness raising and training helped to improve traceability. The Dutch participants became more confident on the quality of palm oil from Indonesia and Malaysia compared to the end of the 90s. The impact on Indonesian shrimp products has been considerable. Indonesian partners are convinced that the WSSD partnership projects have contributed to the successful EU directive barrier removal in 2008 to EU market for Indonesian fishery products (100% consignment check). The key objective of improving the food safety standards was mainly achieved in Indonesia, and benefited the Indonesian industry and government in terms of market access as well as the Dutch government and Dutch industry which were concerned with the Dutch position as main European gateway for palm oil and main European trader of shrimp products.

**Shrimp processing plant in
Surabaya, Indonesia**



**Johan Suryadarma and Bambang Kristano
presenting shipping box for frozen shrimps
with EU approval number**



In the fruit and vegetable case the partnership achieved limited impact on market access towards European markets since hardly any projects were implemented. The partnership, however, showed an interesting side effect; it was mentioned that Indonesian fruits and vegetable products are now better able to access “easier markets” such as Hong Kong, Malaysia, Singapore and the Middle East. Knowledge on markets and better understanding on EU requirements based on some activities under the trilateral partnership stimulated the partners to further work on the process for benchmarking Malaysian and Indonesian formal accreditation systems towards international standards such as Eurep Gap. This can be referred to as a form of ‘horizontal upgrading’.

The capacity building activities addressed several market access conditions. The partnership programme was successful in addressing conditions such as ‘build capacity to make the sector familiar with existing standards’ or ‘increase the understanding of different preferences of buyers’ (see appendix 4). The partnership activities were less successful in contributing to adapted and new technology and in building capacity to improve the organisation and orientation of firms. The capacity building activities resonated best in mostly the Indonesian shrimp and palm oil sector. Market access conditions of the fruits and vegetable sectors in Malaysia and Indonesia have not been addressed on a sufficiently high level.

It would have been an unintended side-effect in case the partnership programme contributed to resolving (non) tariffs or other trading issues. Trading issues were not the objective in the context of the WSSD approach. It seems doubtful that a partnership would be the sole approach to address important trade

issues, but we gained the impression, nevertheless, that the partnership can facilitate these issues through a building up of mutual trust and understanding. For sustainable market access, the goal-alignment achieved in the trilateral programme provided a necessary but not sufficient condition for successful capacity building.

D2. Impact on promoting sustainability

Direct outcomes in respect to sustainability have been minimal. The absence of tangible results can largely be traced back to the MoU that did not explicitly mention sustainability issues. Environmental and social sustainability was only indirectly included in the trilateral and national discussions. However, the Dutch partners and all NGOs involved appreciated the partnership for its unique opportunity to raise awareness of sustainability issues in particular within the Indonesian and Malaysian government. The increased cooperation of RSPO and the Indonesian and Malaysian government resulted in awareness creation of smallholders on sustainable production mainly in the area of High Value Forest Conservation.

From a NGO perspective, the analysis of sustainability at the start of the partnership in the shrimp sector was insufficient, hence no deliverables in this area were possible. Indeed limited attention was given to sustainability issues in the partnership, due to the pertinent need of the private sector and government to improve quality standards in order to be able to meet European food safety criteria (Maximum Residue Level). From the group of NGOs, WWF Indonesia recognized this dilemma and decided to continue its active involvement in the partnership. They did so with the motive to improve working relations with market parties and by doing so to lay a basis for future actions towards improved sustainability in the shrimp sector. Since the agendas of government, industry and NGOs are still quite different, it was rather cumbersome to come to priority setting in terms of either first sustaining the supply chain or first focus on ecological sustainability. In the shrimp case, the institutional distance between industry, 'social NGOs' and governments was very difficult to manage.

D3. Spin-off on social and economic development

The agricultural sector in Indonesia, and to a lesser extent in Malaysia, is a labour intensive sector. It was assumed that linking improved safety management with promotion of sustainable production would have a positive spin-off effect on local, regional and national socio-economic development. Nevertheless, the activities developed and implemented within the trilateral partnership did not directly or indirectly focus on socio-economic development. The main focus of the partnership activities was on medium sized farmers, processors, exporters and staff of public institutions involved in quality assurance and international trading. These actors were already involved in a global commodity chain (shrimp, palm oil or tropical fruits). The 2007 mid-term review stated that "the partnership was worried that smallholders would be the first to be harmed by strict criteria for international trade, because smallholders have to put the most effort in complying with these measures. The partnership aimed at involving smallholders in the production process giving them a chance to profit from international trade". In the shrimp case, the *Roadshow*, executed by WWF Indonesia, involved a considerable number of stakeholders on grassroots-level. But no concrete follow-up activities were developed. Meeting European food safety standards is a necessary condition for smallholders whose product is being exported to Europe. However, they do not form a sufficient condition for socio-economic development. By new and higher quality standards also new barriers for smallholders have been created. There seems to be an unsolved tension in developing higher standards and successfully integrating smallholders in the chain.

D4. Impact on coordination and cooperation

The partnership had a positive impact on creating a forum for dialogue for at least five years. The partnership was understood as a platform for information exchange in the three sectors. The annual meetings, which were at the very heart of the partnership, created a space where differences in perception of the stakeholders were discussed. In the case of palm oil the meetings were a mechanism for bridging gaps between organisations. Useful linkages between actors have been created or strengthened. In some cases the working relations between organisations have improved and mutual understanding among partners increased. In particular the mutual understanding between NGOs which stayed involved in the process and the private sector increased. Moreover, the review showed that the trilateral partnership offered a possibility to influence the core business of some involved organisations. Some organisations integrated new forms of collaborations in their strategy. The partnership however did not manage to

provide benefits to all parties concerned. In the shrimp case, some NGOs discontinued their participation while multinationals dominating the Indonesian shrimp exports have not been involved in the partnership at all.

Reflection: Stimulated communication but not fully realized partnership potential

Partnerships for sustainable development address global economic, social and environmental challenges by strengthening cooperation in areas of institutional and human capacity-building, research, information-sharing and technology transfer. The trilateral partnership played a convening and facilitating role by bringing together and engaging key leaders and stakeholders in processes. Even when the partnership officially ended, it created and institutionalised direct and indirect communication channels which might be used in future. The partnership built institutional capacity by helping to foster the partnering idea within several organisations. In the palm oil case, the partnership developed an indirect link between organisations involved in the trilateral partnership and RSPO. By stimulating direct and indirect linkages with established governance mechanisms not only impact of the partnership can be broader but also support for both governance arrangements can increase.

The trilateral partnership was expected to have positive outcomes for four objective targets, but only three were partly realized: better market access; promoting sustainability; and increasing cooperation and collaboration. Hardly any spin-off effects for socio-economic development were created. It can be concluded that the partnership did not fully realize its potential but had some direct or indirect outcome for the organisations involved (such as for instance the opening of the Agricultural Office at the EKN in Kuala Lumpur in 2006). For the shrimp and palm oil sector an indirect impact on improved market access for the sectors as a whole could be established.

[E] EFFICIENCY

Partnership efficiency can be defined as “the ability to make good use of members’ financial resources, non-financial resources and time” (Caplan et al., 2007). Assessing the efficiency of a partnership is then primarily based on the costs (actual or opportunity costs) of achieving the desired results. However, since the achievement of results is also affected by the external environment in which the partnership operates, efficiency can also be viewed in terms of the partnership’s capacity to positively and strategically influence those external factors that affect its ability to perform (Caplan et al., 2007).

E1. Resources and risk sharing

The resource base of a partnership, whether supported by financial resources or non-financial contributions, is one of the key determinants affecting a partnership’s ability to carry out its activities. The trilateral partnership did not seek additional funding for its activities outside of the partnership but aimed to mobilize funding provided by partners and stakeholders. Non-financial contributions (such as in-kind contributions or staff time) often enable a partnership to function while it is in the process of securing funding. The trilateral partnership reported to make use of non-financial resources mainly in the form of staff or office space.

From 2005 to 2007, the WSSD budget was in total €1,810,000 for all three products. In the year 2007, actually €305,393 was spent.⁴ Additional, the partners contributed together €204,000, where the Indonesian government contributed twice as much as the Malaysian government. The Dutch industry invested €74,000 and NGOs €30,000. Altogether the partners and stakeholders contributed together €358,000, which in fact exceeded the total WSSD contribution in the year 2007.

Table 3: Overview Contribution 2007 (in €)

Partnership	WSSD	LNV	Malaysia	Indonesia	Dutch industry	NGOs	Total per product
Palm Oil	192,521	0 (+ in-kind)	15,000 (+ in-kind)	15,000 (+ in-kind)	64,000 (+ in-kind)	30,000	316,521
Shrimps	99,872	50,000	38,000	106,000 (+ in-kind)	10,000 (+ in-kind)	0	303,972
Fruits and Vegetables	13,000	0	15,000	15,000	0	0	43,000
Total per actor	305,393	50,000	68,000	136,000	74,000	30,000	663,493

Source: Jaarverslag 2007. WSSD Partnerschap Marktoegang Palmolie, Garnalen, Groenten en Fruit.

Most funding and investments have been made in the palm oil sector followed by the shrimp sector. The amount of funds and contributions regarding the fruits and vegetable sector was minimal. There was no information available on contributions by the Malaysian and Indonesian industry or civil society organisations. It was expected that Indonesian and Malaysian stakeholders contributed in-kind (in-terms of participating in meetings) and by financial means such as travel costs.

For 2008, it was planned that the partnership would spend a total of €706,880 for activities, with a significant increase of budget for the palm oil sector (expected total for 2008: €558,380). The contributions of NGOs and Indonesian government would increase meanwhile the contribution by LNV and the Dutch industry was expected to decrease (see Appendix 4). The review team was not provided with a financial overview of effective contributions in 2008.

In general, the trilateral partnership did not include a financial risk-sharing structure. It managed however, to mobilize additional resources. The contributions of the governments and stakeholders mirror the

⁴ Data retrieved from Annual Report 2007 and Annual Planning 2008.

importance of the partnership for the actors: for the Dutch industry it was relevant to contribute to the palm oil partnership because they had an interest in the traceability in the palm oil supply chain. The Indonesian government had a real interest in the shrimp partnership since a shrimp ban could significantly impact on the Indonesian industry. It can be concluded that the contributions by the partners reflect the 'strategic distance' of the parties. This showed that the actual market interests of the parties in the specific sectors needed to be managed wisely by the partnership.

Even when funds could be mobilized, project funding was a recurrent issue of discussion in the trilateral partnership because project funding was not clarified. The trilateral coordination meeting decided on project proposals, but only after project selection, funding issues were discussed and explored. This led to delays in exploring possible funding opportunities and the momentum was lost in several projects. Expectations on funding possibilities were high, particularly on the Malaysian side. One lesson learned is the importance of developing a clear framework for the contributions by each partner. Additionally, a fund for 'urgent projects' could support the implementation of such projects for which the usual mechanisms for funding are inadequate. This would allow quick responses to urgent problems.

E.2 Cost-Benefit Ratio

Efficiency is measured as the ratio of benefits to cost. An increase in efficiency requires increasing benefits relative to cost, or reducing cost relative to the benefits. It can be assumed that costs are often far easier to itemize and to measure than the benefits – particularly the less tangible benefits like increasing choice and independence, or improving the quality of life. However, some costs are more apparent than others: a comprehensive audit would need to include cost such as the development of an information management system for partners, or the amounts invested in joint training (Glendinning, 2002). The review demonstrated that a conclusive cost-benefit analysis of the partnership was not yet completely feasible because not all partners (including the Embassies) have kept systematic track of the (additional) cost dedicated to the partnership.

What transaction costs can be attributed to the partnership? Transaction cost is a cost incurred in making an exchange, such as for instance bargaining costs in partnerships). The coordination of the partnership required input by the focal points. Since several staff members of different departments and ministries were involved in the partnership (mainly either policy or technical level), coordination and feedback required additional time and capacity. Input from the Dutch government side was beyond normal input in programme development, monitoring and administration. The transaction costs were in particular high in the starting phase of the partnership since partners from different worlds had to negotiate on objectives and projects.

When asking the respondents on their perception on cost-benefit balance of the programme the answers proved mixed, but with some identifiable patterns (Table 4).

Table 4: Perceived Cost-Benefit Ratio

	Palm Oil Partnership	Shrimp Partnership	Fruits and Vegetable partnership
DGIS and LNV	Positive	Positive	Balanced to negative
Agricultural Offices at the EKNs	Positive	Positive	Balanced to negative
Malaysian government	Balanced	Balanced	Negative
Indonesian government	Balanced	Positive	Negative
Dutch private sector	Balanced	Positive	-----
Malaysian private sector	Balanced	Negative	Negative
Indonesian private sector	Balanced	Positive	-----
Dutch NGOs	Negative	Negative	-----
Malaysian NGOs	Positive	Balanced	-----
Indonesian NGOs	Balanced	Positive	-----

The shrimp case was perceived as positive by Indonesian stakeholders and Dutch private sector, but not by the Dutch NGOs. The fruits and vegetable partnership received more negative opinions. It was perceived that too much was invested without much return. Several respondents realized that the fruits and vegetable partnership should have stopped already in the partnership building phase, after the needs assessment was performed. In several cases the partners acknowledged that they gained not much but also invested not much in the partnership. This can be explained that as soon as most urgent problems were solved (e.g. in the palm oil sector), the interest and relevance of the partnership waned.

E.3. Factors influencing partnership performance

Most partners involved in the partnership appreciated the partnership mechanisms but would have liked to realize more tangible output and outcome of the partnership for their own organisations and for the respective sectors as such. The differences in the cost-benefit assessment revealed a number of factors that influenced the partnership performance. All partnerships faced varying degrees of environmental 'hostility', both internally and externally. One important dimension for partnership assessment needs to address the extent to which there is environmental hostility towards the partnership programme and approach, and the extent to which the hostility is managed pro-actively.

External Factors

The trilateral partnership showed that important success and failure factors may lie outside of the partnership. In the shrimp case for instance, the pressure from the international NGO community outside the partnership on the NGOs inside was overwhelming. This review confirms Visseren-Hamakers et al. (2007) observation on the shrimp case that *conflict of opinion among civil society groups* had an impact on the performance of the partnership. Most NGOs that have been involved in the partnership had fundamental critique on shrimp farming. The international more fundamental NGOs community was successful in pressuring the Dutch NGOs to discontinue their participation in the partnership. Only some NGOs with a more process-oriented approach towards sustainability of shrimp aquaculture took the industry as given and worked towards more sustainability in the industry. (Visseren-Hamakers et al. 2007).

Formal differences in rules and laws dealing with stakeholder involvement had a considerable influence on partnership performance. Most organisations were not used to work together in a multi-stakeholder setting. The Malaysian and Indonesian governments together with industries have a good and close working relationship to import industries. But it was difficult for them to view civil society as an equal partner; civil society usually has a weak position compared to industry and government in Southeast Asia. The weak involvement of NGOs in the partnerships decreased the relevance of the partnership for sustainability and development.

In the shrimp case, existing formal and informal practices for relationships have been detrimental to cooperation certainly in the form of a trilateral partnership. In the shrimp case, the existing rules for non-cooperative relationships have been 'set' that the partnership faced major structural and institutional barriers. It is a *tall order for partnerships to change existing (formal and informal) rules and institutions* (Visseren-Hamakers et al., 2007). In the case of RSPO, the industry already set up a governance structure with NGOs which created a strong basis for an alliance for sustainable palm oil production. This governance structure could be indirectly linked to the trilateral partnership what was actively supported by the Dutch government. It can be concluded that successful partnering is positively influenced by existing egalitarian socio, cultural and economic power structures.

The partnership was highly political not only because the historic relations between all three countries have been challenging. Effective collaboration requires the understanding of the policy of each country. *Existing intergovernmental relations* can affect partnership performance. Governments are used to cooperate with each other in bi-or multilateral governmental arrangements that generally include a number of specific formalities. These intergovernmental formalities sometimes stand in the way of a more informal manner of cooperation in a partnership (Visseren-Hamakers et al., 2007).

The partnership tended to lose momentum due to long decision-making processes and a lack of leadership. It seemed that working in partnership was viewed by some stakeholders as additional work and not always as part of their core business. In order to mobilize resources and capacity for the partnership, it

is required that the partners understand that the partnership is *closely linked to the core business, policies and strategies of organisations*.

Internal Factors

Assessing the efficiency of partnerships implies considering strategic indicators within the partnership. As described in the method section, the review included a ranking system for critical success factors where partners and stakeholders were asked to rank items based on their importance (1= not important to 5= very important). Based on these results it was possible to identify country specific differences and to build an overall average score for the partnership per item. The full list of critical success factors and their scores can be found in appendix 3.

For all actors of all three countries it was of high importance to have a *clear vision of the objectives residing over the partnership and to which all involved parties would be effectively committed*. A *clear understanding of mutual benefit* is a requirement for a successful partnership. It was important that the partnership focused on achieving mutual benefits and that activities enabled the partners to meet their own objectives as well as the common goals. Only when the stakeholders realized the mutual benefit of the partnership, they were willing to support the collaboration with their core organisational competencies. It can be explained that the Malaysian partners stepped out of the partnership because they could not realize that the partnership has added value to the Malaysian sectors under consideration.

A thorough cost/benefit assessment could have provided the Malaysians with a realistic perspective on what the partnership could have contributed to solve the bottlenecks on Malaysian side. A *thorough and realistic cost/benefit assessment* in the partnership building phase was considered as very important by Malaysian partners and stakeholders as well as by Indonesian partners and stakeholders. From a Dutch point of view a thorough and realistic cost/benefit assessment was not of high importance. In the Dutch understanding the partnership fill in its outlines on its way since there was no clear understanding where the 'travel' would take the partners.

The Indonesian partners and stakeholders highlighted the importance to realize the partnership based on a *result-oriented and appropriate detailed work plan*. From a Dutch point of view, the partnership needed to build in a certain degree of flexibility in order to be able to react on and catch in recent developments.

The importance of development and application of measurement methods such as *accurate and appropriate indicators to be used to evaluate the partnership* but also *constant and effective monitoring, measuring and learning* were perceived differently by Dutch, Malaysian or Indonesian actors. For the Indonesian government and stakeholders it was of high importance to include measurement systems. The Dutch answer pattern however showed less importance of constant monitoring of the partnership. The review concluded that transparency in reporting achievements was lacking. Whether partnerships deliver change effectively and efficiency can only be assessed through proper monitoring over time. The partnership lacked leadership in developing appropriate monitoring systems.

The factors listed below have been ranked by the interviewed partnership partners and stakeholders as of high importance for an unproblematic partnership process:

- focus on achieving mutual benefit in a manner that enables the partners to meet their own objectives as well as common goals (complementarity of roles);
- good leadership;
- clear communication, shared planning and decision making.

Reflection: Pragmatic approach to reach goals

Partnership literature highlights that factors positively or negatively influence the dynamics of a partnership and that this can be relevant for the overall success or failure of the partnership. Identified factors include a clear vision of the objectives, needs that can be best fulfilled through partnerships, mutual benefits, shared commitment and ownership, human and financial resources, good leadership, clear and enforceable lines of accountability, flexibility and effective monitoring and evaluation regimes. Differences in cost-benefit assessments revealed that the trilateral partnership performance has been impacted by internal as well as external factors. Table 5 provides an overview of the most relevant factors that influenced the performance of the trilateral partnership process.

To what degree the partnership managed to address these factors efficiently? The trilateral partnership largely stumbled to efficiently address external factors. Weaknesses in the internal structure were not followed up or solved by introducing more sophisticated structures. The partnership managed however to adapt quickly to new realities (e.g. when NGOs used an exit option and stepped out) and followed successfully a pragmatic approach for reaching its goals. Pragmatism – or also referred to as ‘realist idealism’ – seems to be a precondition for implementing CSR projects in general in Asian countries (Cf. Van Tulder with Van der Zwart, 2006). The present study confirms this impression for partnerships in specific.

Table 5: Overview of factors influencing partnership performance

External Factors
Political support
Degree of embeddedness in core business, policies and strategies of partners
Relevance and urgency of the problem
Conflict of opinion among stakeholders
Rules of existing relationship
Rules and laws dealing with stakeholder involvement
Level of decentralization
Internal Factors
Level of understanding of a mutual objective
Funding
Commitment and engagement of people
Administrative support systems
Level of flexibility
Frequency of meetings
Leadership
Clear communication, shared planning and decision making

[F] EFFECTIVENESS

What was the partnerships added value of the partnership? The search after the added-value of a partnership seeks to confirm and articulate that the partnership as a whole yields more effects for the individual partner and for the sector as such than what would have resulted from the partners operating independently.

F.1 Relevance of the trilateral partnership

The partnership project was complex since it involved three countries, three types of actors and three sectors. Building capacity for market access was required for all three sectors (palm oil, shrimp and fruits and vegetables). In order to address the export bottlenecks the instrument of 'partnership' appeared especially relevant to improve mutual understanding in addressing the most important problems for Indonesian and Malaysian export oriented agriculture related in particular to market failure and governance failure. For two commodities (palm oil and shrimp) the partnership was enacted at the right moment in particular in Indonesia. Palm oil and shrimp exports faced urgent access problems at European markets. The partnership provided the means to solve (some of) the problem of Indonesian actors. For one sector (fruits and vegetables) the need for problem solving was less urgent, which impacted on its effectiveness.

Stakeholders from The Netherlands, Malaysia and Indonesia (initially) had a strong interest in the partnership. Because many relevant players of the sectors from each country had been involved, the strategic character of the partnership was enhanced. The Dutch industry proved a key driver and intermediary in project implementation of the partnership, in particular in the start phase of the palm oil case. It is an interesting observation that in the case of palm oil and shrimp, where the Dutch industry was actively involved, dynamics developed positively whereas in the fruits and vegetable partnership, which had difficulties in developing dynamics, the Dutch industry was hardly involved. Although Malaysian as well as Indonesian actors understood the relevance of partnering with each other, it was less clear why a trilateral constellation would be necessary. The palm oil sector is a notable exception. Since Malaysia and Indonesia share the main export positions for palm oil in world markets, both realized it as beneficial to cooperate on issues such as improving the reputation of palm oil or introducing standards of sustainable production. For palm oil, a trilateral partnership between Indonesia, Malaysia and The Netherlands was in principle perceived as relevant and required in order to increase expertise and the image of the palm oil industry as a whole.

An interesting problem poses the relevance of the shrimp sector. In 2006, the partnership indirectly helped the Indonesian government to formulate a timely request for assistance by the Netherlands to assist in rewriting the Indonesian Residue Monitoring Plan - a requirement of the European Commission. Faced with the same challenge, the Malaysian partners did not build up enough confidence in the partnership to consider it as an effective instrument to complying with new EU requirements for market access. Moreover, the actual dynamism of the shrimp partnership lowered its effectiveness. The discontinuation of NGO participation and exclusion of some stakeholders implied that sustainability issues that were on the agenda of the civil society in all three countries, were hardly addressed – and therefore not solved - in the partnership. Instead stakeholders followed their own agendas outside of the partnership, which severely limited the legitimacy of the partnership objectives in shrimps.

Hardly any coordination or integration took place a) between initiatives of different donors and the trilateral partnership and b) between programmes of different departments in the Indonesia and Malaysia. Programmes and projects often can follow similar if not overlapping objectives. More synergy creation could contribute to identifying the relevance and requirement of specific activities within the partnership. Stepped-up information sharing on the lessons learned of this partnership could be a step in the right direction.

F.2 Added value of the partnership

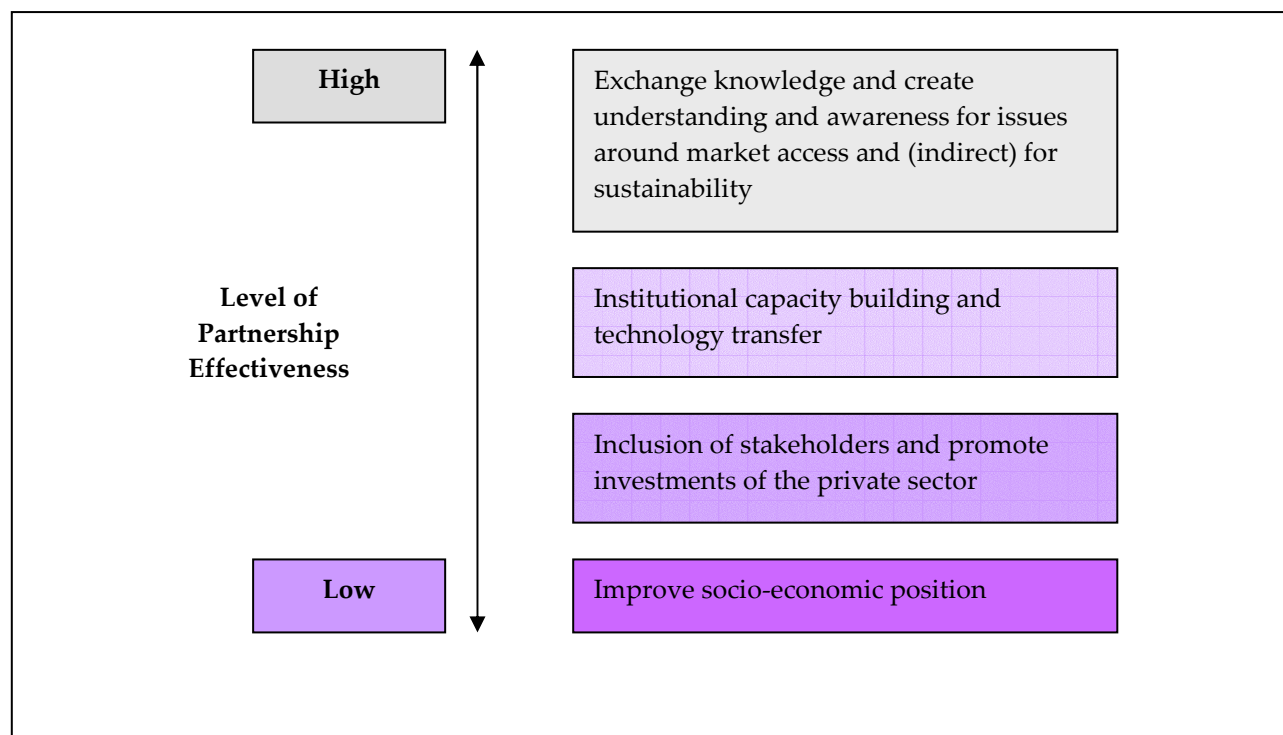
Except for the fruits and vegetable sector, the trilateral partnership did bring together relevant stakeholders from three segments of society in all three sectors. Consequently it brought together several views on the diverse problems at hand in the sector, even though not all relevant stakeholders have been involved. This created the possibility of an organized and systematic ‘strategic stakeholder dialogue’ – although this has only partly materialized in the partnership building phase. The main success of the partnership can therefore be found in the sphere of agenda-setting and increased understanding among partners in particular in the palm oil case. Even further, the partnership managed to stimulate processes of market understanding and information exchange. The mechanism of the partnership was dialogue and collaborative action. Through expert knowledge, Indonesian partners have been supported to adopt measures to meet standards of EU markets. The partnership managed to address market and government failure in the context of setting measures to meet standards. The Indonesian palm oil and shrimp exporters and the Dutch importers benefited through more effective exports (through less rejection rates) to EU markets. In terms of organised and productive stakeholder collaboration, the present partnerships have not gone beyond the initial phases.

The main concrete outputs that were produced hardly (as of yet) integrate the perspectives of the different partners – in particular on sustainability issues. Thus, an effective strategy was only partially developed. This was due to the fact that direct decision-making was undertaken solely by high-level governmental representatives, in the so-called trilateral coordinating committee which decided on projects and strategic directions of the partnership, whereas stakeholders have been included on consultative basis. The involvement of other stakeholders on a ‘par-basis’ is one of the requirements of an effective stakeholder dialogue. Even when sustainability issues were not explicitly mentioned in the MoU, environmental and social sustainability was indirectly included into the trilateral and national discussions. A different understanding of the role of the partnership underlie the discussions: whether the trilateral partnership was seen in first instance as a way to develop and stimulate relationships in which all three sectors of society are involved or whether the partnership was meant to reach concrete goals by implementing projects. The different perceptions on process orientation versus goal orientation were also reflected in partnership effectiveness; from a process oriented point of view the partnership was successful specifically in the palm oil case and from a goal oriented point of view the partnership could have been more effective in terms of outputs.

It can be concluded that the main added value of the partnership consisted in stimulating dialogue. It was effective in creating understanding and awareness for issues around market access. For example in the case of palm oil, the partnership managed to stimulate discussions and support for activities around sustainable palm oil within the Malaysian and Indonesian palm oil community. The partnership achieved most of its objectives as formulated in the MoU. However, two ‘partnership realities’ existed: the one following the objectives as agreed upon in the MoU and the other one which aimed towards broader sustainability impacts.

In the palm oil case the partnership added value was to stimulate synergies between the trilateral partnership and another governance mechanism (RSPO). Even when there is no formal link between RSPO and the trilateral partnership, the Indonesian and Malaysian government are now in discussion with RSPO and even indirectly involved in joint activities. In the shrimp case, the partnership did not attempted to create linkages with other governance mechanisms which have been already in place where numerous public and private actors collaborate. It can be concluded that in general, the partnership was less effective to go beyond the agreed objectives and contribute to development of a broader perspective (such as improving the socio-economic positions of farmers). Figure 6 summarizes and visualizes the level of effectiveness of the trilateral partnership.

Figure 6: Level of Partnership Effectiveness



Broader Context

Traditional power imbalances between Indonesian, Malaysian and Dutch governments were less present than might have been expected. This was not only due to the fact that the partnership did not follow the ‘rules of the game’ of traditional development cooperation, with the Northern country bringing a large budget into the relationship, since relatively little money was spent on the reviewed partnership. An explanation for this remarkable fact can be found in the inclusion of a broad number of representatives from market sector through the (trilateral) partnership approach. Because the economic partners from the Netherlands were only one of many international buyers of the Indonesian and Malaysian market partners (Visseren-Hamakers et al., 2007). In this context, a partnership on sustainability in the palm oil industry promoted by the Dutch government can only have a very modest result because of its limited leverage. Only about 15 per cent of Indonesian palm oil is exported to Europe, of which most through the Netherlands. Prioritizing sustainability in palm oil in Indonesia and Malaysia requires that the growing markets of India and China must be taken into account. Together these two countries cover over 45 percent of Indonesian CPO exports.

The sectors for which the partnership was designed are very dynamic, which implied that changing conditions have to be taken into constant consideration and a careful discussion on their impact on the partnership is required. In the palm oil case for instance, the ‘food versus fuel’ discussions on the usage of palm oil as biofuel create new realities for the partnership and consequently new decision-making and goal-alignment dilemmas. In parallel with the Dutch governmental efforts to support Southeast Asian countries meeting European food safety standards, other segments of the Dutch government as well as the European Union worked out new sustainability standards for palm oil that is imported as biofuel. In April 2007, the “Cramer Commission” published a so called Monitoring Framework for sustainable biomass (*Toetsingskader voor duurzame biomassa*), while the EU decided on the sustainability criteria for the new EU Biofuels Directive in December 2008 (see box 3). Hence, while the partnership made one market barrier manageable for Indonesian and Malaysian producers, a new and more substantial barrier was raised through a public, environmental and social standard for palm oil destined to the biofuel market. One of these ‘barriers’ was even initiated by (another ministry) of one of the collaborating parties. This situation may raise questions about the value-added of the palm oil partnership on the part of the Indonesian and Malaysian government and industry. It had an impact on the nature of the partnership in any case. The problem of ‘mixed’ identities and changing roles of (one of) the partners throughout the partnership process is particularly difficult to grasp, let alone manage.

Box 3: The EU Biofuels Directive and Indonesia's position

At the end of 2008, the EU agreed that, by 2020, 10 per cent of EU transport will come from renewable sources, including biofuels, hydrogen and green electricity. In order to be acknowledged as biofuel under the new Directive a fuel must meet a series of environmental and social sustainability criteria:

- (a) Biofuels have to guarantee at least a 35 per cent greenhouse gas saving compared to traditional fuels, increasing in 2017 to 50 per cent for existing installations, and to 60 per cent for new installations.
- (b) Areas that contain high carbon stock should not be converted for biofuels. This is to avoid the risk of causing big greenhouse gas losses through the release of carbon stored in the soil and in plants.
- (c) Areas with high biodiversity should not be used for biofuels production in order to avoid disturbing biodiversity and disrupting natural habitats.

The draft Directive also includes social sustainability criteria, including respect for the land rights of local communities and fair remuneration for workers. Economic operators will have to report on several environmental and social aspects of biofuel production, and the Commission has committed to look for the best options to address indirect land use impacts and plans to come forward with a proposal on this in 2010 (Piebalgs, 2009).

Indonesia has shown great distrust in the European Biofuels Directive. The Indonesian Agricultural Minister Apriyantono during a recent visit to Europe indirectly accused the EU of protecting its sunflower and soybean sectors by harming the image of palm oil by associating the oil with environmental problems and forest destruction (*Asia Pulse* 18 September 2008). He also questioned the necessity of sustainability issues when economic needs are not being met (Aglionby, 2008). In a published draft letter to the European Union signed by a group of eight developing countries including Indonesia, the new EU biofuel requirements were qualified "unjustifiably complex" and harmful to their exports. The letter called on the EU not to agree on provisions that would restrict developing nations in deciding on which parts of their territory they should use for biofuels. The eight countries contend that restrictions in land use change will "impinge disproportionately on developing countries, where there are stocks of undeveloped arable land that can be used for biofuels production", and would prevent them from expanding agriculture into wild areas -- as European nations have already done centuries ago to improve their own living standards (Reuters, 2008).

5. CONCLUSIONS

5.1 Consequences for future partnering options

Based on the detailed and separate reviews for each of the three sectors (see factsheets and country reports), it can be suggested that in the tropical fruits and shrimps partnership bilateral cooperation between The Netherlands and Indonesia and respectively Malaysia could have been the most valuable partnering form. It must be carefully assessed if a focus on specific product groups (e.g. star fruit in the fruits and vegetable partnership) would add value, compared with broadening the focus (e.g. go beyond shrimp and also take for instance ornamental fish into consideration). Moreover, the objective of collaboration needs to be clarified in order to assure that all partners understand and agree on the overarching objective of the partnership. For both shrimps and fruits and vegetables, it is also necessary to assess carefully, in how far the element of sustainability receive a more prominent role in the collaboration in future.

In the palm oil case, in the course of the partnership, the discussion clearly shifted towards sustainable palm oil and smallholder inclusion. Given the complexity and dynamics of the palm oil sector and the interest and importance of palm oil for all three countries, trilateral cooperation would be feasible in future. Dialogue and joint action can be further stimulated but needs to take current developments into account, such as the EU Biofuels Directive.

Context Analysis

The trilateral partnership aimed to contribute to build up capacity for improved market access of agricultural products. The ambition of the trilateral partnership was to define issues widely, address multiple interests and therefore also cover several countries. The challenge will remain however how to adopt the partnership to its complex context more effectively. All partners need to be aware of diverse cultural practices and motivations of partners from different countries and different societal sectors. In future partnership projects, it is therefore advisable to make a more elaborated first scan of the following dimensions that create (real and perceived) *gaps* between the participating actors, *before* the actual partnership is enacted:

- formal differences in rules and laws dealing with stakeholder involvement (in particular as regards civil society and governmental authorities); this can be referred to as the **‘institutional distance’** that needs to be overcome by the partnership;
- divergent systems of norms and values reflect diverging societal configurations. Informal (cultural) differences in the practicalities of tripartite partnerships in each of the participating countries; this can be referred to as the **‘cultural distance’** that needs to be overcome by the partnership;
- the actual market ‘interests’ of the parties in the specific market segments – which refers to the **‘strategic’ distance** that needs to be managed by the partnership
- the nature of the cross country interrelations – in particular ownership structures; which relates to the **‘political distance’** or **‘power distance/proximity’** that needs to be managed in the partnership; the fact that Malaysia and Indonesia are both member of ASEAN needs to be taken into account for instance. (Van Tulder and Van der Zwart, 2006)

The challenge for partnerships is to manage all dimensions of distances simultaneously. In the case of the trilateral partnership the step from decision-making towards implementation proved particularly difficult and the review showed that in its implementation the partnership provided improved “meso conditions” because it managed to improve the sustainability of a certain sector or supply chain, although the outputs did not always bring together the perspectives of a broad base of actors. Even when the partnership had more success as a platform for discussion, it showed that in particular those persons involved in both administration and management of the partnership and capacity building activities were most confident with the mechanism ‘partnership’. These actors confirm the idea of partnership that engagement/dialogue and capacity building build the pillars for successful partnership activities which facilitate joint learning. Partnerships are urged to develop an effective strategy which combines decision-making and implementation of activities. New decision-making modalities are required to increase the effectiveness of partnership. Dependent on the existing leeway for introducing new governance mechanisms in partnerships there are several governance models which can be applied in different settings. These range from collaborative governance which implies a collective decision-making process which is formal,

consensus-oriented and deliberative towards applying different modes of governance (network, hierarchy and market) throughout different phases of the partnering process.

In order to solve challenges of all three sectors, a more bottom-up planning is required to reach and include main beneficiaries of projects. One possibility is to involve the business sector (and whenever desirable the NGO) from the start at a more strategic level. The roles of the different stakeholders need to be defined and communicated more thoroughly. In this context it also seems to be relevant to stimulate more intra-organisational coordination between governmental departments and ministries in partner countries as well as in The Netherlands. The same counts for more coordination of (Dutch) donor support programmes in the respective sectors. More synergy could be created between the different programmes and projects which often have similar if not overlapping objectives.

In order to manage this synergy creation effectively, a strong partnership administration needs to be integrated in the design. The capacity of the partnership management has to include a partnership specific monitoring system which constantly supervise the process and provide feedback and transparency to all partnership partners and stakeholders on the process developments and outputs of the partnership. This can contribute to a more efficient implementation of the agreed objectives which need to be well-defined in output and outcome criteria in order to provide a clear path for the partnership to go. It is expected that a stricter partnership design and management could support to address factors which can influence partnership performance more effectively.

This review showed that the partnership mechanism is a good model for working towards improvements within existing social, cultural and economic power structures, but less suited for achieving drastic changes within a short timeframe. One possibility how to manage especially the institutional and cultural distance is that partners develop a common understanding on threats and opportunities. By doing so, the partnership might adopt a more flexible and pragmatic approach to address external factors. In the ideal case, the partnership will develop its 'own identity' what makes the partnership more efficient in addressing externalities impacting on partnership performance. In order to develop this identity, much effort, time and flexibility of key actors is required.

5.2 Limitations of the review

The main findings of this report are based on field missions to Malaysia and Indonesia and meetings with stakeholders in The Netherlands. It proved difficult to receive beforehand documents (especially project progress reports) to allow a thorough preparation of the mission. The inevitable time constraints attached to missions resulted in a number of concessions to methodological rigor. First, although a good and clear 'helicopter view' could be established, it was impossible to analyse in depth the impact of a partnership and all the projects that have developed over almost seven years. Therefore, this report is an attempt to identify lessons learned and as an input to further improvements. Secondly, the mission was coordinated and supported by the Agricultural Offices in Jakarta and Kuala Lumpur. Without the knowledge and network of the Agricultural Offices, the mission would have been almost impossible to conduct. Especially on field trips, the presence of Embassy staff could have influenced the answering pattern of some interviewees. The Embassy staff however understood our concern and supported as much as possible an independent sphere for the review. Thirdly, several questions in the questionnaire that has been used focused on subjective topics such as the presence of conflict in the partnership. Due to the method used in some meetings (e.g. group meetings), it is unlikely that all the answers received were frank and unbiased as they could have been in case more detailed and personal research techniques had been used –preferably over a longer period of time. Fourthly, several persons (mainly stakeholders) involved in the partnership have changed their positions (and/or employer) and it was therefore difficult to get with these persons in contact. The response rate on interview enquiries or questionnaires was rather low in the Netherlands. Low response rate and change of positions can result in that views of some stakeholders (such as e.g. of social NGOs) are underrepresented.

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Documents Trilateral WSSD Partnership

Document Title	Author	Date
Trilateral Meetings and Agreements		
Memorandum of Understanding	LNV, Ministry of Agriculture Indonesia	?
From Vision to Action. Agreed Minutes of the 2nd Trilateral Meeting between Indonesia, Malaysia and NL	LNV	23-26 August 2004
Agreed Minutes of the 3rd Trilateral Meeting between Indonesia, Malaysia and NL	LNV	15-17 June 2005
Agreed Minutes of the 4 th Trilateral Meeting between Indonesia, Malaysia and NL	LNV	13-14 September 2006
Agreed Minutes of the 5 th Trilateral Meeting between Indonesia, Malaysia and NL	LNV	3-4 December 2007
Agreed Minutes of 6th Trilateral Meeting between Indonesia, Malaysia and NL	LNV	27 November 2008
Working Group Reports		
Agreed Minutes of the 4th Trilateral Partnership Meeting on Market Access of Shrimps Product	DKP Indonesia	14 September 2006
Agreed Minutes of the 4 th Trilateral Partnership Meeting on Palm Oil Market Access	LNV	14 September 2006
Record of the 4 th Tropical Fruits and Vegetables Trilateral Partnership Meeting		14 September 2006
Report Working Group on Fruits and Vegetables	LNV	3 December 2007
Report on Trilateral Working Group on Market Access Palm Oil	LNV	3 December 2007
Agreed Minutes of Meeting of the 5th Trilateral Partnership Meeting on Market Access of Shrimp Products	LNV	3 December 2007
Verslag Nationaal Comitee Palmolie	LNV	13 November 2008
Verslag Nationaal Comitee Garnalen	LNV	13 November

		2008
Annual Planning		
Jaarplan 2008. WSSD Partnerschap Marktoegang; Palmolie en Garnalen, Groenten en Fruit	LNV	Maart 2008
Jaarverslag 2007. WSSD Partnerschap Marktoegang Palmolie, Garnalen, Groenten en Fruit	LNV	Juli 2008
Mid-Term Review		
Mid-Term Review on the Trilateral Partnership on Palm Oil Market Access	LNV	
Mid Term review on Trilateral Partnership on Palm Oil Market Access	LNV	?
Mid-Term Review WSSD Partnership Market Access for Shrimps	LNV	December 2007
Draft Mid Term Review WSSD Partnership Market Access Fruits/Vegetables	LNV	December 2007
Project Documents		
Terms of Reference Tropical Fruits and Vegetables Trilateral Partnership: Cooperation in Supporting Utilization for Related Institution and Agriculture Human Resources to Determine MRL Pesticides on Horticulture Product	?	
Final Project Report: Implementing a Roadshow for the PPP Shrimp Product Safeguard	WWF Indonesia	March 2006
Proposal Outline On-Farm Quality Assurance. A Methodology to Achieve Safe and Sustainable Shrimp Farming and Processing	SGS	November 2006
ToR Indonesia GAP Benchmarking	?	
Report of Workshop in Food Safety: Risk Management of Pesticide Residues	?	
RILO Summary of Activities & Progress 2007-2008	RILO	2008
Trilateral Partnership for Market Access of Shrimp Product. Report of Project Implementation 2005-2006	DKP Indonesia	January 2007
Workplan Public-Private Partnership Shrimp. The Integration. Trilateral Committee	Carel ter Kuile & Kees Lankester	24 August 2004
Detailed Activity of Shrimp Farm and Processing Quality and Safety Program. Period: April – November 2007	SGS Indonesia	

7. APPENDICES

Appendix 1: List of respondents

Name	Institution	Date	Methode
The Netherlands			
Dr. Leo Hagedoorn	Ministry of Agriculture, Nature and Food Quality	27.03.2009	Interview
Dr. Teddie Muffels	Ministry of Agriculture, Nature and Food Quality	08.04.2009	Interview
Leonoor van Munster	Ministry of Foreign Affairs	22.10.2008	Group Meeting
Petra van der Hende	Ministry of Health, Welfare and Sport (until 2007: LNV)	Nov 08	Interview
Marcel Vernooij	Ministry of Agriculture, Nature and Food Quality	16.07.2009	Interview
Roel Bol	Ministry of Agriculture, Nature and Food Quality	19.08.2009	Interview
Tjeerd de Vries	Ministry of Agriculture, Nature and Food Quality	27.07.2009	Interview
Omer van Renterghem	Ministry of Foreign Affairs	23.04.2009	Interview
Karin Olsthoorn	Ministry of Agriculture, Nature and Food Quality	19.08.2009	Interview
Jan Kwakman	Mooijer Volendam	17.08.2009	Questionnaire
Frans Claasen	Productschap MVO	16.04.2009	Interview
Marieke Leeghwater	Productschap MVO	16.04.2009	Interview
Jan Kees Vis	Unilever	13.05.2009	Interview
Johan Verburg	Oxfam-Novib	03.07.2009	Questionnaire
Matthew Parr	IUCN	10.06.2009	Interview
Carel ter Kuile		23.07.2009	Interview
Malaysia			
Adrie de Roo	Agricultural Office, Embassy of the Kingdom of The Netherlands in Kuala Lumpur	27.04.2009	Interview
KC Chong	Agricultural Office, Embassy of the Kingdom of The Netherlands in Kuala Lumpur	29.04.2009	Interview
Mageswari Sangaralingam	Sahabat Alam Malaysia/Friends of the Earth Malaysia	27.04.2009	Interview
Dr. Mamat Salleh	Malaysia Palm Oil Association	27.04.2009	Interview
Dr. Vengeta Rao	Roundtable on Sustainable Palm Oil	27.04.2009	Interview
Yaoh Ghim Bee	Ministry of Agriculture and Agro-based Industries	27.04.2009	Interview
M.R. Chandran	Platinum Energy/RSPO	28.04.2009	Interview
Ricky Yong	Malaysian Fruits Exporters Association	28.04.2009	Interview
Nazipah Jamaludin	Federal Agricultural Marketing Authority	29.04.2009	Group Interview
Ser Tian Sin	Federal Agricultural Marketing Authority	29.04.2009	Group Interview
Abdul Rashid Bin Bahir	Federal Agricultural Marketing Authority	29.04.2009	Group Interview
Rohaya Abd Kadir	Federal Agricultural Marketing Authority	29.04.2009	Group Interview
Noorsham Ramly	Federal Agricultural Marketing Authority	29.04.2009	Group Interview
Surin Sukswan	World Wildlife Fund Malaysia	29.04.2009	Interview
Preetha Sankar	World Wildlife Fund Malaysia	29.04.2009	Interview
Dr. Mohd Basri Wahid	Malaysian Palm Oil Board	30.04.2009	Group Interview
Dr. Ainie Kuntum	Malaysian Palm Oil Board	30.04.2009	Group Interview
Dr. Choo Yuen May	Malaysian Palm Oil Board	30.04.2009	Group Interview
Norma Othman	Ministry of Agriculture and Agro-based Industries, Department of Agriculture	30.04.2009	Interview
Ismail Bin Muhammed	Ministry of Agriculture and Agro-based Industries, Department of Agriculture	30.04.2009	Interview
Dr. Junaidi Bin Che Ayub	Ministry of Agriculture and Agro-based Industries, Department of Fisheries	30.04.2009	Group Interview
Ismail B. Abu Hassan	Ministry of Agriculture and Agro-based Industries, Department of Fisheries	30.04.2009	Group Interview
Adrian F. Vijjarungam	Ministry of Agriculture and Agro-based Industries, Department of Fisheries	30.04.2009	Group Interview
Hamdan Bin Jaafar	Ministry of Agriculture and Agro-based Industries, Department of Fisheries	30.04.2009	Group Interview
Syed Omar	Malaysian Shrimp Industry Association	30.04.2009	Group Interview
M. Nagarajan	Ministry of Plantation Industries and Commodities	30.04.2009	Interview

Indoensia

Aditya Kusuma	Agricultural Office, Embassy of the Kingdom of the Netherlands in Jakarta	24.06.2009	Interview
Renate Pors	Department of Economic Affairs, Embassy of the Kingdom of the Netherlands in Jakarta	01.07.2009	Interview
Johny Salim	SGS Indonesia	24.06.2009	Group Interview
Gusran Wasirnur	SGS Indonesia	24.06.2009	Group Interview
Pradit Yongpanchai	SGS Indonesia	24.06.2009	Group Interview
Pradit Yongpanchai	Ministry of Marine Affairs and Fisheries	24.06.2009	Interview
Dr. Lida Pet Soede	World Wildlife Fund Indonesia	24.06.2009	Interview
Imam Musthofa Zainudin	World Wildlife Fund Indonesia	24.06.2009	Interview
Dr. Nikardi Gunadi	Indonesian Vegetable Research Institute (BALISTA)	25.06.2009	Group Interview
Dr. Witono Adiyoga	Indonesian Vegetable Research Institute (BALISTA)	25.06.2009	Group Interview
Dr. Rofiq	Indonesian Vegetable Research Institute (BALISTA)	25.06.2009	Group Interview
Dr. Ahmad Dimiyati	Directorate General of Horticulture, Ministry of Agriculture;	26.06.2009	Group Interview
Sri Kuntarsih	Directorate General of Horticulture, Ministry of Agriculture;	26.06.2009	Group Interview
Mardiyah	Directorate General of Horticulture, Ministry of Agriculture;	26.06.2009	Group Interview
Zaenal Bachruddin	Directorate General of Processing and Marketing Agricultural Products, Ministry of Agriculture	26.06.2009	Group Interview
Dr. Rosediana Soeharto	Indonesian Palm Oil Commission	26.06.2009	Group Interview
Suryadi Abdul Munir	Directorate International Marketing, Ministry of Agriculture	26.06.2009	Group Interview
Tri Widjajanti	Directorate International Marketing, Ministry of Agriculture	26.06.2009	Group Interview
Prof. Martani Huseini	Directorate General of Fisheries Product Processing and Marketing; Ministry of Marine Affairs and Fisheries	26.06.2009	Group Interview
Saut P. Hutagalung	Directorate International Marketing, Ministry of Marine Affairs and Fisheries	26.06.2009	Group Interview
Sadarma Suhaim Saragih	Directorate General of Fisheries Product Processing and Marketing; Ministry of Marine Affairs and Fisheries	26.06.2009	Group Interview
Wahyu Widayat	Directorate Quality Testing Infrastructure, Ministry of Marine Affairs and Fisheries	26.06.2009	Group Interview
Johan Suryadarma	Seafood Service Centre	26.06.2009	Group Interview
Bambang Kristanto	PT. Sekar Bumi, Tbk	27.06.2009	Group Interview
Kuncoro C.N.	PT. Kelola Mina Laut	27.06.2009	Group Interview
Sulastri	PT Mega Marine Pride	27.06.2009	Group Interview
Catririni S. Utami	PT. Winaros Kawula Bahari	27.06.2009	Group Interview
Hardi Pitoyo	SCI Banyuwangi	27.06.2009	Group Interview
Yusuf A.M. Sujono	Seafood Service Centre	27.06.2009	Group Interview
Asrini Subrata	Asian Agri	29.06.2009	Interview
Desi Kusumadewi	Round Table on Sustainable Palm Oil Indonesia	29.06.2009	Interview
Fitrian Ardiansyah	World Wildlife Fund Indonesia	30.06.2009	Interview
Derom Bangun	Malaysian Palm Oil Board	30.06.2009	Interview

Appendix 2: Overview outputs per sector

	Chain Management	Sustainable Production	Exchange of information
Palm Oil	<ul style="list-style-type: none"> • Studies on possible presence of mineral oil in CPO: Extensive overview of the actual and potential contamination of palm oil with mineral oil • Capacity building for laboratory workers to take samples • Capacity and analysis methods by means of a ring test • Progress with food safety guidelines in Indonesia 	<ul style="list-style-type: none"> • Growing awareness of HVC concept in Malaysian and Indonesian palm oil stakeholders • Growing awareness of RSPO principles and criteria • Support for smallholders to implement RSPO principles and criteria • Growing awareness of Fire and Haze management to smallholders (Indonesia) 	<ul style="list-style-type: none"> • Better understanding of EU food safety regulatory requirements • Website as information platform
Shrimps	<ul style="list-style-type: none"> • Capacity building for workers in detection of residues of illegal veterinary drugs • Training of trainers • Consciousness for lab workers on the danger of residues of veterinary drugs on public health and impact on export • Adequate Residue Monitoring Plan Aquaculture from EU submitted to EU • Preserving market access of shrimps to EU/avert import bans 	<ul style="list-style-type: none"> • Improvement of environment by small scale replanting of mangroves in Malaysia • Awareness raised on various stakeholders on the importance of preserving mangroves • Bigger solidarity and more cooperation between fishermen and local communities in Malaysia • Food Safety and Sustainable production is discussed with stakeholders on 13 locations in Indonesia • Problems and challenges for local stakeholders have been identified in Indonesia 	<ul style="list-style-type: none"> • Better understanding of EU quality requirements • Knowledge on possibility of background pollution • Reinforcement of network
Fruits and Vegetables			<ul style="list-style-type: none"> • Better understanding of EU quality requirements on residue of pesticides • Better insight in possibilities and possible challenges for export of tropical fruits to EU markets • Business-to-business contacts

Appendix 3: List of critical success factors and their average score⁵

	MAL	IND	NL	Average score
Partnership Building				
Take time in particular in the start-up phase	4	4.27	4	4.09
Involve all primary stakeholders	4	4.45	3.5	3.98
Keep the momentum	4.33	4.14	4	4.16
Thorough and realistic cost/benefit assessment	4.5	4	2	3.5
Appropriate risk allocation and risk sharing	3.85	3.9	2.7	3.48
A focus on important needs that can be best fulfilled through partnerships and that are recognized and accepted by all partners (“compelling case”)	4	4.43	5	4.47
A clear vision of the objectives residing over the partnership and to which all involved parties would be effectively committed	4.44	4.36	4.25	4.35
A result-oriented and appropriately detailed plan for achieving the goals and targets set up jointly for the partnership	4.13	4.61	3.75	4.16
Flexibility is vital – there is no “one size fits all” approach	3.63	4.19	4	3.93
Project technical feasible	3.77	4.18	3.25	3.73
Multi-benefit objective	3.75	4	4	3.916
Technology transfer	4.25	4.32	3	3.856
Involvement of broker/ process facilitator	2.75	3.5	3	3.08
Learning from other partnerships	3.88	3.86	3	3.58
Proven financial capacity of partners	3.63	3.71	3	3.445
Early involvement of local communities	3.29	3.59	2.25	3.015
Partner commitments				
Commitment of core organizational competencies	4.13	4.454	3.75	4.11
Sufficient and appropriate human and financial resources committed from all partners	4	4.428	3.25	3.89
Application of the same professional rigour and discipline focused on achieving targets and deliverables that would be applied to governing, managing and evaluating other types of (business) alliances	3.75	4.181	3	3.64
Partner relation				
Clear understanding of mutual benefits (win-win) to all involved partners	4.33	4.545	4	4.3
Respect for differences in drivers, approach, competence, timeframes and objectives of different partners	4.13	4.05	4	4.06
Focus on achieving mutual benefit in a manner that enables the partners to meet their own objectives as well as common goals (complementarity of roles)	4.25	4.33	4	4.19
Partnership Governance				
Clarity of roles, responsibilities, goals and “ground rules”	3.88	4.33	3.25	3.82
Good leadership	4.22	4.57	3.75	4.18
Shared authority between public and private sectors	3.66	4.05	3.5	3.74
Regular informal gatherings	3.25	3.73	3.5	3.5
Clear communication, shared planning and decision making	3.77	4.41	4	4.06
Clear and enforceable lines of accountability	3.75	3.86	3.5	3.75

⁵ This list was filled in by 9 respondents met in Malaysia (EKN n=1; shrimp sector n=3; fruits and vegetable sector n=5), 22 respondents met in Indonesia (EKN n=1; shrimp sector n= 16; fruits and vegetable sector n=3; palm oil sector n=2;) and 4 respondents in The Netherlands. They were asked to rank the items on a scale from 1 (not important) to 5 (very important). Based on their ranks an average rank per item was built.

Measurement				
accurate and appropriate indicators to be used to evaluate	4.11	4.38	2.75	3.75
constant and effective monitoring, measuring and learning	4	4.23	2.75	3.66
External Factors				
favourable legal framework	3.5	4.05	2.75	3.43
available financial market	3.89	3.84	2.25	3.32
political support	3.33	4.32	4.75	4.13
sound economic policy	3.22	4.09	3.25	3.52
stable macro-economic environment	3.33	3.77	3	3.36
government involvement by providing guarantees	3.88	4.23	3.25	3.79
Understanding the needs of local partner and beneficiaries	3.88	4.27	4	4.05

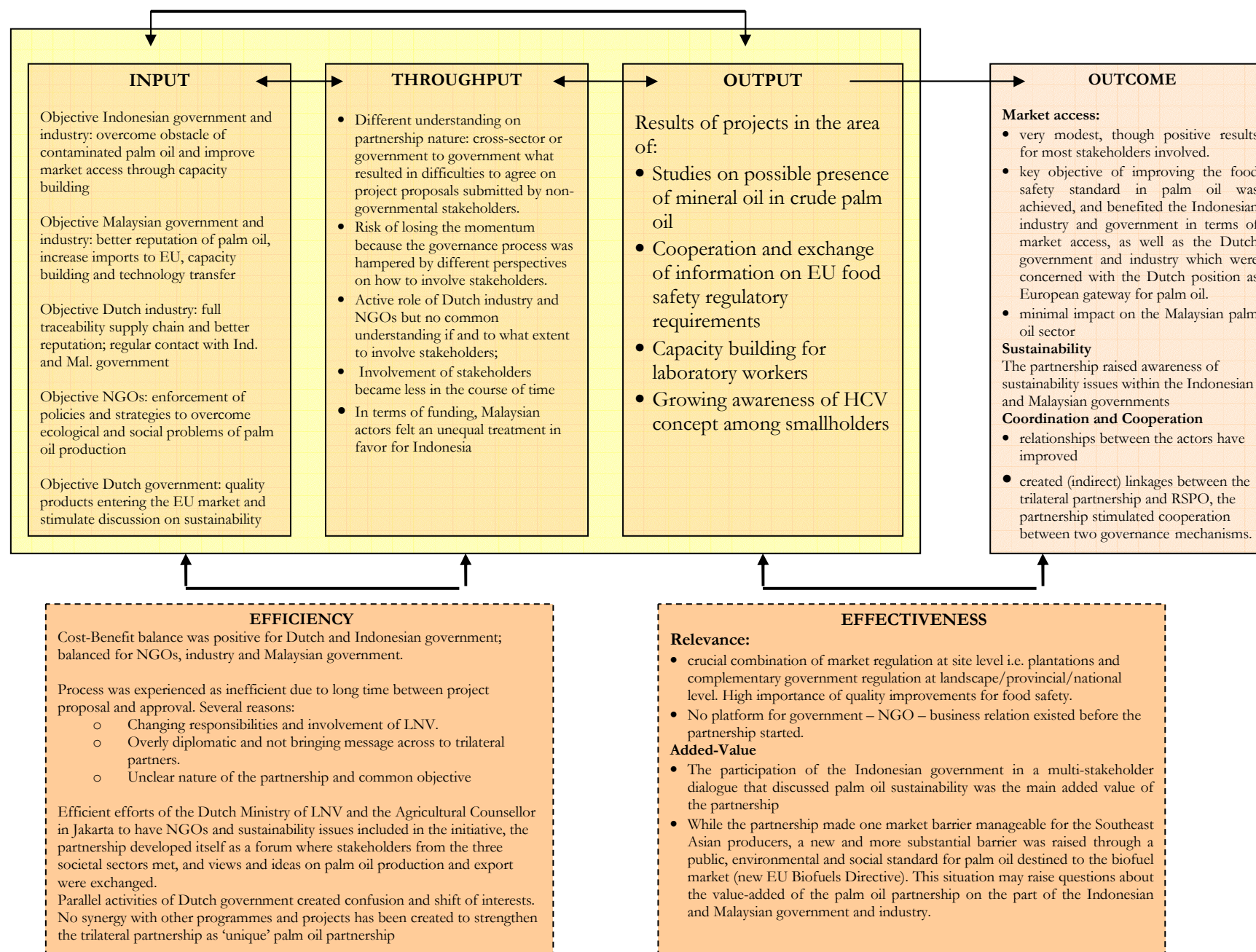
Appendix 4: Overview market access conditions addressed by the trilateral partnership

	Awareness of possibility of exporting	Familiarity with buyer: understanding the different preferences of buyers	Familiarity with standards	Adapted and new technology	Organization and orientation of firms	Quality and reliability	Local (transport and) communications
Palm Oil Malaysia	+	++	++	+	+	+++	++
Palm Oil Indonesia	+	++	++	++	++	+++	++
Shrimp Malaysia	+	+	+	O	O	+	+
Shrimp Indonesia	+	++	+++	++	+++	++	+++
Fruits and Vegetables Malaysia	+++	++	++	O	O	O	O
Fruits and Vegetables Indonesia	+++	++	++	O	O	O	O

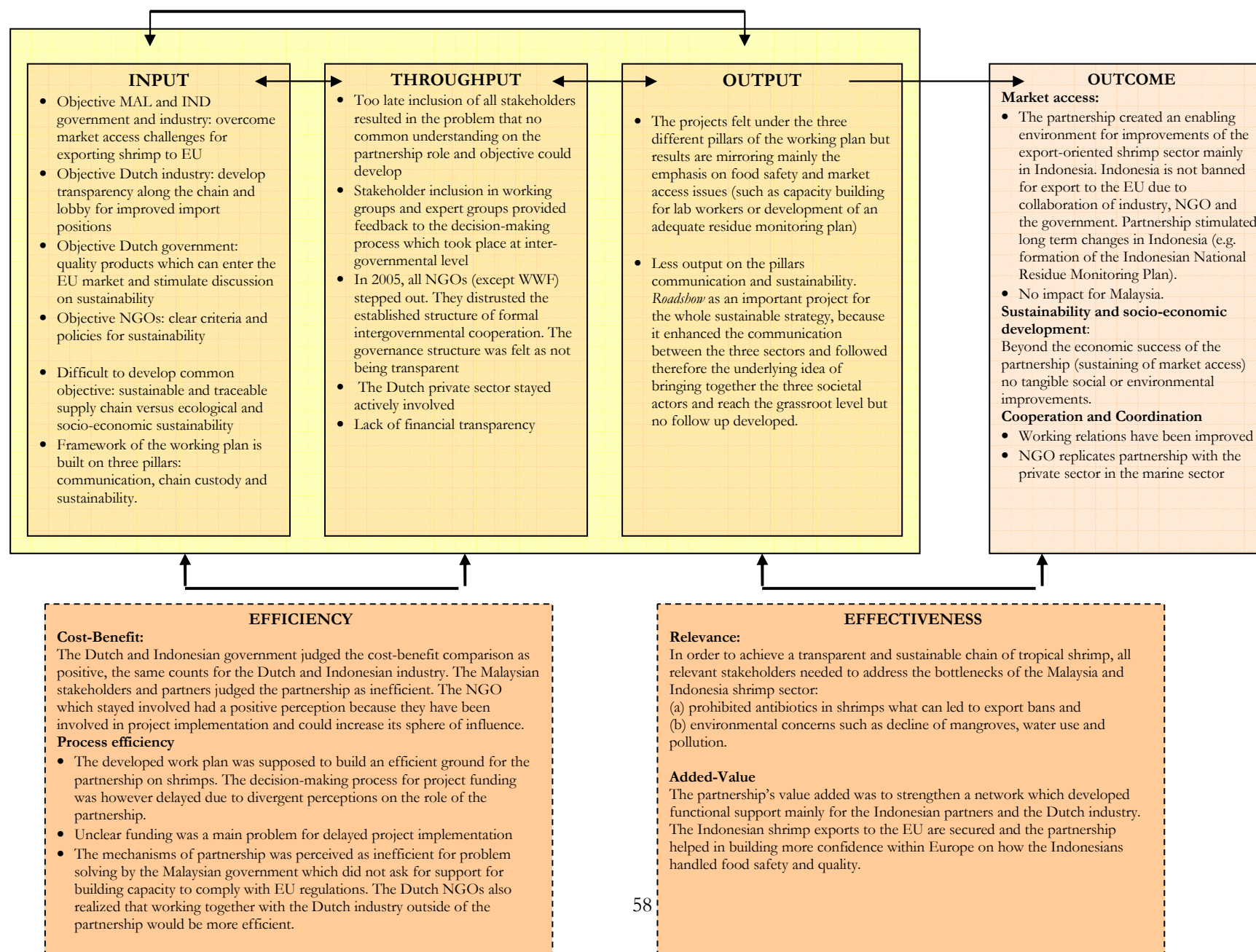
Appendix 5: Overview planned contribution 2008

Partnership	WSSD	LVN	Malaysia	Indonesia	Dutch industry	NGOs	Total per product
Palm Oil	309.380	5000	50000	88000	47000	59000	558.380
Shrimps	7000	-	15000	95000	5000	12.500	134.500
Fruits and Vegetables	0	-	7000	7000	0	0	14.000
Total per actor	316.380	5.000	72.000	190.000	52.000	71.500	706.880

Appendix 6: Overview findings partnership on palm oil



Appendix 7: Overview findings partnership on shrimps



Appendix 8: Overview findings partnership on fruits and vegetables

