PROJECT SUNRISE Final Report
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This is the final report on a joint programme between Unilever and Oxfam on learning how to do business with smallholder farmers, carried out between 2010 and 2015.

Sunrise has been a journey for both organisations in terms of learning how to do business with smallholders in ways that can bring commercial and developmental successes; and in learning how to work with each other, as two very different organisational entities.

It began as an ambition to set up on the ground practical projects from which to create commercially viable sources of supply for Unilever, and to extract learning from this that could be scaled up across the procurement operations of Unilever and other similar companies.

Two years into the project it became clear that while Unilever and Oxfam were learning a great deal about each other, they were not going to reach the envisaged scale and ambition by focusing on single, practical projects.

The seismic shift in business thinking introduced by the Unilever Sustainable Living Plan at the end of 2010 committed Unilever to a far greater ambition in terms of impact than that planned for by Sunrise. The question for the project thus became how we could help deliver on Unilever’s ambition, capture and share learning, and contribute to developing Oxfam programmes and campaigns in the private sector arena.

“Sunrise 2.0” reframed the project, and our sponsors granted us licence to explore in depth existing supply networks where smallholders were already benefiting from engagement with Unilever and other similar businesses, in one way or another.

From this research we have extracted some key success factors for lead firms in shaping inclusive procurement; delivered guidance and training for procurement operations on working with suppliers to enhance livelihoods; and built Oxfam’s capacity to engage more effectively with private sector partners on the development of value chain initiatives.

Justin Tait – Sunrise Learning Programme Manager
INTRODUCTION

In 2010, Oxfam and Unilever signed a Memorandum of Understanding (MoU) to work together on learning how to do business with smallholder farmers in a way that is commercially viable and improves livelihoods.

The aim was to learn how to improve the livelihoods of women and men smallholder farmers within the context of a shared commitment to sustainability and food security, and so bring together the development expertise of Oxfam with the commercial expertise of Unilever.

Strategic context

Oxfam came to the collaboration with the aim to “create fair and sustainable markets and to support enterprise development as a major strategy to change power relations and increase the voice, influence and economic share of people living in poverty”.

Oxfam engages with companies such as Unilever with the goal to “increase the participation of smallholders and enterprises in supply chains and informal markets in ways that benefit producers; and achieve an equitable and sustainable food supply system”.

Unilever approached the collaboration with an organisation-wide commitment to sustainable sourcing, improving the livelihoods of smallholder farmers, especially women, and contributing to food security. This was formalised in late 2010 with the launch of the Unilever Sustainable Living Plan (USLP).

An outline of Unilever’s approach to sustainability as well as a host of other sustainability goals is articulated in the USLP. The plan set a goal to show evidence of improvement of the livelihoods of at least 500,000 smallholder farmers in the supply network, by helping them improve their agricultural practices and thus enabling them to become more competitive.

Origins and motivations

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

The business case for Sunrise

“We were curious. Unilever has many smallholders in its supply chains globally. But how do we engage them in a better way? How do we create supply chains that are economically, socially and environmentally sustainable? We thought partnering with Oxfam could help us to learn about this.” [Unilever]
One driver for Unilever to engage with efforts to improve smallholder livelihoods has been the desire to be considered a “good corporate citizen”. This is an area in which core business strategy, not philanthropy, can have a positive developmental impact. From a brand management perspective, having a favourable reputation would give the company a “licence to grow”, as one member of Unilever put it.

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

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

Smallholders are a particularly promising source of new supply because there is scope for greatly improving their yields. Unilever’s estimates, also reflected widely among the development community, are that, on average, smallholder yields can be doubled or tripled through improved knowledge, seed varieties, agricultural inputs and storage.

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

Through its existing supply chains in 2010, Unilever already sourced from approximately 1.3 million smallholders globally. However, its knowledge of smallholders was limited, owing to the fact that the company has not historically dealt with these farmers directly, except in the cases of tea and a few other low-volume ingredients. Rather, Unilever’s procurement team purchases through suppliers and processors who, in turn, deal with farmers, some of whom are organised in groups through structures such as co-operatives, producer groups and out-grower schemes. Sunrise offered Unilever an opportunity to deepen its knowledge of smallholders.

The development case for Sunrise

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

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

In addition to providing food and employment, investment in smallholders has a positive influence on all aspects of their lives; for example by building their confidence and increasing their skills, political representation and social networks. Linking smallholders to diverse market systems is therefore a critical part of Oxfam’s agenda. In 2010, Oxfam published a briefing paper for businesses explaining why they should consider including more smallholders in their supply chains. The major theme of the paper was captured in the expression (and the paper’s title): Think big. Go small.

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

Historically, Oxfam has focused on driving change through a range of global campaigning and advocacy initiatives, and through working within countries on development projects. Collaborating with Unilever on development of smallholder-based supply chains presented a different approach to corporate engagement for Oxfam.
### Unilever’s Motivations
- Desire to improve livelihoods and earn “licence to grow” as a good corporate citizen
- Growing gap between demand for agricultural raw materials and supply
- Reliance of Unilever supply on developed farmers with more than 100 ha
- Potential to double or triple smallholder yields
- Limited direct knowledge of smallholders

### Oxfam’s Motivations
- Critical role of agriculture for millions of people living in poverty
- Potential of investment in smallholder agriculture to cost-effectively reduce poverty
- Impact of smallholder investment on all aspects of farmers’ lives
- Benefits of improvements in women’s skills and productivity for local communities
- Ability of small corporate investments to support large-scale change

With clear drivers and strong CEO support from both organisations, the programme named Sunrise was formalised and an MoU was signed in July 2010 recognising the relationship, scope of the work and a five-year programme timeline.

### Key Stakeholders

Within Oxfam, the lead sponsor for Sunrise was the International Programmes Director. Operational engagement sat with an advisory team focused on business and markets programming.

Within Unilever, Sunrise was sponsored jointly by the Chief Sustainability Officer and the Vice President of Procurement for Ingredients and Sustainability. Operationally, Sunrise sat within the Sustainable Sourcing Team as a part of the global procurement function.
**Timeline**

**2007** Staff from Oxfam and Unilever attend a Learning Journey in Honduras, and the idea of working together on smallholder supply chains is born.

**2009** CEOs from Oxfam and Unilever meet in Davos and agree to collaborate in the area of sourcing agricultural raw materials from smallholder farmers. Feasibility studies are carried out with Accenture Development Partnerships in Azerbaijan, Tanzania, Honduras and the Philippines to assess potential for on-the-ground projects.

**2010** Memorandum of Understanding is signed for Sunrise as a five-year programme of work between Oxfam and Unilever. Azerbaijan and Tanzania are selected as countries in which Sunrise will set up pilot projects. Working with three farmers in Azerbaijan, the first trial plots of onions are planted and harvested to assess growing practices and yields. Further feasibility work in Tanzania shows that lack of commercial viability is a barrier to establishing practical projects to supply dehydrated vegetables. It finds that producers here are better off supplying the local market; Oxfam subsequently sets up a local market-development programme. Feasibility work is carried out on cassava in Nigeria and red berries in Ethiopia as other potential project sites.

**2011** Decision is made to switch to new varieties of onions in Azerbaijan that are more suitable for dehydration. Production trial run is conducted with five farmers selling to the processor for dehydration and export to Unilever in Europe for the Knorr brand. No other potential projects meet the requirements of a clear business and development case.

**2012** Revised feasibility report shows that the cost of final product from the Azerbaijan project is more than four times the Unilever benchmark price for dehydrated onions available for export to Europe. Strategy for Sunrise Azerbaijan is revisited and several options studied. Decision is taken to focus on Good Agricultural Practices (GAP) development and options for local and regional markets. First onion trials are harvested using GAP developed for local context. Yields are tripled and dry-matter content significantly improved. However, the projected cost is still above Unilever’s benchmark for Europe. Oxfam focuses on developing national and regional routes to market. Independent review of lessons learned from the work in Azerbaijan is conducted by Reos Partners. It is agreed that a local processor should take on the role of lead firm in the project. Strategic review of Project Sunrise concludes that the scale and impact Unilever and Oxfam had hoped for would not be achieved through practical projects on the ground. Revised programme of work agreed for the remainder of Sunrise to look in depth at Unilever and external cases of smallholder engagement, and develop guidance for lead firms and NGOs on enhancing livelihoods through commercial operations.
**2013**

Research partners look at tea in Kenya, tomatoes in India and black soy beans in Indonesia, and at what the role of lead firms should be in driving livelihood improvements.

**Azerbaijan:** Ongoing discussions begin with Azeri Ministry for Economic Development and local processors to take over as lead firm from Unilever.

Roll-out with farming communities of GAP and onion-growing guidelines developed with Wageningen University.

Advocacy meeting is held with Azeri government to present policy paper on improving opportunities for smallholder farmers.

Final stakeholder engagement meeting in Azerbaijan to share learning and conclude Sunrise in Azerbaijan, given that no processor or investor had yet taken on the role of lead firm.

**2014**

Synthesis of research findings, stakeholder engagement to review learning, and product development.

Delivery and roll-out of guidance for procurement on enhancing smallholder livelihoods and of guidance for NGOs on engaging the private sector.

**2015**

Conclusion of Project Sunrise.

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**What Sunrise set out to do and how**

Under the MoU and subsequent programme of work, Sunrise set out to explore ways to improve the livelihoods of women and men smallholder farmers through incorporating developmental impacts into the design of commercial operations.

The key components of the programme as originally envisaged were practical projects on the ground, initially in Azerbaijan and Tanzania, and the capturing of learning from the partnership and projects at work.

The stated intention in the MoU was as follows: *Oxfam and Unilever will work together on an innovative sourcing model that should achieve impact at global level. The aim is to provide long-term benefits to approximately 100,000 smallholders and agricultural workers in two countries, create cost-effective supplies to Unilever, and reduce poverty in each location over a five-year period.*

This project aims to demonstrate how adapting Unilever’s, the Processor’s suppliers’ and farmers’ core business models, can enable smallholders, particularly women, to equitably trade in their global supply chains. Therefore monitoring, evaluation and learning processes will be developed, to influence other companies’ sourcing and purchasing strategies.

Alongside this work, Oxfam and Unilever will continue to discuss other issues critical to the broader agendas of both organisations, including labour rights, climate change and palm oil, and develop proposals for their improvement. Oxfam and Unilever will also endeavour to discuss advocacy strategies and explore the potential to collaborate on a campaign.

The objectives as set out in the MoU were to:

- **Build supply chains that are commercially viable for all actors, sustainable, and ensure increased incomes for both women and men smallholders and farm workers in Azerbaijan, Tanzania and other countries as appropriate.**
- **Share learning from Project Sunrise to inform companies and other organisations worldwide, on what types of investment and Business models deliver commercially viable smallholder agriculture that reduces poverty.**
- **Foster positive impact more widely than the project itself in order to reduce poverty at scale.**

Full text of the MoU is at Annex A.

The key enabler for achieving the first objective was a commitment from Unilever to buy a significant percentage (5%–20%) of its global requirements of key vegetables through smallholder business models established under the project.
These models or value chain relationships were to be established on the understanding that exclusive relationships will neither benefit smallholders, Unilever, nor the processor (the company or consortium of companies acting as the service provider for conversion of fresh vegetables produced by the smallholder farmers to dehydrated vegetables, the final product to be bought by Unilever).

To avoid exclusivity, processors would be encouraged to build relationships with other buyers. And to ensure that smallholders would not be solely reliant on Unilever or the processor, market facilitators would develop parallel local or regional markets, as well as monitor negotiations between Unilever, the processor and the smallholders.

What actually happened

As a result of further feasibility studies in Tanzania, it was concluded that lack of commercial viability was a major barrier to successful execution in that country. Several other options were then explored, including cassava in Nigeria and red berries in Ethiopia.

Project work in Azerbaijan progressed further and included two sets of growing trials in 2010 and 2011. As a result of these and a trial production run, the sponsors of Sunrise concluded at the end of 2012 that the project in Azerbaijan would not meet the commercial viability test for a supply to Europe, or achieve the scale and impact originally envisaged by both organisations. A detailed case study on the project in Azerbaijan is available here.

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

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

In parallel to the work in Azerbaijan, the Sunrise project team developed a methodology and toolkit to measure perceived fairness in trading relationships along the supply chain, based on assessing the existence or otherwise of new business model principles as defined in “Think big. Go small”. See: Measuring Fairness in Supply Chain Trading Relationships: Methodology Guide.
Sunrise 2.0

In 2012, the project team worked with Reos Partners to facilitate a strategic review of the work to date and consider options for going forward. Project sponsors agreed that the focus of activities should shift away from practical projects on the ground, to learning from existing Unilever and external supply chain operations where smallholders were already seeing improved livelihoods as a result of engaging with the supply networks of lead firms like Unilever.

The Sunrise 2.0 programme set out to continue learning how to do business with smallholders in a way that improves their livelihoods, with the intention that this would inform Unilever’s business model and Oxfam’s development model and that learning from this would be shared widely.

The objectives of Sunrise 2.0 were:

• To understand supply chain actors’ roles and functions, and the power dynamics, in supply chains currently sourcing from smallholders by analysing examples and experience from Unilever, Oxfam and others.

• To use the outputs from this to deliver tools and guidance applicable to Unilever procurement and its suppliers that can improve smallholder livelihoods.

The full text of the Sunrise 2.0 programme description is at Annex B.

Between 2013 and the end of project in January 2015, the collaboration focused on identifying existing best practice inside and external to Unilever on working with smallholders in ways that can improve livelihoods.

What did we achieve?

Against the MoU as signed in July 2010

Build supply chains that are commercially viable for all actors, sustainable, and ensure increased incomes for both women and men smallholders and farm workers in Azerbaijan, Tanzania and other countries as appropriate.

Of the two projects identified at the feasibility stage as being potentially commercially viable supply chains for dehydrated vegetables supplied to Knorr in Europe, neither became viable.

In Tanzania, lack of commercial viability proved to be a barrier to establishing practical projects. Producers there are better off supplying the local market. Oxfam has subsequently set up a local market-development programme in the wake of the Sunrise feasibility work.

After two years of trials work in Azerbaijan, it become clear that the project would not meet the commercial viability test for a supply to Europe or achieve the scale and impact originally envisaged by Sunrise. However, a positive legacy of improved agricultural practices in farming communities, increased yields, and potentially a new source of supply of dehydrated onions for Unilever in Russia, was achieved.

Share learning from Project Sunrise to inform companies and other organisations world-wide, on what types of investment and Business models deliver commercially viable smallholder agriculture that reduces poverty.

From the beginning, Sunrise set out to share experience and learning as the project progressed. This took place both formally and informally throughout the project life cycle. Formal channels included sharing the aims of the project and learning with external audiences at many conferences and the publication of papers and guidance as discussed above. Informally, a substantial network of collaborators and interested parties was established through the networks of individuals involved in the project.

Foster positive impact more widely than the project itself in order to reduce poverty at scale.

Since the inception of Project Sunrise in 2009 there has been an ever-increasing focus on the role of smallholders in modern markets. The discourse on opportunities to include smallholder farmers in more modern markets has been a predominantly positive one over the past five years. Unilever and Oxfam can certainly claim to have made a contribution to the wider sector, but it is difficult to say definitively that Sunrise had a direct influence on other companies.

The drivers for this shift have been both developmental and commercial. It is a well-rehearsed argument that a large percentage of those living in poverty in rural areas rely on agriculture for a living. And it is increasingly common to hear the business case for investing in smallholder production based on securing supply into the future.
These are both key messages that Unilever and Oxfam have advocated through Sunrise and each other’s wider engagements in this space.

Since 2010, Unilever has also set up many smallholder farmer projects to improve incomes and drive positive change in the livelihoods of producers. This involves working with suppliers and over 1.5 million smallholder farmers.

Oxfam has continued to engage with other leading food and beverage companies. The GROW campaign launched in 2011 focuses on inadequacies of the global food system and the role of big business in this. The Behind the Brands campaign launched in 2013 has seen notable success in persuading the world’s top ten food and beverage companies to address key issues relating to poverty and livelihoods such as gender, land grabs and water.

Against the revised strategy and Sunrise 2.0

To understand supply chain actors’ roles and functions, and the power dynamics, in supply chains currently sourcing from smallholders by analysing examples and experience from Unilever, Oxfam and others.

The latter half of Sunrise delivered value chain analysis on three Unilever supply chains working with smallholder farmers, and published the findings with IIED (International Institute for Environment and Development) in the paper, Success Factors for Lead Firms to Shape Inclusive Procurement. The supply chains analysed were black soy beans in Indonesia, tea in Kenya and tomatoes in India. Research also looked at cases external to Unilever. Cases and research are available here.

To use the outputs from this to deliver tools and guidance applicable to Unilever procurement and its suppliers that can improve smallholder livelihoods.

From this research, two main products were delivered and rolled out.

- Enhancing the Livelihoods of Smallholder Farmers: a guide for procurement teams on engaging suppliers. Accompanying this is a supporting toolkit and training module. The training module forms part of the core learning curriculum for procurement managers working with suppliers where smallholders are, or are likely to be, primary producers in the supply chain.

- A Guide for NGOs on working with private companies, based on the lessons learned from Project Sunrise.
What did we learn?

Working together on practical projects generated a huge amount of experience and learning across both organisations at both project and partnership level. This was distilled with the help of Reos Partners at the end of 2012 into the key lessons below:

Avoid optimism bias at the research stage
Starting a new smallholder supply chain with a combination of commercial and social-impact objectives is a complex undertaking involving multiple actors. Participants in any joint venture need to carefully consider a wide range of issues, including both positive and negative factors likely to impact on the supply chain and actors proposed.

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

For example, in Azerbaijan the initial focus was on a contract-buying model that was relatively easy to set up and allowed producers to simply sell surplus volumes of existing varieties to a local processor. However, it became apparent after early testing of local varieties that they would not be suitable for dehydration, so new varieties had to be introduced under a contract-buying model. These new varieties were only suitable for dehydration and not the local market.

Invest strategically in greenfield sites
Greenfield projects, where a supply chain is established from scratch, afford a great degree of freedom to design a supply chain. However, such investments are generally very resource-intensive in terms of both time and capital and, as was the case in the pilot projects, may not reach the intended scale of impact that is necessary to claim success.

Leave room for trial and error
In supply chains where new approaches are being introduced and where innovation and learning are critical, there must be room for trial and error. In practice, this also means allowing time for pilot work to be designed, set up and tested before being taken to scale (if successful in the testing stage). For agricultural materials, growing seasons and lengths alone have a significant effect on the time it takes to test even to get to the right variety and quality before production trials on second-stage processing can take place.

Agree on how systemic the approach will be
Systemic approaches seek to address problems by dealing with their root causes rather than just addressing symptoms. Project teams taking this approach must make this choice clear upfront, and get all partners’ agreement on it. The implications of taking a systemic approach are that there is a greater requirement to understand not only the direct value chain and its impact on producers but also the enabling/disabling environment around it and what it will take to change this to the benefit of producers.

Make objectives crystal clear
When two organisations are highly motivated to collaborate, there is a danger of avoiding the difficult and sensitive conversations needed to identify differences in objectives, drivers, priorities and agendas. A shared “theory of change” can be helpful here, because it provides a framework for making tough and agile decisions during a project. This kind of framework informs prioritisation of different focus areas; for example, women’s empowerment or the sustainable use of water. By allowing both organisations to appreciate how different strands of work will support and enable other strands over the longer term, there can be greater buy-in at each stage of the project.

Define “success” carefully
In a project that entails collaboration between a business and a development organisation, establishing success criteria can become exceedingly complex. It is important to ensure that the outcome measurements selected match the objectives of the project. For example, is success going to be measured by the number of direct beneficiaries, by the wider economic impact, by volume of repeat business and so on?
Agree on an exit strategy for all parties
In the event that the project needs to be disbanded, all parties need an exit strategy. Formulation of such a strategy is best done at the start of the project, rather than when the first cracks appear. That way, each partner organisation understands from the outset what pathways are open to them as the project evolves.

Sunrise 2.0 – lessons from existing business operations
From the three cases of successful inclusion within the Unilever supply network, Sunrise research identified the following common success factors:

- Financial arrangements that allow smallholders to participate without having to rely heavily on credit from external providers, primarily because of quick payment and pre-payment for their crops.
- Transparent pre-harvest price negotiations and guarantor role of buyer.
- Partnership models that provide extension services, training and inputs directly to farmers.
- Internal structures within Unilever that see procurement, supplier development and sustainability functions working hand in hand.
- Key role for leadership in generating commitment and trust, and bringing together the actors needed to succeed with a fragmented supply base.

Critically, in the cases looked at there was a commercial basis for Unilever engagement; a development opportunity for government and NGO agencies; and a market opportunity for suppliers, farmers and input providers. The combination of these three factors = MUTUAL BENEFIT.

The question that then arises is, what is it that a lead firm can do to influence the trading relationship between primary producers and their direct buyers? And what does it take for such approaches to succeed?

The assumption made here, based on the Unilever operating model, is that lead firms are rarely, if ever, in a direct trading relationship with smallholders; the relationship is often mediated by one or more levels of trader and supplier. It is their actions that will make or break attempts at inclusive business.

By adapting aspects of procurement, lead firms can support suppliers to trade with smallholders and, in doing so, lead firms and suppliers can reconcile inclusion of smallholders with commercial drivers.

Research carried out by IIED identified the following critical success factors for a lead firm to promote more inclusive business models:
As noted above, even with enablers in place, getting from pilot to commercialisation can be hugely challenging. The IIED research uncovered a number of reality checks for new inclusive business initiatives with smallholders:

- The role and importance of market and sector organisations is often overlooked; inclusive procurement works much better when a receptive business connects with a well-organised sector, as in the example of the Kenyan tea industry. More fundamentally, a better outcome for rural poverty reduction may be achieved through better deals for smallholders who are already in the supply chain, or for workers, rather than opting to expand sourcing from new smallholders.

- Creating “islands of success” based on the integration of relatively small numbers of smallholders into formal value chains is a narrow definition of “inclusion”. It makes an important but relatively specific contribution to rural livelihoods, smallholder development
and long-term supply security, and often excludes more marginalised groups, such as women, that are not organised and do not have access to land, finance, training or market information.

- A wider notion of inclusion comprises the development of less formal and even informal markets and services on which most poor communities rely. Yet these markets are more distant or totally disconnected from lead firms and inclusive procurement approaches.

### The role of intermediaries

In the Unilever cases studied, and as reflected in the research into other lead firms’ experiences, the role of supply chain intermediaries is often a crucial enabler to making inclusive business work. These enablers/connectors include NGOs which may act as technical service providers, as was the case with Activta in Azerbaijan or Rainforest Alliance in Kenya.

The IIED research identified some specific lessons for them, too:

**Focus on the end goal**

Despite often being mission-driven organisations, value chain connectors can lose clarity on the specific objectives being sought and become focused on the means rather than the end. It is important for these organisations to be clear around the end goal, the barriers that are preventing progress towards it, and whether and how working with companies and more inclusive business models can provide a solution. It is also important not to let a focus on smallholder inclusion hinder other equally important means of poverty reduction, such as the creation of good quality jobs on agricultural plantations or the improvement of conditions and wages for casual labour used by smallholders.

**Understand there will be both shared and separate objectives in working with companies**

Collaboration involves shared goals, along with clear roles, responsibilities and indicators of progress towards those goals. At the same time, it should be acknowledged that each partner will have their own specific objectives that need to be met. NGOs will want to see broader impacts beyond the value chain – tackling underlying causes of poverty – and at the same time need to understand that companies will be focused on commercial objectives.

**Make procurement work better for development**

NGOs should be asking companies and procurement departments whether they know where their key commodities come from and under what conditions they are produced. This can be an effective tool to raise awareness and create pressure for change. NGOs should also be working as “honest brokers”, helping to make inclusive value chain connections but also supporting farmers to improve their skills and preparation for negotiation around trade and contracts. NGOs can help ensure that transparency and other good supply chain practices reach right down to farmer level by supporting and improving the functioning of producer organisations, including through better internal governance and transparency.

**Support farmers to manage risk**

Working with formal value chains presents real opportunities for farmers to improve incomes, but international markets can also be risky and volatile. Value chain connectors can help ensure farmers understand the risks of engaging in more formal value chains and develop resilience strategies to manage risk, such as through crop and market diversification. They can also help ensure that contracts that set out good buying practices and fair sharing of risks are respected. Training of producer organisations can improve preparation for negotiation around trade and contracts with the buyer, as well as build knowledge of alternative crops and markets, which influences choice and negotiation and reduces dependency on one lead-firm buyer.

**Support pre-competitive alliances**

In many circumstances, pre-competitive alliances may have greater positive impacts for a wider group of smallholders and communities than inclusive value chains. Yet pre-competitive collaboration is not easy. NGOs and others can play a role in overcoming some of the challenges in pre-competitive alliances by acting as a neutral third party, for example aggregating information that would individually be commercially sensitive, and helping to avoid the risk that collaboration between competitors is perceived to be collusion.

**Avoid “projects” – focus on pilots**

Inclusive procurement initiatives that have real impact and sustainability are likely to be strongly driven by an inclusive procurement strategy and linked to the commercial business. Before
engaging with a company, NGOs should look for evidence that the initiative is strongly linked to the core procurement function, asking which part of the business key staff come from and where the relevant budgets sit.

There is also a need to understand the complexity of smallholder inclusion. NGOs play an important role in supporting and pushing companies to be more inclusive and have a stronger development impact, and this should not change. At the same time, there needs to be some recognition that it will be the more organised smallholders who can successfully work with formal value chains, and the more established businesses that can best manage the initial costs and risks of working with smallholders. Government policy and investment is crucial for reaching less organised farmers and creating broader “inclusion” by upgrading the informal sector or strengthening land rights.

How has Sunrise contributed more widely to each organisation?

**Unilever**

Since 2010, and the subsequent launch of the Unilever Sustainable Living Plan, Unilever has spent a significant amount of time and resource on understanding the volume of materials ultimately sourced from smallholder producers, and on the impact of procurement buying practices on these producers. Sunrise has contributed to this effort through helping Unilever to understand what it means to improve livelihoods, how to measure this, and where and how to intervene to improve livelihoods.

**Oxfam**

Oxfam has become increasingly aware of the value the private sector has as a key actor in the fight to eliminate poverty. The 2010 “Briefing for Business” paper “Think big. Go small” set out what Oxfam and its collaborating partners saw as the role of a lead firm in development. Since then, learning from Sunrise and the partnership with Unilever has helped deepen Oxfam’s understanding of how a lead firm’s procurement operation works and where it can, and can’t, make a meaningful contribution to more and better inclusion along the value chain.

What next?

Unilever and Oxfam have leveraged the learning from Project Sunrise to set up a new fund for enterprises in the supply chain. Beginning in January 2015, Unilever and Oxfam, supported by the Ford Foundation, will establish the Enhancing Livelihoods Fund, investing in suppliers to achieve more and better social impact through more and better inclusive business practices.

This will facilitate uptake of the Sunrise guidance by Unilever suppliers, with resource support from the Fund. The Fund will start with EUR 1.1 million for the first round of eight to nine investments. Oxfam and Unilever will seek additional funding from external sources to scale up the Fund and extend operations. In this second stage, the Fund may also handle finance from companies other than Unilever, in order to widen the impact of this work.
Annex A – MoU as signed in July 2010

Memorandum of Understanding

Oxfam and Unilever

Project Sunrise: Linking smallholder farmers into Unilever’s global supply chain

Introduction: This Memorandum of Understanding is made on 20 July 2010 between (1) Oxfam (Company number 00612172) a registered charity registered in England and Wales and a company limited by guarantee, which is a member of Oxfam International, of Oxfam House, John Smith Drive, Oxford, OX4 2JY (“Oxfam”); (2) and Unilever UK Central Resources Limited (Company number 00029140) of Unilever House, 100 Victoria Embankment, London EC4Y 0DY on behalf of the Unilever Group (“Unilever”).

1. Statement of Intent

Smallholder agriculture is the main activity of the three billion people living in poverty, and Oxfam has a significant programme aimed at supporting smallholder farmers and their organisations to gain access to sustainable trade and improved market systems. Oxfam aims to improve the economies of smallholder farmers through, among other means, facilitating them to take part in the value-chains of multi-national companies.

Unilever have extensive supply and processing networks globally, and 10 years experience in pioneering sustainable agriculture. They are increasingly seeking ways to generate additional product volume and are exploring the possibility of doing so through sustained trading relationships with smallholder farmers.

Oxfam and Unilever will work together on an innovative sourcing model that should achieve impact at global level. The aim is to provide long-term benefits to approximately 100,000 smallholders and agricultural workers in two countries, create cost-effective supplies to Unilever, and reduce poverty in each location over a five-year period.

Unilever commits to buying a significant percentage (from 5% – 20%) of its global requirements of key vegetables through this smallholder business model. Exclusive relationships will neither benefit smallholders, Unilever nor the company or consortium of companies that will act as the service provider for conversion of fresh vegetables produced by the smallholder farmers to dehydrated vegetables which is the final product bought by Unilever (the “Processor”). To avoid this, the Processor will develop relationships with other buyers. To ensure that smallholders are not solely reliant on Unilever or the Processor purchasing, market facilitators will develop parallel local or regional markets, as well as monitor negotiations between Unilever, the Processor and the smallholders.

This project aims to demonstrate how adapting Unilever’s, the Processor’s suppliers’ and farmers’ core business models, can enable smallholders, particularly women, to equitably trade in their global supply chains. Therefore monitoring, evaluation and learning processes will be developed, to influence other companies sourcing and purchasing strategies.

Alongside this work, Oxfam and Unilever will continue to discuss other issues critical to the broader agendas of both organisations, including labour rights, climate change and palm oil and develop proposals for their improvement. Oxfam and Unilever will also endeavour to discuss advocacy strategies and explore the potential to collaborate on a campaign.
2. Objectives of Project Sunrise
Unilever and Oxfam intend to undertake a project to link smallholder farmers into Unilever’s global supply chain through the activities described in a Project Plan to be agreed by the Steering Group (“Project Sunrise”). Project Sunrise aims to:

- Build supply chains that are commercially viable for all actors, sustainable, and ensure increased incomes for both women and men smallholders and farm workers in Azerbaijan, Tanzania and other countries as appropriate.
- Share learning from Project Sunrise to inform companies and other organisations world-wide, on what types of investment and Business models deliver commercially viable smallholder agriculture that reduces poverty.
- Foster positive impact more widely than the project itself in order to reduce poverty at scale.

3. Composition of the Project Team and the Steering Group
The members of the Project Team and Steering Group are as set out in Schedule 4.

4. Decision-Making Principles
1. The Corporate Sponsors will provide overall governance of Project Sunrise and will meet every 6 months.
2. The Steering Group will manage Project Sunrise and will be responsible for overall strategy and communications.
3. The Steering Group will meet every two months during the project to make decisions about the aims, objectives, timeline, and implementation of the project.
4. Steering Group meetings will take place in London or Oxford and consideration will be given to the possibility of undertaking meetings on conference call.
5. The Steering Group will review the Core Principles (as set out in Appendix 3) every six months and may recommend amendment or augmentation of those principles for the Corporate Sponsors to ratify at the Corporate Sponsors’ meetings.
6. Notes of the meetings will be taken by the Project Assistant, and circulated to the Steering Group for agreement within seven working days.
7. Each Project Team member will work to agreed objectives and clear reporting requirements.
8. In the event of a strong difference of opinion concerning the Project Plan, both parties will have recourse to the Grievance Mechanism (as per Section 14).

5. Confidential Information
The parties have executed the Confidentiality Agreement in Schedule 1.

6. Timetable
This Memorandum of Understanding shall commence on the date stated in the Introduction, and shall continue for five years, unless extended by mutual agreement or terminated early in accordance with its terms.

7. Joint Workplan
1. Roles and responsibilities of each Implementation Team member will be defined in the Project Plan to be agreed by the Steering Group.
2. Each party agrees to undertake their respective activities as described in the Project Plan.

8. Funding Arrangements
1. Unilever and Oxfam will cover the costs of their own staff in the Steering Group, excluding travel. Unilever and Oxfam will cover the costs of travel and other staff participating in Project Sunrise through Project Sunrise Funds, as agreed by the Steering Group.
2. Unilever will contribute £750,000 to Project Sunrise in the first year, to be paid on or before 31 March 2010. Unilever’s contribution shall be held as a restricted fund in Oxfam’s accounts. Oxfam’s contributions of £250,000 shall be a designated fund when allocated. Contributions by third parties shall be held and accounted for in Oxfam’s accounts either as restricted or designated funds depending on the terms of payment.

3. Unilever will contribute amounts to further years of Project Sunrise at amounts to be agreed.

4. Oxfam shall fundraise for remaining costs needed to carry out Project Sunrise and Unilever will co-operate in making joint approaches to donors where deemed appropriate by the parties.

5. The Project Funds shall be dealt with as set out in Schedule 2.

9. Core Principles and Commitments
The parties will comply with the Core Principles attached at Schedule 3 and will procure that their partners or sub-contractors comply with such principles.

10. Communication
The parties will agree and adhere to a Communication Plan including a reactive line which will be signed by both parties. Neither party shall make any statement relating to Project Sunrise which is not agreed by the other or otherwise described in the Communication Plan.

Nothing in this agreement shall affect Oxfam’s freedom to comment or campaign on issues determined in its absolute discretion.

11. Intellectual Property
Each party shall remain the owner of any intellectual property rights in pre-existing works and tools they provide to the other during the collaboration, but shall agree on an individual basis to license those rights to the other party to use or allow others to use and develop those works and tools for any purpose specified at paragraph 2. Negotiations under this paragraph shall be conducted with a view to furthering the objectives specified at paragraph 2, and neither party shall unreasonably withhold its consent to granting any license.

Each party shall also be the owner of any intellectual property rights in works and tools they create during the collaboration, but shall license those rights to the other party on an irrevocable, royalty-free basis to use or allow others to use and develop those works and tools for any purpose specified at paragraph 2.

To the extent that works and tools are created by other third party organisations the third party shall be the owner of intellectual property rights in those works and tools, but the party responsible for the relationship with that third party shall seek to procure that such works and tools are available for use and development for the purposes set out in paragraph 2.

12. Termination
1. Either party may terminate this agreement with immediate effect by giving written notice to that effect if:
   • the other party is in material breach of this agreement, and that breach has not been remedied within 90 days of the issue being brought to the attention of the other party
   • Unilever is unable to appoint a Processor for the term of Project Sunrise within 90 days of the date specified in the Project Plan.
   • Oxfam GB is unable to secure funding which the parties have agreed is required for the project within 90 days of the dates specified in the Project Plan or otherwise agreed between the parties.
   • One of the parties does something which the other party reasonably believes will affect its reputation.

2. Either party may terminate this agreement by giving the other party written notice of intention to terminate under this paragraph in the event that one or more of the project objectives have
not been achieved as specified in the Project Plan. If, within a further three months from the date of notice of intention to terminate, the objectives have still not been achieved, either party may terminate the agreement by giving the other party one months' written notice.

3. In the event of notice to terminate being given, the parties will agree an exit strategy that is fair and equitable to other stakeholders that have actively engaged with Project Sunrise prior to termination of the agreement, including but not exclusive to smallholders and Non Government Organisations. The parties will ensure that contractual commitments made to smallholders through Project Sunrise will be met and will take action to minimize any detrimental effects to smallholders resulting from exit.

13. Data Protection
During Project Sunrise, each party may receive personal data (as defined in the Data Protection Act 1998) relating to the other party. This data will at all times remain the property of the party disclosing it. The party receiving data must make sure that it only processes the data according to the disclosing party’s instructions and to the extent required to perform any obligations under this Agreement. The receiving party must not disclose personal data to any third party except where it has obtained the disclosing party’s consent. Each party must ensure it has appropriate technical and organizational measures in place to protect personal data from any unlawful use, loss, destruction or damage. Finally the receiving party must ensure the reliability of any employees who have access to any data.

14. Grievance Mechanism
1. The Steering Group shall endeavor to resolve any differences between Unilever and Oxfam. Failing resolution, the matter shall be escalated to the Corporate Sponsors.

2. Failing resolution by the Corporate Sponsors the issue shall be escalated to the Unilever Advisory Director, who chairs the External Affairs & Corporate Relations Committee, Baroness Chalker of Wallasey, and an Oxfam Trustee nominated by the Chair of Oxfam, who shall, as soon as reasonably practicable after a written request from either party to the other, meet in good faith to resolve such dispute or difference without recourse to legal proceedings.

3. If the parties are unable to resolve the dispute within a further 10 working days, then the parties will attempt to settle the dispute by mediation in accordance with the Centre for Dispute Resolution (CEDR) Model Mediation Procedure. To initiate mediation the initiating party must give notice in writing to the other party and send a copy of the notice to CEDR. The mediation will start no later than 10 working days after the notice. Subject to point 5 of this paragraph 14, the parties agree not to commence any court proceedings in relation to the dispute until they have attempted to settle the dispute by mediation and that mediation has either terminated or failed.

4. Unless otherwise agreed in writing, the costs of any mediation carried out pursuant to this paragraph 14 shall be shared equally between the parties.

5. Nothing in the Agreement shall prevent either party from taking such action as it deems appropriate (including any application to a relevant court) for injunctive relief or other emergency or interim relief.

6. Any subsequent dispute will be subject to English law and the exclusive jurisdiction of the English courts.

15. Measures to Mitigate External Risks and Threats to Project Sunrise
1. The Memorandum of Understanding will be available to the public (and announced publicly if deemed to be appropriate by both parties).

2. A reactive media line should be identified and agreed. It should be transparent and available for use by the Project Team.

3. Each party shall indemnify and hold harmless the other party against each loss, liability and cost (including reasonable legal expenses) arising as a result of defending or following
consultation with the indemnifying party) settling a claim brought by a third party against that party as a result of the negligence or breach of this Agreement of that first party in relation to the conduct of (or failure to conduct) Project Sunrise.

4. Each party shall be responsible for insuring its own staff in relation to activities carried out under this Agreement.

16. End-of-Project Evaluation and Application of the Research Findings
   1. Unilever or Oxfam may use learnings from Project Sunrise for educational purposes, with the consent of the Steering Group.
   2. Following the expiration or termination of this Agreement, Oxfam and Unilever may decide to host a concluding workshop to evaluate how the findings could be progressed (based on the agreement of both parties at that time).

17. Miscellaneous
   Nothing in this document or any document referred to in it or any arrangement contemplated by it shall be construed as creating a partnership between the parties for any purpose whatsoever and neither party shall have the power or authority to bind the other party or impose any obligations on it to the benefit of any third party.

18. Governing Law and Jurisdiction
   This Agreement and any issues or disputes (whether contractual or non-contractual in nature) which arise out of or in connection with it shall be construed in accordance with English law and the parties irrevocably submit to the exclusive jurisdiction of the English courts to settle any disputes which may arise in connection with this Agreement.

Signed for and on behalf of Oxfam
   Sign:
   Name:
   Position:
   Date:

Signed for and on behalf of Unilever UK Central Resources Limited
   Sign:
   Name:
   Position:
   Date:

Schedule 1 – Confidentiality Agreement

   Date:
   Parties:

(1) Unilever UK Central Resources Limited (company number 00029140) whose registered office is at Unilever House, 100 Victoria Embankment, London EC4Y 0DY (“Company”); and

(2) Oxfam, (company number 00612172) a charity registered in England and Wales and a company limited by guarantee whose registered office is at 274 Banbury Road, Oxford OX2 7DZ (“Recipient”).

Background

A Company on behalf of the Unilever Group and Oxfam are undertaking a project to link smallholder farmers into Unilever’s global supply chain. During the course of such discussions, Unilever shall give Confidential Information (as defined below) to the Recipient which Unilever wishes to protect.
It is now agreed that:

1. For the purposes of this Agreement the following terms shall have the following meanings:

   “Project Sunrise” means the project described in the Memorandum of Understanding dated on or around the date of this agreement, entered into between the parties linking smallholder farmers into Unilever’s global supply chain.

   “Confidential Information” means information of any nature whatsoever in any form relating to the business of the Company and/or other members of the Unilever Group, (including, without limitation, proprietary business information, trade secrets, strategic plans, business methods, financial information, technical data, know-how, drawings, formulae, test results, reports, project reports and testing procedures, practices, instruction and training manuals, tables of operating conditions, market forecasts, specifications, tables lists and particulars of customers and suppliers, marketing methods and procedures, show-how and advertising copy) which may reasonably be regarded as confidential which is disclosed or made available to the Recipient, either directly or indirectly, and all copies, notes, reports, analyses and reviews of the aforementioned information prepared by the Recipient or on its behalf. For the purposes of this Agreement, “Confidential Information” shall not include the results of Project Sunrise, which shall instead comply with a separate clearance procedure, as mutually agreed in the Communication Plan (as defined in the Core Principles)

   “Purpose” means Project Sunrise;

   “Representatives” means the directors, officers, employees, agents and advisers of the Recipient; and

   “Unilever Group” means Unilever PLC, Unilever NV and any company in which either or both together directly or indirectly owns or controls the voting rights attaching to not less than 50% of the issued share capital, or controls directly or indirectly the appointment of a majority of the board of management, and references to a member of the Unilever Group will be construed accordingly.

2. In consideration of the Company furnishing the Recipient with Confidential Information, the Recipient agrees to:

   2.1 keep all Confidential Information strictly confidential;

   2.2 not to disclose the whole or any part of the Confidential Information to any person unless authorised in writing by the Company;

   2.3 use the Confidential Information for the Purpose only; and

   2.4 to maintain the Confidential Information as the Company’s property.

3. The obligation of confidentiality shall not apply to information which the Recipient can prove in writing was at the time of disclosure to any third party: (a) in the public domain, or (b) lawfully in the Recipient’s possession, and not acquired directly or indirectly from the Company, a party associated with the Company, or a third party under an obligation of confidentiality, or (c) furnished to the Recipient without restriction by a third party having a bona fide right to do so, or (d) becomes public knowledge by act or acts other than those of the Recipient or any person related to it, or (e) Unilever agrees can be disclosed free of this confidentiality obligation.

4. The Recipient shall restrict access to the Confidential Information to its directors, officers or employees who need to know the same for the purpose of carrying out any task required by the Recipient for the furtherance of the Purpose (hereinafter called “the Permitted Persons”). The Recipient agrees to use its best endeavours to ensure that its Permitted Persons shall not divulge the Confidential Information to any person and shall deal with the Confidential Information solely in accordance with this Agreement.

5. All Confidential Information (including copies) shall be immediately returned to the Company upon request. The Recipient shall not copy, reproduce, publish or distribute in whole or in part any Confidential Information without the prior written consent of the Company.
6. The obligations contained herein shall survive the completion of any project to which they relate, and the Agreement can only be terminated by written agreement between the parties.

7. The Recipient acknowledges that any breach of this Agreement would injure the Company and/or other members of the Unilever Group irreparably and that money damages alone would not be sufficient remedy for such breach. In the event of any disputes or differences between the parties arising in connection with this Agreement, the Unilever Advisory Director, who chairs the External Affairs and Corporate Relations Committee, Baroness Chalker of Wallasey, and an Oxfam Trustee to be nominated by the Chair of Oxfam shall in the first instance, as soon as reasonably practicable after a written request from either party to the other, meet in good faith to resolve such dispute or difference without recourse to legal proceedings.

8. This Agreement and any issues or disputes (whether contractual or non-contractual in nature) which arise out of or in connection with it shall be construed in accordance with English law and the parties irrevocably submit to the exclusive jurisdiction of the English courts to settle any disputes which may arise in connection with this Agreement.

The parties have shown their acceptance of the terms of this Agreement by executing it below.

SIGNED by
duly authorised for and on behalf of Unilever UK Central Resources Limited

SIGNED by

duly authorised for and on behalf of Oxfam

Schedule 2 – Management of the Project Funds

1. All Project Sunrise funds (the “Project Funds”) will be held by Oxfam, which may be co-mingled with other funds but Oxfam will account for the funds in accordance with its restricted/designated funding procedures.

2. Any interest earned on Project Funds paid by Unilever will be used exclusively for the purposes set out in this agreement. Interest earned on Project Funds from Oxfam shall be unrestricted and from other sources will be used on the terms agreed.

3. Termination

Following termination of this agreement, any funds not required for Project Sunrise purposes [which includes exit arrangements] shall be dealt with as follows:

- To the extent that the funds represent restricted funds paid by Unilever, they shall be repaid to Unilever;
- To the extent that the funds represent designated funds derived from Oxfam, they will become undesignated and form part of the general funds of Oxfam. To the extent that the funds represent funds derived from third party contributors they shall be dealt with according to the terms agreed with such contributor.

Schedule 3 – Project Sunrise Core Principles

Purpose:
- Build supply chains that are commercially viable for all actors, sustainable, and ensure increased incomes for both women and men smallholders and farm workers in Azerbaijan and Tanzania.
- Share learning from Project Sunrise to inform companies and other organisations world-wide, on what types of investment and business models deliver commercially viable smallholder agriculture that reduces poverty.

The following principles illustrate how partners should work to deliver this purpose
Core Principles

1. **Integrate business and development imperatives**
   - (a) The parties will implement equitable business models that safeguard the interests of all players in the supply chain
   - (b) The parties will implement trading contracts that are gender inclusive and negotiated freely, transparently, and equitably
   - (c) The parties recognise and support creating economic opportunities for women in smallholder and labourer families as one of the primary development priorities of this project
   - (d) The parties will operate in agreement with Unilever’s and Oxfam’s codes of conduct
   - (e) The parties commit to and support the creation of locally adapted sustainable farming systems

2. **Foster positive impact more widely than the project itself**
   - (a) The parties will not inhibit or limit the growth of trade and economic activities stimulated by this project
   - (b) The parties recognise that investments may be required towards activities that are not directly linked to the specific raw materials of interest
   - (c) The parties will support the development and sharing of learning from the project, within the boundaries of commercial confidentiality (also see 3.b)
   - (d) Through Project Sunrise, the parties will explore the potential for adding value at farm level through innovative forms of small scale processing.

3. **Communication**
   - (a) The parties agree that each party can use project information for their organisation’s purposes
   - (b) The parties will abide by a mutual clearance procedure for all public communication about Project Sunrise, as laid out in the Communication Plan
Annex B – Sunrise 2.0 programme description signed off in January 2013

Sunrise 2.0 – Programme Summary – March 2013

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

2. Goal
The goal of Sunrise 2.0 is to learn how to do business with smallholders in a way that it improves their livelihoods. The intention is that this will inform Unilever’s business model and Oxfam’s development model and that learning from this will be shared widely.

3. Objectives
• To understand supply chain actors’ roles and functions, and the power dynamics, in supply chains currently sourcing from smallholders by analysing examples and experience from Unilever, Oxfam and others
• To use the outputs from this to deliver tools and guidance applicable to Unilever procurement and its suppliers that can improve smallholder livelihoods

4. Scope
In scope:
• the interface between smallholder farmers/organisations and the first tier suppliers that they sell to and the relationship and dynamics between these suppliers and Unilever
• what Unilever and its’ suppliers can do to achieve improved livelihoods within commercial operations as defined by the Unilever theory of change (see Annex A)
• what an enabling and sustainable environment (social, economic and environmental) for bringing in more marginalised farmers looks like

The programme will have three main components:

Component one: Value Chain Analysis
Cross section of supply chains currently sourcing from smallholders – examples from Unilever (tea Kenya/Rwanda, Black Soy Indonesia, Tomatoes India), Oxfam (frozen veg Guatemala, onions Azerbaijan) and others to understand critical success factors and trade offs for Unilever and first tier suppliers for improving smallholder livelihoods and creating more inclusive business models. Seeking to understand the link between current Unilever procurement and supplier practices/policies, the impact on smallholders of this and ways to improve positive impacts.

Core activities structured around three areas: (i) understanding the current operation of supply chains, the situation of smallholders in them and the impact of Unilever and supplier procurement practices on them (ii) analysis of business models inclusivity and evolution and mapping of areas for innovation (iii) follow-up and extracting key success factors for the development of best practice guidance for procurement and blueprint inclusive business models for first tier suppliers.

Component two: Best practice development
Research to understand best practice external to Unilever supplier engagement and inclusive business models for improving livelihoods.

Component three: Learning Synthesis and communication
Will bring together the research outputs of components one and two to deliver final products.

Final products that will be delivered by this component are:

- Best practice guidance for Unilever procurement on how to work together with suppliers to source from smallholders in ways that can improve livelihoods, as well as secure sustainable sources of supply. The guidance will also:
  - Identify the key leverage points where Unilever and its suppliers can affect positive change for smallholder producer livelihoods
  - Identify incentive structures and support mechanisms within Unilever that would create the opening for suppliers to test/implement the identified best practice
- Guidance for Oxfam/NGOs on engaging suppliers/processors at country level to improve smallholder livelihoods
- A blueprint inclusive business model for first tier buyers (including Unilever when it is the case) that can improve livelihoods through facilitating access to training, services and inputs and enhance inclusion and social impact
- Programme report, workshop and learning journey to share findings and to promote uptake of the guidance and business model by key actors within Unilever and Oxfam responsible for driving forward the agenda on smallholder inclusion and development.

Assumptions

That Sunrise 2.0 will focus on improved livelihoods as defined by the Unilever theory of change

That Sunrise 2.0 will also focus on researching options to increase inclusion in order to create and sustain improved livelihoods for a widening supply base of smallholder producers. More inclusive means models that make trading in to modern supply chains:

- more accessible to farmers further down the asset ladder and therefore have the potential for more poverty impact
- more durable (relationships last through time) and stable (less volatile) and beneficial (trade is profitable, helps farmers build assets and skills, invest for the future and contributes to security of supply)

That a core deliverable will be to identify best practice and guidance around the delivery of training, inputs and services in line with the Unilever theory of change on improving livelihoods

That this best practice and guidance will need to go beyond looking at only the Unilever theory of change to understand the context this happens in and options for more inclusive business models in the future

That the best practice and guidance will be based on VCA and research from Unilever cases and external cases
Annex C – Budget report

Under the MoU signed in July 2010 Unilever contributed £750,000 to the global budget for Sunrise. Oxfam contributed £250,000 to be dispersed at country programme level.

Both organisations contributed significantly in-kind through staff resources to manage the project and take part in the governance of it through membership of the steering committee.

The diagram below shows a breakdown of the budget expenditure for the global budget of £1 million.

Total global direct expenditure