

CASE SUMMARY

Mondi Paper Recycling: Outsourcing the supply chain	
Country: South Africa	MDGs addressed:  
Sector: Waste management	Author: Pierre Coetzer
Inclusion of the poor: Consumer	Lead organization: Foreign MNC
Theme(s): Environmental impact	

Abstract



Photo credit: Pierre Coetzer

Mondi Recycling, a stand-alone unit of Mondi Packaging South Africa (MPSA), has reconfigured its entire supply chain of recovered fibre, as used paper is known in the industry, by outsourcing an essential link of the recovery process to former employees through an owner-driver scheme, establishing independent sorting and bailing operations, relying on a network of buy-back centres and, further down the chain, a large network of individual hawkers. While this outsourcing model does not come without its own set of questions and limitations, it has provided substantial benefits to the actors involved, mainly for the owner-drivers and their employees,

sorting and bailing companies and their employees, and to a lesser degree the managers of buy-back centres.

The owner-driver scheme involves many hundreds of people and does not revolve around a particular personality. It is fair, however, to say that several key figures are instrumental in shaping the model: they include personalities such as Roxley Ravuku, the general manager of Mondi Recycling, and his small team who are in charge of the overall coordination. The owner-drivers are a mixed set of characters, but typical profiles would be former Mondi employees already well-schooled in the paper recycling industry. Such owner-drivers, while having lost the relative security of permanent salaried employment with Mondi, have mostly grown into successful entrepreneurs, providing a living for a total of several hundred South Africans from poor or very poor backgrounds. Other key figures in the model include the owners and employees of sorting and bailing companies, owners and managers of the 117-odd buy-back centres, who are also typically from low-income backgrounds, and, in the shadows, the estimated 12,000 informal hawkers who play an important role in feeding Mondi Recycling’s recovered fibre supply chain.



Quote

“Mondi has a dual relationship: first with the owner-driver, and then with the source of the recovered fibre. When the owner-driver picks up the recovered fibre it has already been paid for by Mondri to the respective convertor, corrugators etc. What Mondri pays to the owner-driver is the transport service, not the paper itself.”

Roxley Ravuku, Mondri Recycling General Manager

Strategy Matrix

	Adapt products and processes	Invest in removing constraints	Leverage the strengths of the poor	Combine resources and capabilities	Engage in policy dialogue with government
Market information	Market is oligopsonistic as there are only a few buyers at one end of the value chain	Low rates of recycling and paper recovery			
	Developed the owner-driver structure (shift from a fixed salary to a volume-driven pay structure)	Introduced environmental awareness programme in schools			
Regulatory environment	Delay in implementing the country's national waste management strategy				Delay in implementing the country's national waste management strategy
	Collecting waste paper in residential areas				Lobby government for more binding regulation
Physical infrastructure	Securing supply of paper while remaining competitive				
	Developed the owner-driver structure (shift from a fixed salary to a volume-driven pay structure)				
Knowledge & skills					
Access to financial services					

Actors

- **Owner-drivers:** independent businesses that collect and deliver recovered paper to Mondri, most of whom are former employees of Mondri. The business is entirely volume-driven, as



Mondi pays its owner-drivers per ton of recovered fibre. Owner-drivers are assigned certain areas and routes where they can collect recovered fibre.

- **Buy-back centres:** function as central waste collecting points; paying cash to hawkers and other individuals for waste paper – and, in some cases, other types of waste such as glass, scrap metal and plastic.
- **Hawkers:** are at the bottom of the supply chain of recovered fibre. Mondi estimates that currently a total of about 12,000 hawkers collect paper around the country (the majority of them collect cardboard and newspapers from shopping centres and within residential areas).
- **Other businesses:** contribute to both the pre- and post-consumer supply channels of recovered fibre by reducing their own environmental footprint. Such businesses include major South African retailers such as Pick n Pay, Woolworths, Checkers, shopping malls around the country, and essentially any large businesses using significant amounts of paper.
- **State-backed actors,** include for example, the Industrial Development Corporation (IDC), the publicly owned industrial development agency of South Africa. As an example of its support role, the IDC in 2005 provided Mondi with a small R 500,000 loan to help provide vital start-up finance to the buy-back centres. The South African government also is directly involved through the Department of Trade and Industry (DTI).

Results

- **Economic:** The biggest single impact, arguably, is that owner-driver scheme has resulted in the establishment of over 40 small enterprises. By empowering former employees in the form of sorting and bailing companies, owner-driver schemes, and by supporting and investing in the buy-back centres, Mondi Recycling also makes a significant contribution to the creation of a new class of entrepreneurs, employment and skills transfers in a country suffering from high levels of unemployment. In 2009, Mondi paid a total of R 45 million in fees to the 42 owner-driver businesses, for a total volume of recovered paper of 160,000 tons
- **Social:** The long-term social results include indirect benefits such as increased incomes for hundreds of people, ultimately increasing the opportunities for people to send their children to schools and higher education, consolidating social and economic benefits for each new generation.
- **Environmental:** For every ton of paper recycled, Mondi estimates that 17 trees are saved and can be put to other uses. This has further environmental benefits as trees are indispensable for carbon retention and help mitigate the effects of global warming and climate change. Savings of up to 40% of electricity can be made to produce paper from recovered fibre. Mondi estimates that every ton of recovered fibre leads to a reduction of carbon emissions of 1 ton, and a further reduction of 1.8 tons of CO₂ as a result of savings on electricity. Recycling leads to less waste being discarded in the environment and saved landfill space.



Research Fellow



Pierre Coetzer is an associate at Reciprocity, a development consultancy based in Cape Town. He holds an MA in International Relations and Public Affairs from the University of Louvain (UCL) in Belgium, and a BA in Business Management from ICHEC in Brussels. He has seven years experience in Finance and Investment banking with Arthur Andersen in Luxembourg and Euroclear Bank in Brussels. He moved to Cape Town in 2007 to work as an independent analyst on socio-economic and political issues affecting countries

in transition, with a special focus on Southern Africa. Within Reciprocity, Pierre is mainly in charge of researching, writing and publishing factsheets on inclusive business models and other initiatives aimed at expanding choice and opportunity for people at the base of the economic pyramid. He holds dual South African and French citizenship and is fluent in French, Afrikaans, English, and German.

Citation

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