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# FAO Regional Conference for Africa

## TWENTY-SEVENTH SESSION

## Brazzaville, Congo, 23-27 April 2012

## PUBLIC-PRIVATE PARTNERSHIP FOR INITIATING AGRICULTURAL PROGRAMMES TO SUSTAIN LIVELIHOODS AND CREATE WEALTH

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## Executive Summary

Despite potential problems and complexities, public-private partnerships for agricultural development that are carefully planned and implemented can help governments to improve the quality, reduce the price, and extend the coverage of services. They can also accelerate the construction of infrastructure and facilities that are crucial for economic development.

The success of PPPs is reflected primarily in the economic gains of the farmers and other participating smallscale private sector partners. Social benefits, to the extent achieved, are mainly a result of the increased incomes or diversified livelihood pathways.

The nature and scope of PPPs are flexible and can be adapted to a number of sector develop-ment objectives and sub-sectors.

Given the current and the emerging interest in investment and agricultural development in Africa, governments need to prepare themselves to take advantage of PPPs for addressing the challenges facing agriculture and achieving socio-economic development goals.

## Suggested action by the Regional Conference

FAO may be called on to:

a) Provide guidance on organizational reforms in ministries of agriculture and specific capacity development requirements for units and officers assigned with primary responsibility for appraising, negotiating and providing oversight to partnership programmes;

b) Advise and assist countries involved in or interested in major public-private partnership initiatives, giving particular attention to actions required to protect the interests of smaller scale producers, processors, etc.

# I. Introduction

1. An important institutional mechanism for mobilizing investment resources and addressing other developmental constraints – such as underdeveloped agricultural services, less than optimal farm size, and inadequate size of market – is public-private partnerships (PPPs). The value added of PPPs in initiating agricultural programmes, besides gaining access to additional financial resources and risk sharing, consists of tapping into the power of innovation and efficiency of the private sector. Consequently, PPPs can help to achieve economic development, social and equity policy goals.

2. While various forms of collaboration between the public and private sector have existed for some time, there is a gap in knowledge about the current experiences and best practice for using PPPs to initiate agricultural programmes in Africa. This paper gives overview of recent experiences in using PPPs for initiating agricultural programmes in Africa, drawing mainly on a FAO appraisal of PPPs carried out in PWB 2010-12. The paper characterizes the diverse nature of PPPs, presents observations on lessons and success factors, and makes proposals on priorities for extending and scaling the use of PPPs for agricultural development in Africa.

# II. Background and Context

3. Agricultural development in Africa has been slowed by low public budgetary allocations to the sector. In 2007, the New Partnership for Africa's Development (NEPAD) survey found that 50 percent of the countries spent less than five percent of their national expenditure on agriculture development. Over the years there have been efforts to find solutions to the challenge of under-investment at the national and regional levels. For example, the Maputo Declaration directed all AU countries to increase agricultural investments to at least 10 per cent of their national budgets. Subsequently, the Comprehensive Africa Agriculture Development Programme (CAADP) enjoined African countries to invest enough resources to achieve at least six per cent agricultural growth rate.

4. However, the public sector alone cannot provide the level of needed investment and therefore the private sector must necessarily be engaged to partner the public sector. The potential role of the private sector in advancing agricultural sector development is widely recognized in many African countries and by the international community. Many recent policy initiatives at national and regional levels acknowledge markets as the best vehicle for rural economic development. These policies emphasize the synergies that can be obtained through cooperation between the private and public sectors.

# III. Concept and Nature of PPPs

5. There is no single definition on what constitutes a public-private partnership. A recent report from the World Economic Forum refers to the core concept of PPPs simply as one involving "business and/or not-for-profit civil society organizations working in partnership with government agencies, including official development institutions. It entails reciprocal obligations and mutual accountability, voluntary or contractual relationships, the sharing of investment and reputational risks, and joint responsibility for design and execution".[1]

6. Some PPPs take the form of formal partnerships through contracts while others are loose statements of intent and purpose. Others involve the public sector creating the enabling environment while others provide a role for NGOs and private sector as market facilitators.

7. Regardless of the form, a public-private partnership seeks to combine the respective strengths of the private and public sectors. The private sector can contribute its capacities for creative financing, efficiency, lower costs of distribution, and complex delivery systems. The public sector can ensure

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[1] WEF (2005) Building on the Monterrey Consensus: the growing role for public-private partnerships in mobilising resources for development, World Economic Forum, Geneva, page 23.

universal access by providing financial support and enabling policies, thereby enabling private firms to enter large markets with guaranteed consumers.

8. During PWB 2010-11, FAO undertook an appraisal of public-private partnerships used to improve productivity and drive growth in the agriculture sector in sub-Saharan Africa. Eventually, the appraisal focused on five countries - Ghana, Nigeria, Uganda, Tanzania and Kenya. The countries were selected after extensive efforts were made, in close collaboration with the UN ECA, to identify examples of PPPs that had been active for at least a few years. Annex 1 gives a brief overview of the range and diversity of the public-private partnerships identified.[2]

9. Some general observations that might be made about the nature and scope of public private partnering in Africa to support agricultural development and rural livelihoods are:

a) There are many different types of partnership arrangements, ranging from jointly implemented development programmes, to grants for private sector services, to co-equity investments.
b) Partnerships include on-going dialogue and cooperation platforms and broad programmatic initiatives, as well as projects and initiatives targeted to specific farmers or enterprises.
c) Partnerships cover many topics and intervention areas but are mainly focused on new technology development and introduction.
d) There is not a specific sub-sector focus for public-private partnerships; rather, these partnerships are prevalent in food and industrial crop sectors, and probably other sectors as well.
e) Most of the partnerships focused on primary production and helping smallscale farmers; there was clearly less attention to post-production enterprises.
f) Donors and bilateral agencies were often involved as well as governmental and private sector entities.
g) There was large range of governmental partners at various levels; in many cases, specialized public sector institutes were involved and were the main public sector partner.
h) There were several regional and sub-regional initiatives, where similar issues were being faced in a specific sub-sector in multiple countries.
i) Most of the partnerships involved many partners; narrow partnerships with just a few partners were very much the exception.
j) Most of the partnerships included a wide range of local and smaller scale private sector partners, not just medium and large companies.
k) Financial institutions and donor agencies were often involved; financing was not necessarily the main contribution of the productive private sector partners.
l) Global food companies were involved in many of the partnerships because of their commodity expertise and vested interest in improving supply.

## IV. Appraisal of PPP Experiences

10. The second stage of the PPP appraisal during PWB 2010-11 was case appraisals of 26 specific PPPs in the five countries.[3] This section summarizes findings and observations based on these in depth case appraisals.

11. Overall the cases showed strong performance for delivery of benefits to the intended stakeholders. For example, rice farmers that benefited from a PPP initiative recorded an average yield

[2] The list is by no means complete, nor is the identification of all partners involved. The annex is included to illustrate the nature and diversity of public-private partnerships.
[3] The case appraisals focused only on PPPs that involved collaborative relationships between specific public and private partners for the purpose of increasing investment in and improving productivity and profitability in specific locations. Public sector programmes or initiatives that were not firm or location specific were not covered. Similarly, private sector contributions that were not firm, location or project specific were not covered.

of 3.25 tons per hectare as against the national average of 1.25 tons per hectare. Olam, which started an outgrower scheme in collaboration with a state government in Nigeria, expanded from just 250 hectares in 2007 to an area of 5,163 hectares involving 3,500 farmers from five local governments. When PPPs are well executed, they impact positively on the people involved.

12. Government ministries especially of finance, agriculture, trade and industry had roles as the formulators and overseers of the PPPs. There are fundamental functions which need to be performed efficiently to create the climate for successful public-private partnering.

13. All parties need to recognize the broader, complementary goals to be achieved. The goals of the public and private sector do not necessarily need to be the same for partnerships to work – they must merely be compatible. A common interest can be found between the public and private sectors in wanting to improve the livelihoods of the small-scale private sector partners, including farmers.

14. An enabling economic, regulatory, legal, and political environment is the cornerstone of sustainable private sector participation. The public sector must establish an appropriate macro-economic and legal environment to raise the confidence of the private sector. The public sector is also responsible for establishing an appropriate legal framework for contract procurement and private sector investment.

15. The structures and time scales associated with complex PPPs such as joint ventures and concessions make traditional competitive bidding processes a less efficient vehicle for forming contractual relationships between the public and private sectors. However, greater transparency can be assured by allocating funds according to clearly-defined guidelines and criteria, and ensuring good communications between the programme and its clients.

16. In cases where full cost-recovery cannot be expected, it is important to position concessionary financing as ‘close to market’ as possible. This improves the project’s attractiveness to investors and strengthens the possibilities for commercially financed expansion.

17. In the course of the implementation of the partnership agreements, the delivery on roles and obligations may not be optimal. Relations can become frustrating due to changes in the policy environment, market circumstances or partner priorities. Within the PPP institutional arrangements, there must be mechanisms to deal with these kinds of unanticipated challenges.

## V. Proposals for Consideration

22. This last section turns to proposals on priorities for follow up action that might be made to the ministerial level meeting. The proposals are grouped into three categories:

a) Priorities for partnership programmes;
b) Priority actions by member countries;
c) Priority actions for FAO.

*Priorities for partnership programmes*

23. Public private partnerships can be particularly important for enhancing social and environ-mental sustainability and the commercial viability of food supply chains, while also increasing value addition and capture by small-scale producers and processors. Specific priorities might include partner-ships that address:

a) Private sector voluntary standards – to reduce costs and risks while also increase benefits from capacity to supply in line with market requirements;
b) Fair and equitable contracting – to improve the efficiency and alignment of supply and utilization along food chains while mitigating risks and protecting interests of farmers;
c) Responsible business practices – to mainstream business models and practices that support public development agenda.

24. Public-private partnerships can play a key role in food losses reduction by taking action on losses along food chains. Food losses reduction requires:

a) Significant changes in food processing, retail and food service companies;
b) Leveraging of proprietary technologies for logistics, packaging, cold chains, etc.

25. Partnerships can be used to a much greater extent than has been the case so far in order to mobilize support for development of small and medium agro-processing enterprises. These enterprises have inherent sustainability characteristics because they give impetus to local products and recipes, generate decent work, are closely tied to local communities, and can play a major role in food import substitution. Public-private partnerships targeted to enhancing the competitiveness of small and medium agro-processing enterprises could reinforce the capacities of these enterprises to supply high quality and safe products to domestic and regional markets, while also reducing risks and costs to the global and local companies that buy their products.

*Priority actions by member countries*

26. Countries that have not yet done so might mainstream specific reference to private sector development and to public-private partnerships in national strategy, planning and investment policies and plans, including CAADP investment frameworks.

27. Ministries of agriculture might reinforce institutional capacity for partnering with particular attention to:

a) Organizational reform in order to establish and adequately resource a unit with specific responsibility for strengthening private sector partnering mechanisms and appraising, negotiating and providing oversight for partnership programmes in the agricultural sector;
b) Establishing or participating in inter-ministerial mechanisms and programmes for engaging in partnerships with the private sector.

28. Countries might establish broad-based capacity development programmes to reinforce capacities of public officials, private sector associations, NGOs and producer organizations for engaging agricultural companies in providing technical support and services for smaller scale producers, processors, transporters, traders and retailers.

*Priority actions for FAO*

29. FAO may be called on to:

a) Provide guidance on organizational reforms in ministries of agriculture and specific capacity development requirements for units and officers assigned with primary responsibility for appraising, negotiating and providing oversight to partnership programmes;
b) Advise and assist countries involved in or interested in major public-private partnership initiatives, giving particular attention to actions required to protect the interests of smaller scale producers, processors, etc.;
c) Proactively follow up on the 3ADI, starting with support for launching the E3ADP and organizing consultations in other sub-regions on priorities and modalities;
d) Convene a meeting with relevant UN agencies, financial institutions and representatives of regional organizations in order to clarify roles and responsibilities;
e) Develop an action plan for coordinated support for engaging the private sector in programmes to enhance rural livelihoods and create wealth.

## Annex 1: Examples of Public-Private Partnerships

| Country | Title | Nature of PPP | Partners |
|---|---|---|---|
| **Ghana**<br>**Nigeria** | Sorghum beer | Co-equity investment | European Co-operative for Rural Development, Common Fund for Commodities, Heineken, Diageo, government |
| **Ghana** | Ghana grain partnership | Co-equity investment | Yara International, Africa Enterprise Challenge Fund, government, donors, local private sector, farming communities |
| **Ghana**<br>**Nigeria** | West Africa Seed Alliance | Development programme | USAID, AGRA, African Seed Trade Association, ECOWAS, government |
| **Ghana**<br>**Nigeria**<br>**Tanzania** | Novel Approach - Allanblackia | Development programme | Various national research institutes, Unilever; IUCN, ICRAF, local businesses |
| **Ghana** | Cadbury Cocoa Partnership | Development programme | Kraft Foods/Cadbury Company, UNDP, local governments, farmers, communities, NGOs |
| **Ghana**<br>**Nigeria** | Sustainable Tree Crop Programme | Development programme | Mars, Chocolate Manufacturers Association (USA), American Cocoa Research Institute, Association of the Chocolate, Biscuit and Confectionery Industries of the EU, World Cocoa Foundation; various national cocoa research institute, USAID, GIZ, UNDP |
| **Ghana**<br>**Nigeria** | World Cocoa Foundation project | Development programme | Kraft Foods, Bill & Melinda Gates Foundation, local industry; government, NGOs, small-scale farmers |
| **Ghana**<br>**Nigeria** | Cocoa farmers training and access to markets | Grant for private sector | Bill & Melinda Gates Foundation; World Cocoa Foundation, ACDI/VOCA, GIZ, IITA, TechnoServe, Hershey Company, Kraft Foods, Mars Incorporated; Archer Daniels Midland, Blommer Chocolate Company, Cargill, Olam International, Starbucks Coffee Company |
| **Uganda** | Vegetable oil production | Co-equity investment | Government of Uganda; Wilmar, BIDCO |
| **Uganda** | Value addition for horticulture | Co-equity investment | Jakana fresh foods limited; Teso Tropical Fruits Growers' Association; NAADS |
| **Uganda** | Cowpea and maize production | Development programme | AGRA; NARO; and private seed companies |
| **Kenya** | Kevian Fruit Processing | Co-equity investments | Gatsby Trust, ICIPE, UNDP, GIZ, KENFAP, KEVIAN Company |
| **Kenya** | StrigAway maize | Grants for private sector | BSF, Western Seed Company, Lagrotech Ltd |
| **Kenya** | Revitalizing | Grants for | Equity Bank, Homa Lime Company |

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| | soils | private sector | |
| **Kenya** | Improved maize | Grants for private sector | CIMMYT, KARI, ARC, Bill & Melinda Gates Foundation, USAID, Pioneer Hi-Bred |

**Annex 1 (continued): Examples of Public-Private Partnerships**

| Country | Title | Nature of PPP | Partners |
|---|---|---|---|
| **Kenya** | Warehouse receipts | Grants for private sector | Eastern African Grain Council, National Cereals Produce Board, USAID, SIDA, Equity Bank, growers, transporters, traders, storage managers, processors, millers, local banks, and input supply companies |
| **Kenya** | Cashew productivity | Grants for private sector | USAID, KARI, Coast Development Authority, Action Aid, Kenya Nut Company, other processors |
| **Tanzania** | Crop protection | Development programme | Agricultural Research Institute, Tanzania Official Seed Certification Institute, African Institute for Economical and Social Development, Highland Seed Growers Ltd, Mbegu Technologies Inc. |
| **Tanzania** | Sesame marketing | Development programme | District council of Babati, NGOs, Selian Agricultural Research Centre, many farmer groups, Hussein & Company, Mohammed Enterprises, Biosustain |
| **Tanzania** | Sugarcane | Development programme | Kibaha Sugarcane Research Institute, Tanzania Sugar Board, Sugar Training and Research Institute, Kagera Sugar Limited, Kilombero Sugar Company, Tanganyika Plantation Company, and Mtibwa Sugar Estate |
| **Tanzania** | Seeds development | Development programme | Agricultural Seed Agency, Tanzanian Farmers Association, Tanzania Fertilizer Company AIFFA Seed Group, Agriseeds Technologies, Farmco Seeds, Meru Agro |
| **Tanzania** | Tanzanian Agricultural Partnership | Investment promotion programme | MAFC, Government of Norway, Yara International |
| **Tanzania** | Kilimo Kwanza | Development program | MAFC, various donors, NGOs, Tanzanian National Business Council, local businesses, farmers, Unilever, Yara, Syngenta, DuPont, Land 'O Lakes, Monsanto, SAB Miller, General Mills |