|  |  |
| --- | --- |
| **C:\Users\gallatova\Documents\Admin\FAO logo\FAO_logo_Blue_3lines_en.jpg** | **C:\Users\gallatova\Documents\Agro-industry\PPPs\AUC-FAO Agribusiness TCP\Ghana roundtable\AU_LOGO_ENGLISH_RGB.JPEG** |

**Public- Private Partnerships for inclusive and sustainable agricultural development in Africa**

**Guidelines for the design and implementation of effective Public-Private Partnerships in the agriculture sector (Agri-PPPs)**

1. **Introduction to the guidelines**

Unleashing the potential for inclusive agricultural growth and transformation in Africa requires coordinated and strategic public and private investment in the agriculture sector. Against a background of limited government resources and expertise, public-private partnerships (PPPs) are increasingly being promoted around the world as a mechanism to pool resources, reduce risk, improve productivity and drive growth in the agriculture and food sectors. In line with this trend, many African countries have recently expressed an interest in further understanding the potential for PPPs in the agriculture sector (agri-PPPs) to deliver on these transformative goals. This interest is also reflected in the *Sustaining Comprehensive Africa Agriculture Development Programme (CAADP) Momentum Results Framework 2015-2025*. Pillar 4 of the Malabo Declaration of 2014 aims to halve poverty by 2025 through inclusive agricultural growth and transformation and foresees a clear role for agri-PPPs to contribute towards the achievement of this objective. By 2025, African Union (AU) member states have committed to “establishing and/or strengthening inclusive public-private partnerships for *at least 5 priority agriculture commodity value chains* with strong linkage to smallholder agriculture”[[1]](#footnote-1).

The Food and Agriculture Organization of the United Nations (FAO) has been documenting evidence on agri-PPPs operating in more than 15 developing countries across Africa, Asia and Latin America. Lessons learned were synthesized in a global review publication launched in 2016[[2]](#footnote-2). During the 29th Session of the Regional Conference for Africa held in Abidjan, Cote D’Ivoire, in April 2016, FAO was requested to gather more specific evidence on experiences from the African continent in the design and implementation of agri-PPPs. Based on this request, a series of studies were commissioned in partnership with the African Union in Cote D’Ivoire, Ethiopia, Ghana, Kenya, Rwanda, South Africa, Uganda, and Zambia. The findings gathered from these studies and the workshop discussions held in December 2017 and May 2018 in Accra and Nairobi respectively, together with previous lessons from FAO (2016), form the basis of the guidelines presented in this report.

These guidelines have the specific objective to support CAADP member countries in designing and implementing effective, sustainable and inclusive agri-PPPs, with specific consideration given to the enabling environment for agricultural investment and agribusiness development in member states. In this regard, they are also expected to inform the preparation of a second generation of African National Agricultural Investment Plans (NAIPs) to be developed in many African countries with CAADP support. The revised NAIPs will reflect the planning and commitment of AU member states towards the achievement of the Malabo Declaration and CAADP targets for 2025 including those related to the implementation of agri-PPPs. Furthermore, the guidelines are intended to become a practical tool for African policy-makers interested in promoting agri-PPPs as part of their overall agricultural transformation strategies.

* 1. **Justification for Agri-PPPs**

The traditional rationale for partnerships between the public and private sector is linked to market and policy failure in the delivery of public goods such as roads, education and health services. Similarly, the emergence of PPPs in agriculture responds to the failed delivery of a public good, such as food security, environmental protection and the viability of rural areas. In theory, by combining the resources and complementary capacities of both public and private partners under a well-defined legal and regulatory framework, governments can obtain economic and social benefits from public investments beyond what they could achieve alone. In more detail, agri-PPPs have the potential to:

i) **Leverage financing:** the high scale of investment needed to achieve the full potential of African agriculture means that the public sector cannot do it alone. The PPP mechanism is inherently designed to address this issue by pooling funds from various sources to overcome the limited funding available in the public sector. It can also help to improve the access of smallholders to finance by including financial institutions in the partnership who are willing to offer tailored financial products and services to farmers.

ii) **Promote risk sharing:** the high risks of doing business in the agriculture sector can often deter agribusiness firms from investing alone. PPPs can lower the barriers to entry for these firms by using a combination of market incentives for first movers and institutional mechanisms that help to promote greater certainty for investors, while at the same time ensuring that risk is distributed fairly between agribusiness firms, smallholders and government.

iii) **Enhance innovation and market access:** for public partners, agri-PPPs can facilitate access to innovative technologies and superior management and marketing skills available in the private sector, that can help to address complex problems including low productivity and limited value addition, post-harvest losses, climate change, and food safety and quality issues restricting market access.

iv) **Increase the inclusion of smallholder farmers, small and medium agricultural enterprises (SMAEs), women and youth:** agri-PPPs have the potential to target the inclusion of these actors as valuable partners in the development of a modern agrifood sector. By fostering collective action and capacity development of smallholders and SMAEs, and by creating employment and entrepreneurial opportunities in value-added agriculture for women and youth, agri-PPPs can help to enhance the social stability and prosperity of rural areas.

However, these potential benefits are likely to be achieved only in those cases where specific care is taken to address design issues. For example, successful risk management can only be achieved if an adequate assessment of risks is identified during the design phase and mechanisms for risk sharing are considered and planned. Similarly, development objectives such as inclusiveness are not achieved by default, but require concrete strategies to facilitate the participation of smallholder farmers, women and youth as active partners in the implementation of agri-PPPs. The use of monitoring and evaluation mechanisms are also needed to assess progress, make adjustments and measure final results. Strategies for the effective application of the PPP approach are discussed in further detail in section 3.0 of these guidelines.

1. **What type of PPP?**

The same term *agri-PPPs* is used here to refer to a number of different PPP project types in the agriculture sector. FAO (2016) identified **a typology of four** **common agri-PPP project** types:

* Value chain development (**VCD**) PPPs, aiming at developing new or upgrading existing value chains through a number of different, yet coordinated interventions along the entire value chain;
* Innovation and technology transfer (**ITT**) PPPs, usually to improve the production segment of the value chain through research, innovation and technology transfer; however this category may also include some off-farm projects aiming to commercialize small-scale technologies to improve post-harvest practices and agro-processing for SMAEs.
* Market infrastructure (**MI**) PPPs for improving the flow of products through market logistic centres such as collection centres, warehouses and wholesale market centres;
* Business development services (**BDS**) PPPs designed to facilitate access to business support services necessary for building linkages between farmers and SMAEs, and SMAEs and their downstream customers.

Although in practice the differences between the project types are sometimes blurred (e.g. VCD PPPs may involve ITT, MI and BDS PPPs as building blocks under the umbrella of a broader VCD PPP programme), from the perspective of policy-makers it is useful to know that different models of agri-PPPs exist that are linked to different entry points along the value chain. Depending on the scope of the partnership and the problem to be addressed by the PPP, policy-makers and practitioners can therefore decide to intervene at different levels along the chain.

To this list, some additional project types can also be added:

* Water and sanitation PPPs, including irrigation PPPs increasingly seen in Africa;
* Green-energy PPPs, promoting the use of technologies for the production of renewable energy in the agriculture sector such as biogas; and
* Agricultural insurance PPPs, a relatively new model used to increase access of smallholders to agricultural insurance programs, most commonly found in Asia[[3]](#footnote-3).

The majority of agri-PPPs promoted in Africa were found to be VCD PPPs, followed by MI and irrigation PPPs.

The prevalence of VCD PPPs may be based on the premise that interventions along the entire chain, and especially in segments that focus on linking smallholders to buyers (i.e. a typical VCD PPPs approach), are expected to achieve greater poverty-reduction impacts on farmers (Box 1). Another important finding was related to commodity selection for VCD PPPs. Certain commodity crops, in particular sugar, edible oils (e.g. palm oil and sunflower oil), grains (maize) and rubber featured strongly as value chains where the application of PPP projects worked well. Potential reasons for this were discussed during the validation workshop, and it was suggested that PPP projects in these chains were easier to implement due to the pre-existence of structured value chains, relative price transparency and already established markets that make it easier to ensure off take of production and greater price stability for both private investors and smallholder farmers. These crops are also considered relatively simple crop to grow therefore technology requirements are lower than higher value crops e.g. horticulture (Box 2).

**Box 1 VCD example from Zambia – KALEYA sugar PPP (1983 – 2018)**

**Background**: The Kaleya Smallholders Company Limited (KASCOL) is a joint venture between the Zambian government (Development Bank of Zambia), private enterprise (Zambia Sugar), Barclays Bank, the UK Commonwealth Development Corporation (CDC) and the community. The model has been considered a success in increasing smallholders’ participation, ownership and governance in an agri-food value chain. Two drivers triggered the establishment of the KASCOL model. One was the need of the Zambia Sugar Company, at the time the sole sugar milling company in the country, to expand the area of sugarcane production after it had expanded its plant processing capacity in the Mazabuka district. The other was the interest of the Zambian government to improve incomes of the poor by involving them in the sugar industry. These needs contributed to the founding of Kaleya Smallholders Company Limited (KASCOL) in 1983. The initial size of the project was estimated at roughly USD 20 013 000.

**Results**: KASCOL cane sales revenue is currently in excess of ZMK 80 million (USD 8 355 968 000). Average annual earnings per smallholder are approximately USD 10 000 against a national GDP per capita of USD 1 800. Developing business linkages forms part of the success story at KASCOL. Each individual smallholder farmer within the region voluntarily enters into a cane growing contract with KASCOL. In turn KASCOL has a contract to supply cane to Zambia Sugar, providing smallholders with security and a ready market for their sugarcane.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report on Zambia

**Box 2 Preferred PPP commodities**

Evidence from Africa cases analyzed show that there are commodities for which the use of PPPs seems to have greater potential in terms of de-risking the investment required. For example, stakeholders from Zambia confirmed that sugarcane has a secure off take, it is a relatively simple crop to grow and it could generate a consistent year-on-year income if managed well for up to 10 years. Other commodities presenting similar characteristics in the country are edible oils. Similarly, stakeholders from Cote D’Ivoire acknowledged that with coffee, cocoa, and rubber, it was easier to ensure off take and the price of produce was less variable, which in turn made planning within the PPP easier.

Few ITT PPPs were identified in Africa, however, many of these type of PPPs launched in Asia have demonstrated the strong potential of these interventions to drastically improve farmer income by targeting issues hindering on-farm productivity – a key issue that needs to be addressed across the African continent. For this reason the use of ITT PPPs should be considered in more detail and potentially encouraged in agri-PPP strategies throughout Africa (Box 3).

Agri-PPPs vs. Infrastructure PPPs. Finally, it is important to note that agri-PPP projects differ widely from traditional PPPs in the infrastructure sector despite the use of the same terminology. This poses unique challenges related to the governance and design of agri-PPP projects. In many developing countries national PPP policies and laws have recently been revised to include agriculture as one of the eligible sectors for the application of PPP projects, yet the policies remain largely unchanged and can only be effectively applied to infrastructure PPPs. Some of the key differences between agri-PPPs and infrastructure PPPs include the level of investment required and the degree of contractual formality used in the partnership agreements. Agri-PPPs generally involve lower levels of investment and therefore less complex contract agreements including the use of Memoranda of Understanding (MoUs) which may be less enforceable. Selection procedures for agri-PPPs may also need to be more flexible allowing for the use of unsolicited bids and simpler feasibility assessment procedures. As a rule, they also involve a wider spectrum of partners in addition to the core public partner and private agribusiness firm - the implementation of agri-PPPs will often include farmers, farmer organizations, SMAEs, financial institutions and non-governmental organizations.

**Box 3 ITT example from Pakistan – Drought resistant wheat seed (2010-2012)**

**Background**: This PPP was implemented as a pilot project in line with the Government of Pakistan’s PPP policy introduced in May 2010. The partnership aimed to address rural poverty and food security concerns associated with low productivity of wheat production in the Barani (rainfed) area of Punjab. By forming a partnership between the Barani Agricultural Research Institute (BARI) as the public partners and the Zamindara Seed Corporation as the private partner, a locally-adapted, drought-resistant seed variety was developed by the research institute and commercialized by the private company to provide smallholders with affordable access to improved seed. The total cost of the agreement was PKR1.373 million (~USD 14 300). A formal contract was signed between the two parties and the investment costs were shared by the private seed company and the publicly-funded Sustainable Land Management Programme (SLMP). The seed company provided 52 percent of the total cost and the remaining 48 percent was provided by the SLMP.

**Results:** 90 000 kg of drought-resistant seed was produced under contract with five farmers and four seed distribution points were established in remote areas to sell seed to farmers at the agreed price of PKR38 (USD 0.44) per kg. The benefits for farmers from use of improved varieties were an increase in additional wheat yield of 200 kg per acre which can be valued at PKR7500 (USD 78), as well as improved land cover to control soil erosion. The partnership achieved a 58% return on capital invested and 24% sales margin for the private company from associated seed sales. Following the completion of the partnership the operation was taken over by the private partner who doubled seed production in the subsequent season. For the public partners, the PPP has contributed to national food security and poverty reduction outcomes, as well as delivering environmental benefits associated with reduced soil erosion through an increase in planting areas. The public research institute also benefited from an increase in income for research through the ongoing sale of basic seed under license to the company.

Source: FAO, 2013a: Agribusiness public–private partnerships: country reports. Rome: A country report of Pakistan

1. **What is an agri-PPP? Definitions and Guiding Principles**

There is no single definition of what constitutes a Public-Private-Partnership. Different models and definitions exist of PPPs in general and for agri-PPPs in particular. FAO (2016) defines an agri-PPP as:

*A* ***formalized partnership*** *between* ***public institutions*** *and* ***private partners*** *designed to address sustainable agricultural development objectives, where the* ***public benefits*** *anticipated from the partnership are clearly defined,* ***investment contributions and risks are shared,*** *and active roles exist for all partners at various stages throughout the PPP project life cycle.*

Discussions held during the validation workshop in Nairobi on 7th – 8th May 2018 highlighted the need to revise the above FAO definition in response to the findings from the African PPP studies. It was agreed that all agri-PPPs, designed to address sustainable agricultural development objectives, should conform to a set of eleven guiding principles. The guiding principles provide an aspirational view to how future agri-PPP projects should be designed. They consider an agri-PPP as a partnership where:

**Principle 1: There is at least one core national public partner involved who represents the interest of the national government (Box 4).** This may be the Ministry of Agriculture or other related Ministries, a national programme, local authority, a public research institute, a state bank, or other publically- funded agency engaged in the project to promote sustainable agricultural development objectives in line with national priorities. In Africa, confusion often exists between what ca be considered a genuine agri-PPP and what is simply a business-as-usual donor funded development project involving private sector actors. Defining core principles will help to overcome this. Donors, development organizations and foreign government entities are **not** considered as core public partners under this definition but may be involved in the partnership in other ways as secondary partners.

**Box 4 Public Partners Ghana Programme for the promotion of perennial crops**

This is a programme implemented by the Ministry of Food and Agriculture (MOFA) in partnership with two private agribusiness firms - the Ghana Rubber Estate Limited (GREL) and the Twifo Oil Palm Plantation Limited. The programme implemented two PPP projects where the MOFA was the core public partner representing the interests of national government:

1. Ghana Rubber Out-Grower Plantation Development (1995 – ongoing)

2. Buabin Oil Palm Outgrower Project (2006-2010)

The project was initiated based on the desire of government to develop these two-major value-tree crops (rubber and oil palm) to increase foreign exchange earnings for the country. The project also sought to address the issue of unavailability of high-yielding planting materials, rudimentary agronomic practices, poor road infrastructure in related communities, limited market access, and inadequate long-term credit to support and promote the participation of the smallholder farmer in the cultivation of perennial tree crops in Ghana.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report on Ghana

**Principle 2: There is at least one core private agribusiness/agro-industries[[4]](#footnote-4) firm involved who is committed to supporting the transformation of African agriculture (Box 5).** This is preferably a domestic firm with the potential to catalyze development in the national/local agribusiness sector.

**Principle 3: Smallholder farmers and their organizations are considered as independent private sector partners** that must be consulted and an active role ensured in the implementation of any agri-PPP[[5]](#footnote-5) where smallholders have a clear stake in the project. **(Box 6).**

**Principle 4: A transparent evaluation and selection process is in place** to call for the submission of solicited proposals based on national agricultural priorities, and allow for a small proportion of unsolicited proposals[[6]](#footnote-6) from the private sector **(Box 7)**. Selection of the core agribusiness firm(s) will be based on the principles of value-for-money, due diligence and value-for-people. This process may be managed by the core public partner, another public agency or outsourced to an independent third party. Where possible, priority will be given to selection of domestic agribusiness firms as defined in Principle 2, or foreign firms with a strong track-record of working successfully with smallholder farmers.

**Box 5 Private Partners with a vision: SIPRA– maize production PPP Cote d’Ivoire (2014-ongoing)**

Société Ivoirienne de Production Animale (SIPRA) is a large, privately owned poultry production company founded in 1976 and located in Abidjan, Cote d’Ivoire. SIPRA had the ambition of integrating the value chain from the production of feed (maize) through to the commercialization of poultry. To implement this vision, SIPRA looked for available maize production sites and approached the Ministry of Agriculture to discuss the creation of a public-private partnership. The project has several components, an industrial component of 5 000 ha in a concession, 5 000 ha of villagers’ plantations located outside the concession site, and a component of social and rural infrastructure for the benefit of the villagers. The partnership was signed in 2014 with an agreement by SIPRA to collaborate in identifying the villages to benefit from the village plantations, identifying agriculture roads that are needed, and the rehabilitation needs for the development of socio-economic infrastructures of the villages in the project zone. The project has a Linkages Program and Community Investment Strategy targeting farmers and small businesses working with SIPRA. Currently, SIPRA purchases raw materials for feed from more than 20 000 grain farmers and sells day-old chicks and feed to more than 2 000 poultry farmers.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report on Cote d’Ivoire.

**Principle 5: A formalized partnership agreement[[7]](#footnote-7) exists between the core public and private partners** which details roles and responsibilities of each partner for the duration of the partnership agreement. A series of linked bilateral agreements may also exist between other partners involved in the implementation of the PPP including agreements between the core agribusiness firm and smallholder farmers and their organizations (e.g. contract farming/outgrower agreements, input supply agreements etc.). Bilateral/trilateral implementation agreements may also be developed with financing institutions, Non-Government Organizations (NGOs) and donors/development organizations Specific agreements may also exist between partners to deal with issues of ownership of intellectual property rights **(Box 8).**

**Principle 6: Clearly defined and transparent targets are in place, outlining the public and private benefits** **expected from the partnership.** These targets are set during the design phase of the partnership with public targets defined in accordance with national agricultural policies and investment plans, socio-economic objectives and other relevant national policies and programmes. **(Box 9).**

**Box 6 Smallholder farmers as private partners and shareholders in a PPP – the case of Neganega-Manyoyo Irrigation scheme Zambia**

The Government of Zambia with the support of the African Development Bank (AfDB) (Public Partners) constructed the 595 hectare Nega-Nega Irrigation Scheme. The scheme was originally developed to address food security concerns associated with low yields on rainfed farms by increasing the access of smallholder farmers to irrigation water. Sugarcane was later identified as one of the crops that could be developed as an anchor crop whereby farmers investing in irrigated land could be assured of a market for their crop. The 148 farming households involved in this scheme have formally registered as the Manyonyo Water Users Association (MAWAUSA) (Private Partner) with various levels of sub-committees and area associations, guided by a constitution. There are currently 184 farmer beneficiaries and over 90 percent of the farmers have indicated willingness to grow crops as out growers. Each farming zone has a minimum of 32 farm holdings and a six member committee of democratically elected men and women. Two members from each zone are elected to represent their zone on the ten member executive committee MAWAUSA Committee. The organization has collaborative links with relevant Government Departments, Zambia Sugar Plc, National Farmers Union, Mazabuka Sugar Cane Growers Association and other supporting companies. In addition, the farmers involved in the scheme have incorporated to create a private limited company - Manyonyo Irrigation Company (MIC) - and have recruited a team of professional staff to manage the infrastructure and the sugar enterprise. Zambia Sugar Plc has provided a market quota of 595 ha and helped farmers to establish a 35 ha nursery. Through their company the farmers have acquired a financial loan of USD 577 903 for crop establishment. The Zambian government has provided soft loans to the farmers.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report on Zambia and findings from the FAO Africa PPP Validation Workshop – Zambia PPP Panel, 7th May 2018, Nairobi, Kenya.

**Principle 7: The partnership involves joint investment contributions** from the core public partner and core agribusiness firm which are valued in monetary terms, with the share of investment by each partner and modality clearly defined (e.g. equity, in-kind contributions, grants, loans etc. Smallholders should also contribute with in-kind support to the PPP, such as through their commitment to supply certain specific quantity and quality of produce, or to apply specific farming techniques or use determined inputs, etc. In some cases, they can also be requested to invest some money for the purchase of machineries or to access training, usually through the use of financial credit backed by the public sector.

**Principle 8: Mechanisms for risk sharing and mitigation are incorporated into the partnership design** with the objective of transferring some of the risk away from the most vulnerable partners which may be smallholder farmers and their organizations. These tools may include agricultural insurance, guarantee funds, technical assistance and capacity building training in business management. **(Box 10).**

**Principle 9: Social and environmental sustainability are assessed** during the design and implementation of the PPP, and inclusion targets are identified together with mechanisms for promoting the involvement of smallholders, women and youth.

**Box 7 Unsolicited PPP proposals in Zambia & Cote d’Ivoire**

In Zambia, informants from the government affirmed that unsolicited PPP proposals are the norm. This is reportedly due to the relatively high costs associated with the conduct of pre-feasibility studies needed to develop PPP Proposals (a requirement by the PPP Unit), which many government agencies simply cannot afford. This becomes an issue if public sector objectives are not sufficiently included in these proposals, however the PPP Unit have developed a specific screening method for unsolicited bids that tries to ensure the same principles of value-for-money and transparency are applied as for solicited proposals. If unsolicited proposals are selected on the basis of pre-feasibility studies, the proposal will then be advertised for open-bidding to allow all private sector partners to compete. The full proposals received in accordance with the feasibility study requirements, will then be assessed according to the normal rules and regulations outlined under the PPP law. The Government of Zambia has also committed to allocate resources for pre-feasibility and feasibility studies to the PPP Unit in the future to reduce the number of unsolicited proposals in a bid to ensure that the achievement of public sector objectives is at the forefront of all PPP Proposals.

Source: FAO Africa PPP Validation Workshop – Public sector Panel, 7th May 2018, Nairobi, Kenya.

In Cote d’Ivoire, the agri-PPP case described in Box 4 (SIRPRA Maize Production PPP) where the agribusiness firm approached the Ministry of Agriculture to initiate an agri-PPP, is an example of how an unsolicited bid may be made to the government on the basis of its alignment with the National Program for Investment in Agriculture and potential for achieving development impact.

Across all the eligible sectors (including agriculture), while open tenders are the preferred mode of contracting for PPPs, in cases where there is a need for specialized services closed tenders can be used. The relevant committee of the technical ministry evaluates the technical, financial and developmental aspects of the projects and particularly the funding plan which is expected to be realistic. Once a proposal is selected, the technical Ministry invites the project promoter for the negotiations and the technical Ministry submits the draft contract to the National Steering Committee of the PPPs (CNP- PPP) for a non-objection decision. The contract is then signed by the technical Ministry, the private partner, and the Ministry of Economy and Finance. The PPP contracts signed by Government are approved by decree taken in the Council of Ministers.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report on Cote d’Ivoire.

**Principle 10: A monitoring and evaluation strategy has been developed** by the public partner or outsourced to an independent third-party. The M&E strategy will allow for corrective action and conflict resolution during the implementation of the PPP, and assess the achievement of public sector objectives including transformative impacts on the agricultural sector as a result of the agri-PPP. **(Box 11).**

**Principle 11: Exit strategy developed** for phasing out of public sector support or transitioning to a regulatory role. The exit strategy will also allow for ultimate phasing out of public sector support with provisions in place to gradually handover (where appropriate) operations to agribusiness firms and farmer organizations. **(Box 12).**

**Box 8 Example of bilateral (outgrower) agreements for supply of product and financing: the case of Buabin Oil Palm Out-grower Project Ghana**

The Buabin Oil Palm Out-grower Project involved the selection of smallholder farmers in the Buabin area, whose principal role was to maintain the oil palm plantations on their land and in so doing, to foster economic growth and improve the standards of living in the local area. The project involved the signing of an agreement between the farmers and Twifo Oil Palm Plantation Limited (TOPP) whereby the farmers committed to sell the entire production of fresh palm fruit yields to TOPP. Another feature of the PPP relates to technical and financial assistance. By participating in the project famers received loans from Agence Francaise de Developpement (AFD)/ French Development Agency and the Government of Ghana to cover the pre-harvest costs. An additional agreement was signed between the farmers and AFD for the repayment of these loans.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public–private partnerships: A country report of Ghana

**Box 9 Cleary defined public benefits and targets: Sunflower oil Project Uganda**

**Background**: The Mukwano/NAADS partnership was between the Mukwano Group of companies which consist of privately owned limited companies involved in the development and promotion of oil seeds and the National Agricultural Advisory Services (NAADS), a programme of the Government of Uganda, put into place to increase the efficiency and effectiveness of agricultural extension services. The main objective of the partnership was to increase productivity and profitability of sunflower production through farmer organizations and link farmers to markets. Implementing the partnership would enable farmer organizations to produce good quality sunflower produce with a direct market provided by Mukwano. The NAADS realized that the private sector, with its specialization, experience and competence, tended to be in a better position to provide technical services in the development of the agricultural sector. The company provided seeds, credit, technical services and inputs such as tarpaulins and empty bags.

**Results:** The increased access to better technologies for farmers such as improved seed varieties, farm machinery, and better agronomic skills resulted in increased output, employment and incomes for the farmers. The availability of a steady supply of seed material ensured increased production of vegetable oil and profits for the company as well as enhancing competitiveness of the sunflower sub-sector. This was however not without challenges. The biggest challenge was the failure of the parties to deliver as per commitments and conflicting opinions amongst implementing officers. Therefore, it is important that PPP arrangements provide measures on how to handle such eventualities.

Source: FAO, 2013. Agribusiness public-private partnerships: A country report of Uganda

**Box 10 The importance of risk management strategies and farmers’ ownership for inclusive impact: the case of the South African Just Veggies PPP**

The PPP was launched in 2012 with the aim of revitalizing a dormant vegetable processing facility in the north east region of the Kwa-Zulu Natal province. Without the factory being operational, most of the people in the target community were unemployed and did not have access to productive farm land. Just Veggies is an approved supplier to McCain and Unilever. Thus the objective for the PPP as to secure a steady supply of quality vegetable products, thus creating a market for the farmers in the area and improving the livelihoods of the target community through employment creation, improved nutrition and transfer of modern farming skills.

The initiative created 1000 jobs in the community. However, in 2016 a severe drought hit the area and the farmers, without access to water, could not maintain their supply targets. Just Veggies management turned to commercial farmers to secure their throughput. This helped to keep the facility viable in meeting its supply contracts but in the process locked the smallholder farmers out of the value chain. According to main stakeholders, this was also a consequence of smallholders having insufficient bargaining power, and other partners involved in the initiative did not effectively look after their interests.

This highlights the importance of including risk management mechanisms in the design of the PPP to protect farmers’ interests. This is especially so for high value, technologically demanding crops such as horticulture where risks of crop failure are higher. Exclusion of smallholder farmers could have been avoided through introduction of specific risk management mechanisms such as force majeure clauses or agricultural insurance. If a risk assessment had been conducted prior to the launch of the PPP, major risks such as likelihood of drought could have been identified, and mitigating measures structured into the project design.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public-private partnerships: A country report of South Africa

**Box 11 M&E in Cote D’Ivoire: The Cocoa Community Development Project**

Cargill (private partner) and the Coffee Cocoa Council or Conseil Café Cacao (public partner) engaged in a public private partnership with the objective of improving the livelihoods of cocoa farmers and their communities while at the same time helping to secure a sustainable supply of cocoa for Cargill’s business. The project has three components: a) improving access to basic social infrastructures; b) the ‘Successful Cocoa Communities’ programme; and c) addressing the issues around hazardous child labour. It aims to bring solutions in the sectors of education, access to drinking water, nutrition and food hygiene and women’s empowerment. CARE International is an international NGO that plays the role of project manager; it assesses the needs of the communities in order to determine the support required by the PPP and is responsible for project implementation. This role is important as CARE has a good reputation and is perceived as an honest broker. This provides reassurance to the PPP partners (including communities) that the project is being implemented in a fair and transparent manner.

Cargill has established a results framework and invested in a strong M&E system to analyze performance in reaching the targets set out under the PPP. CARE in its capacity as project manager ensures monitoring and oversight of the project activities. These include reviewing financial and performance reports, performing site visits to review financial and programmatic records and observe operations, maintain regular contacts and appropriate enquiries concerning project activities. Conseil Café Cacao has established a multi-stakeholder platform where all project partners (including communities) meet annually to undertake a review of the performance and sustainability of the project. The platform comprises thematic working groups and management committees focusing on various tasks including training and follow ups with multinational.

The above elements of the M&E strategy ensure transparency, and facilitate the measurement of progress against agreed PPP objectives, as well as corrective action if necessary.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public-private partnerships: A country report of Cote d’Ivoire

**Box 12 Exit strategy to achieve sustainability: the case of the Zambian Kaleya Smallholders Company Ltd PPP**

The Kaleya Smallholders Company Ltd (KASCOL) is a sugarcane producing enterprise based in Mazabuka, in the Southern Province of Zambia, which supplies all of its output to the Zambia Sugar mill. Kaleya was founded in 1983 as a PPP between the Zambian government, Barclays Bank, the UK Commonwealth Development Corporation (CDC), and the private partner Zambia Sugar. At its foundation, all partners were equal shareholders each with a stake of 25 percent. Smallholder farmers were integrated into the project to work the land and eventually were afforded the opportunity to become equity stakeholders as the Zambian government, Barclays Bank and the CDC exited from the initiative. Today, Kaleya operates as a completely private company with farmers and their organizations owning more than 50 percent of the company shares.

Source: FAO/AUC, 2018 (Unpublished) Agribusiness public-private partnerships: A country report of Zambia

1. **Policy implications for Agri-PPPs in Africa**

These draft guidelines have been developed to support CAADP member countries in designing and implementing effective, sustainable and inclusive agri-PPPs as part of their overall agricultural transformation strategies. On this basis, some key policy implications have emerged:

*Sound institutional and regulatory frameworks for governing agri-PPPs are a MUST*

Promoting sound institutional and regulatory frameworks, a judicious land governance system,

transparent selection and budgetary processes for selection of PPP projects and private partners and

equitable sharing of risk, are all key factors in the design of well-performing PPPs. However, one of the main challenges facing agribusiness partnerships has been the lack of guidance and support offered to both public and private partners in the design and implementation of such projects. This is because most PPP policies and strategies are largely designed for infrastructure projects. As a consequence, important issues such as risk-sharing and mitigation mechanisms to protect small farmers, as well as conflict resolution strategies, have often been overlooked in the design of the partnership.

However, new PPP laws and policies that envisage the application of the PPP model to the agribusiness sector in Africa are emerging and public institutional frameworks are being revised to meet the challenges of the rising number of PPPs in agriculture. The set-up of PPP Units within Ministries of Agriculture, development of sectorial task forces, multi-stakeholder PPP platforms and flexible bidding arrangements led by the private sector are all positive steps towards improving the institutional setting for agri-PPPs.

*Participation of smallholder farmers in PPPs and promoting inclusive growth*

PPPs aim to encourage inclusive growth, but transaction costs associated with sourcing from numerous smallholders are high. Fostering collective action and capacity building is a key feature of all agri-PPPs and increases the participation of smallholders in modern value chains, while reducing the transaction costs for lead private partners. Support is required by public partners including donors and NGOs to strengthen groups and capacitate smallholders to become more equitable partners for the private sector.

*PPPs are unlikely to impact on the poorest of the poor*

While PPPs can promote the inclusion of smallholders and SMAEs, they are unlikely to have an impact on the poorest of the poor. This reflects a trade-off between efficiency and equity as some degree of exclusion is inevitable if private sector partners are to receive an adequate return on their investment. Other inclusion mechanisms such as social safety nets are more appropriate for this group.

*Successful PPPs share risk fairly and protect smallholders*

Agri-PPPs reduce the commercial risk for the private sector by offering fiscal (tax) incentives as well

as institutional measures to reduce transaction costs such as organizing farmers into groups and ensuring

exclusive purchase rights for raw materials. In-kind contributions such as the provision of public

extension services, supporting infrastructure and use of government facilities also help to reduce the

risks associated with a challenging business environment. However, a balance needs to be reached

between lowering the barriers to entry for private agribusiness investors and ensuring that some of the

risk is transferred away from smallholders to the public and the lead private partners.

More specifically, market risk is typically carried by the lead private partner, while the

allocation of production risk can be carried by the farmers, or shared with the public partner. Risk management measures, both hard and soft, that have beneficial effects for smallholders include: subsidized agricultural insurance schemes, guarantees, subsidized loans for smallholder farmers and firms, secure purchasing contracts, business management training for farmers and SMAEs and risk sharing stipulations in case of force majeur. The agri-PPP agreement should also contemplate measures

to control market power imbalances (including monopolistic behaviour) and potential new

risks for small farmers and firms.

*Promoting private sector investment in agri-PPPs*

The PPP framework can be used to design a set of market incentives that will encourage private sector participation in activities that would otherwise be considered of marginal commercial value and/or high risk. Preferential access to land for the establishment of nucleus estates and associated tax incentives are common. The governments of Cote d’Ivoire, Ethiopia and Ghana offer tax exemptions to support private investment in agri-PPPs. In addition, Ethiopia supports logistics and the acquisition of equipment. In Asia and Latin America, agri-PPPs are generally supported by national programmes that package policy incentives and create a favourable regulatory environment. However, in the Africa context, agri-PPPs tend to be ad hoc projects without specific linkages to national programmes. Promoting agri-PPPs within the framework of national agricultural investment plans will foster greater private sector investment and lead to more effective PPPs.

*Opportunity cost for public sector investment: do agri-PPPs represent value-for-money?*

The applicability of PPPs to developing country agriculture may be limited to specific circumstances (i.e. where the market fails) because they involve high transaction costs, are complex, diverse and can be difficult to replicate. Even in the case of market failure, it may make more sense for the government to finance and deliver a specific public good totally on its own, or to outsource the delivery to the private sector instead of choosing a PPP arrangement. When deciding whether or not to engage in agri-PPPs, policy-makers should make ensure that the partnership represents value for money and generates public benefits that exceed those that could have been achieved through alternative modes of public procurement or private investment alone.

*Investment in M&E is critical to create a solid evidence base of success factors for agri-PPP impact*

Evidence on outcomes and impact of agri-PPPs is to date limited. There is a need for the public sector, including donors, to invest more in monitoring and evaluation of agri-PPPs and create a solid evidence base that provides guidance on their effective design and implementation and measures their impacts over the long term. All agri-PPP projects should include clearly defined targets to be achieved by partners. Having a sound M&E system in place is critical for assessing progress against the defined targets and rapidly adjusting the course of the PPP project (if insufficient progress is being made).

1. <https://au.int/sites/default/files/documents/31250-doc-the_caadp_results_framework_2015-2025_english_edited_1-1.pdf> [↑](#footnote-ref-1)
2. <http://www.fao.org/3/a-i5699e.pdf> [↑](#footnote-ref-2)
3. See World Bank brief on agricultural insurance PPPs at: <http://blogs.worldbank.org/files/agricultural-insurance-public-sector-policy-note_15sept2015.pdf> [↑](#footnote-ref-3)
4. Agribusiness enterprises/agro-industries are any firms or business entities that produce or provide inputs, produce raw materials and fresh products, process or manufacture food or other agricultural products, transport, store or trade agricultural production, or retail such products. Family farms and micro- and small enterprises that operate in the informal sector are not included in the target set of agribusiness enterprises (FAO, 2016). [↑](#footnote-ref-4)
5. Some exceptions exist: some agri-PPP projects do not directly target the upstream segment of the chain, but focus on mid-stream actors (i.e. business development services providers). The rule here must be to involve smallholders in all those cases where they have a clear stake in the PPP project. [↑](#footnote-ref-5)
6. Findings from the review of the African PPP country case studies and validation workshop confirmed that allowing for unsolicited bids for agri-PPPs has the potential to deliver beneficial outcomes. When rigorously assessed, unsolicited bids can allow the private sector to identify bottlenecks hindering the efficiency of agricultural value chains, and work in partnership with government to develop pragmatic solutions to these problems that are often technology-based. [↑](#footnote-ref-6)
7. Contract types may include: memoranda of understanding, standardized contracts, equity arrangements, and special purpose vehicle. [↑](#footnote-ref-7)