Inclusive Public-Private Partnerships for Agribusiness

Background and Context

In the 2014 Malabo Declaration on Agriculture, African Heads of State made seven key commitments to transform African Agriculture. More specifically, the Declaration included a commitment to cut poverty by half during the period 2015-2025 by, among other things, *'Establishing and/or strengthening inclusive public-private partnerships for at least five (5) priority agricultural commodity value chains with strong linkage to smallholder agriculture….'* (Commitment 5(4)b).

Recognising some of the common limitations to government resources and expertise, CAADP is promoting innovative partnerships that bring together business, government and civil society as a mechanism for improving productivity and driving growth in agriculture. As part of this, public-private partnerships (PPPs) are being established in order to mobilise resources, partnerships and other implementation capacities that would otherwise be inadequate.

KEY MESSAGES

- **Public Private Partnerships have emerged as a key vehicle for development around the world, in both highly developed and resource-poor settings.**
- **Successful PPP models facilitate communication between stakeholders, while ensuring that investments are properly coordinated within commodity supply chains, by providing supportive infrastructure and other enabling mechanisms. The partnerships developed play a vital role in helping smallholders to access both finance and profitable markets.**
- **NAIPs can explicitly provide for strategies which encourage the development and success of agri-PPPs.**

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BOX 1:
Common Objectives and Potential Benefits of PPPs in Agriculture

A PPP is a formalised partnership between public institutions and private partners. PPPs in agriculture are designed to address sustainable agricultural development objectives by ensuring that the public benefits anticipated from the partnership are clearly defined, investment contributions and risks are shared and active roles exist for all partners at every stage of the PPP lifecycle.

Common objectives of agricultural PPPs:

- Develop agricultural value chains.
- Combine agricultural research, innovation and technology transfer.
- Build and upgrad market infrastructure.
- Deliver business development services to farmers and enterprises.

Potential benefits of agri-PPPs to agricultural development:

- Improve operational and economic efficiency.
- Incorporate the social interests of communities.
- Improve market access, increase productivity, improve product quality and facilitate adoption of new technologies by smallholders.
- Increase the capacity of farmer organisations.
- Generate on- and off-farm employment.
- Strengthen of public sector institutions.
- Increase sales for firms involved.
- Increase affordability by pooling funds from various sources.

Challenges and Issues Facing Agricultural PPPs in Africa

Although agri-PPPs show great promise for supporting agricultural transformation in Africa, their implementation faces significant challenges. This section summarises some of those challenges.

Largely unsupportive policy and institutional environments in Africa: Most PPP policies and strategies are designed for infrastructure programmes and not for agriculture. These policies fail to account for the specificities of agriculture such as risk mitigation, protection of small farmers and conflict resolution. Other institutional and policy concerns with regard to PPPs in agriculture include:

- Land tenure issues.
- Failure to enforce existing regulations.
- Problems with enforcing contract farming.
- Public measures which distort markets.
- A lack of enforcement of Intellectual Property regulations.
- Inconsistent local administrative frameworks, creating confusion about roles and responsibilities.

Challenges with the design of PPPs in Africa: There is limited capacity for the design of good PPP arrangements in Africa. Some of the main design issues include:

- Market failures associated with inadequate market assessments during the initial stages of developing a PPP arrangement.
- Poorly designed contracts that do not address foreseeable challenges – such as preparation for, and mitigation against, catastrophic shocks.
- Lack of solid monitoring and evaluation (M&E) frameworks for measuring progress.
- Lack of exit strategies for partners.
- A lack of transparency and objectivity in partner selection.

Operational and implementational challenges to PPP development include:

- Poor capacity and low motivation of public partners.
- Lack of a coordination and oversight bodies. This poses critical problems for agri-PPPs which comprise multiple stakeholders: the more partners involved, the more challenging it becomes to manage the inputs of individual partners and ensure execution of responsibilities.
- Weaknesses in organisational frameworks. Bureaucracy and / or inflexible operational procedures can considerably delay the formalisation and operationalisation of partnerships and, for example, the releasing of funds.
- Difficulties in attracting and retaining qualified professionals.
- Technical issues during implementation may include innovation failures, pest and disease outbreaks that cannot be controlled, negative impacts of weather, low uptake of technology by farmers and a lack of traceability and quality control procedures.
- Unforeseen policy directives such as import / export restrictions and price setting can distort the market, with negative impacts on the commercial benefits intended by the partnership.

Financial issues: Financial challenges include slower than expected payback periods, limited funding, delays to transactions, lower than expected returns on investment, limited funding for renewing operations, disappointing profit margins and escalating costs resulting from inflation. Accurate estimation of costs can also be difficult, particularly when inflation increases above levels foreseen during formation of the partnership agreement.

Social and environmental sustainability issues:

- Risk of excluding small-scale actors.
- Risk of creating dependency by beneficiaries.
- Land grabbing.
- Environmental concerns – such as mono-cropping, traffic congestion and waste disposal.
- Concerns regarding land access – such as field demonstration sites and land for seed multiplication.

Recommendations for Anchoring PPPs within NAIPs

In order to anchor and deepen the use of public-private partnerships (PPPs) within National Agricultural Investment Plans (NAIPs), it is recommended that:

- AU Member States promote PPPs at all levels, with potential partnership opportunities explicitly identified and listed within the NAIP documents. All commodities for which PPPs will be pursued during the NAIP period must be clearly identified within the NAIP. This should include provisional details of the expected nature of the PPP and the anticipated roles of the various actors. Contact details for follow-up should also be included or made readily available with designated officials in government.

- NAIPs should ensure that there is investment in facilitative agri-PP policy, law, regulations and other supportive infrastructure. As a result, agri-PPPs should be duly promoted as a principal public sector mechanism for working with the private sector; in order to ensure this, each agriculture sub-sector department should have a desk officer in charge of developing and nurturing agri-PPPs.
- The NAIPs should include sections that summarise important lessons from previous PPP experiences within the agricultural sector.
- Annexes to NAIPs should include principles and guidelines for developing goods PPPs.

How Private Sector Investment in Agriculture is Measured in the Biennial Review

PPPs are measured explicitly in the Biennial Review (see Sub-Theme 4.2 in the table), but they are also measured indirectly through the level of private (domestic and foreign) sector investments, which serve as a proxy for how well strategies to attract investment are working – see Sub-Themes 2.2 and 2.3.

Malabo Commitment	Commitment Performance Category	Objectives	Indicator
2 Enhancing Investment Finance in Agriculture	2.2 Domestic Private Sector Investment in Agriculture.	Put in place or strengthen mechanisms to attract domestic private investment in agriculture.	2.2 Ratio of domestic private sector investment to public investment in agriculture.
	2.3 Foreign Private Sector Investment in Agriculture.	Put in place or strengthen mechanisms to attract foreign private direct investment in agriculture.	2.3 Ratio of foreign private direct investment to public investment in agriculture.
4 Halving Poverty through Agriculture by 2025	4.2 Inclusive PPPs for commodity value chains	Promote approaches via PPP arrangements to link smallholder farmers to value chains of priority agricultural commodities.	4.2 Number of priority agricultural commodity value chains for which a PPP is established with strong linkage to smallholder agriculture.

Further Information

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Prepared by: Cris Muyunda, CNC

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