**Improving Public Private Partnerships in Africa’s agricultural sector – the case of Zambia**



**Collection of contributions received**

Table of Contents

Topic note 3

Contributions received 5

1. Olga Mapanje, Gwanda State University, Zimbabwe 5

2. Getaneh Gobezie, Ethiopia 5

3. Monica Opole, Centre Indigenous Knowledge Systems And by-Products (C.I.K.S.A.P), Kenya 6

4. Arlette Saint Ville, McGill University, Canada 6

5. Stanley Nkhosa Tembo, Kwitu Soy, Zambia 7

6. Mpulu Makayi, Freelance, Zambia 7

7. Joromana Phiri, Natural Resources Management, Zambia 9

# Topic note

Dear colleagues:

Unleashing the potential for inclusive agricultural growth and transformation in Africa requires coordinated and strategic public and private investment in the 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).

It is within this context that the AUC partnered with FAO to work on improving understanding about the design, implementation and impact of agri-PPPs. The work involved an analysis of 24 agri-PPP case studies from eight African countries (Ethiopia, Rwanda, Uganda, Kenya, Ghana, Cote d’Ivoire, Zambia and South Africa). The findings from these studies were validated in a workshop in May 2018 in Nairobi, Kenya[[2]](#footnote-2).

It is important that the knowledge from these exercises informs policy-makers to design and implement effective agri-PPPs in Africa. In this regard, roundtables are being convened with policy makers, private sector entities and other stakeholders in Cote d’Ivoire, Ghana, Uganda and Zambia to discuss the country context, and opportunities for promotion of agri-PPPs.

You are cordially invited to participate in this online consultation on agri-PPPs. This consultation jointly moderated by FAO and AUC, will allow a broad range of stakeholders to provide their experiences and insights on the development of agri-PPPs in Africa. An online consultation will be held ahead of each country roundtable. The consultation will serve to enrich the roundtable dialogue, provide additional insights for policy makers and expand the inclusiveness of the exercise. This particular consultation focuses on agri-PPPs in Zambia.

We would appreciate your comments on the draft ‘Guidelines for the design and implementation of effective Public Private Partnerships in the agriculture sector (agri-PPPs)’ which can be accessed here: <http://www.fao.org/fsnforum/sites/default/files/files/FSNForum_africa/PPP_Zambia/Africa_%20PPP_guidelines_DRAFT.docx>

Please refer to the guiding questions below.

The consultation is open from 17 July – 7 August.

GUIDING QUESTIONS

1. With reference to the attached guidelines on agri-PPPs, how important is each Principle in the Zambia context?
2. Do any of the Principles need to be adapted/modified to suit the Zambia context? If so, how?
3. Are there other Principles that should be included in the guidelines?
4. Can you share examples/good practices from Zambia to illustrate any of the Principles?

We look forward to receiving your comments.

Stephanie Gallatova, Agribusiness Officer, FAOMark Kofi Fynn, CAADP Advisor Agribusiness, African Union Commission

# Contributions received

## Olga Mapanje, Gwanda State University, Zimbabwe

From my own point of view, all the principles given in the guidelines are important and are relevant to the Zambian context and to me the most appealing principle is Principle 11- Exit strategy. The main challenge we face in Africa is that of unsustainable development programs. If the benefits from agri-PPPs should continue past the period of public-private involvement, then sustainable development would have been initiated. When it comes to sustainability of development initiatives, we can think in terms of the relationship between a Venture Capitalist and an entrepreneur. Venture Capitalists are not permanent equity holders; they usually exit the venture at the end of the initial high growth phase, without jeopardizing the entrepreneur’s interests. In the same way, the public and private institutions should not be permanent equity holders in development initiatives that are meant to benefit smallholder farmers. As was in the case of the Zambian Kaleya Smallholders Company Ltd, after being integrated in the development initiatives, smallholder farmers should also be given the chance to be equity stakeholders, so that when the time comes for the government and the private companies to exit, the initiative will continue (as a private company) under the governance of the smallholder farmers.

Dear colleagues

## Getaneh Gobezie, Ethiopia

Thank you for this very important Agri-PPP Guide. I strongly believe this will help plan effective collaboration.

I think there are two key issues for further discussion or elaboarion.

1) Since the participants can involve those from private sector (profit motivated) and those in Government, NGOs (often socially motivated), we need to decide the level of ''profit'' (and risk taking) that can be attained by those especially in the private sector, and to reach a concensus or mutual understanding on that level.... One challenge that we face in ruralfinance is the level of microcredit interest to be charged by banks and microfinance institutions (MFIs). As far as I know, so far, there is no consensus on a ''reasonable'' interest rate that need to be charged (though the components that should go into the computation are quite clear). Indeed, there are also those who strongly argue against ''any interest'' on credit delivered to businesses owned by poor people..... The confusion often gives rise to difficulties on collaborative efforts!!

2) How can we balance between ''INCENTIVE'' and ''MEASURES'' on those who fail to deliver as per commitments (see Box on page 11 on the Guide), especially for the private sector. May be the only MEASURE we can do on the private sector who fail to deliver is to remove the so-called incentive? What are the strategies to avoid potential crowding out of private sector actiors while doing so?

I think these are some of the key issues that need further discussion on the guide.

Getaneh

## Monica Opole, Centre Indigenous Knowledge Systems And by-Products (C.I.K.S.A.P), Kenya

Dear PPP moderator,

I find the proposal interesting. The approaches listed exists in many parts of SSA where i gathered localised perspectives while conducting field based people centred community research on Forests and Community Foods.

Community-based-institutions at the community and village levels are still in existence in many parts of Africa. Those community institutional laws provide governing principles on all aspects of natural resources and population settlement and movement management in the lands they occupy (Kenyan constitution 2010/2012].

The draft FSN Forum presentation is interesting in view of its leaning upon public institutions of agricultural development of commodity crops like tea, coffee and sugar. Agriculture for growth as a topic is challenged by decreased useful edible diversity. When more than 80% of a regional population focuses on consuming a few crops,commodity prices fall whilst food prices rise.

Perhaps there maybe a need to find methods "other new commodities"and approaches for broader essential commodities so as to increase effective Public-Privte-Patnership in the agricultural sector for all concerned and affected.

Monica Opole

Senior consultant

Forests, trees, diverse edible diversity and people.

## Arlette Saint Ville, McGill University, Canada

The proposal provides a good review of the need for agri-PPPs and the principles if well applied will help in the assessment of agri-PPP proposals.

As I reviewed them, I categorized the principles into 2 groups:

1). characteristics of actorsin the agri-PPP ( national public partener, core private domestic or agri-business industry) and

2). the processto guide engagement in developing the agri-PPP (formalized partnership agreement, clearly defined and transparent targets, mechanisms for risk transfer).

While these are important components in an agri-PPP, I thought that there should be principles that deal with the nature of the relationships (interconnection) between those actors that are to be engaged in the agri-PPP.

If the agri-PPP can be thought of as a cake, the actors and process might be likened to the ingredients and the HACCAP kitchen and even the best temperature for cooking in the oven, but let’s be clear eggs, flour, and baking powder in a baking dish in a hot oven do not a cake make.

The rules that guide engagement could be likened to the steps in the making of the agri-PPP, and those principles are too important to be left out.

There are some suggestions below on the nature of relationships in PPPs to address the global nutrition challenge developed by Kraak et al., 2011 that could help in developing these relationship/interction based principles. The article is attached for ease of reference (<http://www.fao.org/fsnforum/sites/default/files/discussions/contributions/Kraak-etall_2011_benefits-risks-PPP-to-address-global-double-burden-of-malnutrition.pdf>)

Nature of the relationship

Level of engagement

Importance to each partner’s mission

Resource investment

Scope of activities

Level of interaction

Managerial complexity

Strategic value to each partner

## Stanley Nkhosa Tembo, Kwitu Soy, Zambia

I find the proposal interesting

We need more integrated solutions,

Slowly, the Zambian youth in agriculture is growing. Young people are starting to consider agriculture as a viable and remunerative business career path. We need to accelerate and deepen that process E.g IoT,mobile phone applications,web applications. for the Important Agri-PPP Guide i strongly believe this will help plan effective collaboration.

Stanley Nkhosa Tembo

Startup/Founder

ZAM SMART FARM-Linking Agriculture Through Technology

## Mpulu Makayi, Freelance, Zambia

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.

**In addition to identifying a core public partner, governments could benefit from technical assistance to develop and optimize processes for development of agri-PPP. Currently there exists a sense that such modalities are treated on an adhoc basis without a clear process. Further there is much sensitization and discussion required within both government and/or public institutions & private sector to acknowledge that PPP’s are an imperative in our development journey.**

Principle 2: There is at least one core private agribusiness/agro-industries[1] 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.

**In Zambia this is a rather difficult one apart from in a few sectors. To find local firms that strike a balance between having catalytic and/or transformative potential and enough incentive has been a challenge. The agri-business SME’s space is rather narrow, and the traditional obscene hand-out development approach greatly undermine success. It may be that you settle for firms with sufficient incentive and build in capacity development within the PPP facilitation.**

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[2] where smallholders have a clear stake in the project. (Box 6).

**This is another difficult one and will be dependent on the quality of PPP facilitation.**

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[3] 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.

**Due to many considerations, preference for bid solicitation and selection should preferably be through an independent third party. It would also be reasonable to expect that you end up with more unsolicited firms than the solicitated.**

Principle 5: A formalized partnership agreement[4] 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).

**All these agreements would be based on clear quid pro quo arrangements and preceded by a gap analysis which ensures alignment of incentives suggested in the agreements.**

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).

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).

**These should however be designed with longer term sustainability in mind so as not to temporarily distort market functioning leading to eventual failure from the initially managed risk.**

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.

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).

**Monitoring and Results Measurement as promoted by the DCED would help.**

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).

[1] 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).

[2] 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.

[3] 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.

[4] Contract types may include: memoranda of understanding, standardized contracts, equity arrangements, and special purpose vehicle.

## Joromana Phiri, Natural Resources Management, Zambia

All the principles are essential for Zambia as they are a mechanism for integrating multiple approaches that will accelerate technology, resources, skills, expertise and market access thereby adding value to the livelihoods of resource poor smallholder farmers.

Principle 1 and 2

The importance of having Ministry of Agriculture and other key government departments such as Forestry, Energy, Water, Fisheries and Research as well as relevant private sector entities in PPPs cannot be overlooked. A dynamic stakeholder analysis should be carried out. Orientation and capacity building of key government and local leadership will help them understand the importance of their involvement in PPP cycles. This would enhance strong commitment towards implementation of PPP activities.

Stakeholders to finance the processes such as viable seed companies, livestock breeders, outgrower enterprises, banks etc should enforce their corporate social responsibility to foster sustainable agricultural development. PPPs need to demonstrate affordability/bankability.

Principle 3

Smallholder farmers should be able to make informed decision making. Mindset set  and empower them to drive their own development and sustain it even after the PPP is no longer in place. The dependency syndrome must be discouraged. Need to preserve smallholder systems to keep varieties and breeds alive. Protection of farmers (contract signing, payments, mechanisms for conflict resolution) and local focus tailored to what works for them in a particular area. Women and youth are drivers of change can contribute more to productive food systems and enhance economic viability of diversified agro-landsapes. Emphasis the importance of upscaling smallholder farmers empowerment and create decent rural jobs especially for youth to decrease urbanization and unemployment.

Principle 5-9

As these PPPs are sourced, creating awareness and data provision to interested parties is vital. Whilst PPPs focus on enhanced food production the must consider the environment, so that they do not drive land and water degradation. There's need to boost sustainable productivity and nutritional health through agro biodiversity is crucial for Zambian agribusiness. Agro biodiversity has the potential to contribute to increased resilience, adding to soil health as well as water quality hence reduce greenhouse gas emissions.

They should also be cost-effective and efficient, ensure all players needs and aspirations are met. PPPs could also include landscape approaches, social environmental inclusiveness to promote sustainability.

A conducisive operational environment is necessary for sound implementation of ppp. Integrity, Transparency and Accountability at all stages of PPP processes is a must.

A case study of viable partnerships in agriculture is that of Community Markets for Conservation (COMACO) as attached: <http://www.fao.org/fsnforum/sites/default/files/discussions/contributions/FANTA-PRH-CaseStudy3-COMACO-May2015.pdf>

<http://www.fao.org/fsnforum/sites/default/files/discussions/contributions/97e5d281c7603a2a2c5a852adbdf8b029895.pdf>

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. This workshop was supported by AUC, FAO and GIZ [↑](#footnote-ref-2)