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The role of agribusiness and development partnerships
in advancing African agriculture

**EU Development Cooperation
models with the private sector
- an overview -**

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EU Development Cooperation models with the private sector: an overview

1. Background to PSDA
2. Some definitions and positions
3. Structuring criteria for cooperation with private sector
4. Results: Current portfolio EU and EU Partner States cooperating with private sector in agriculture
5. Outlook

EU Development Cooperation models with the private sector;
an overview -

1: Background to PSDA

- EU Heads of agriculture, rural development and food and nutrition security departments in development cooperation ('HARDs') establish an EU WG PSDA (Working Group on Private Sector Development in Agriculture).
- PSDA is closely connected to other formal working groups e.g.: “EU Expert Group on Private Sector Development in Third Countries”

EU Development Cooperation models with the private sector; an overview -

1: Background to PSDA

- Working group addresses three objectives:
 - a) transparency in how and where the EU and the EU member states cooperate with the private sector,
 - b) analyzing and grouping the different approaches
 - c) recommending future orientation of cooperation with the private sector in agriculture
- The presentation summarizes first results of objective A and B
- Results are temporary
- work in progress !

EU Development Cooperation models with the private sector; an overview -

2: Some definitions and positions

The agriculture sector in this context includes:

- natural resources
- nutrition linked
- non-agricultural aspects of rural development

Three dimensions in agricultural development:

Development of agricultural in the context of rural development contains three dimensions:

- agriculture as a commercial business
- agriculture linked to a social component
- managing the natural resources and national assets

EU Development Cooperation models with the private sector; an overview -

2: Some definitions and positions (non-binding -for structuring purpose only)

private sector cooperation models in agriculture means:

- At least THREE partners are actively involved within the cooperation:
 1. EU/EU member states,
 2. European, international, or local private sector;
 3. farming community in partner states or target population;
- “Private sector” in this context means all commercial enterprises outside the primary agriculture production operating on local or national or regional or global level, being based in Europe or outside.

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3: Structuring Criteria (7) for cooperation with private sector

1. Current donor support modalities and instruments of aid delivery for cooperation with the private sector in general and in agriculture/natural resource specifically.
2. Basic forms of cooperation with private sector - the Donor Perspective
3. Objectives of development partnerships with the private sector – the Business Perspective
4. Public-private cooperation in value chain promotion (the vertical supply chain view - from farm to fork)
5. Financing value chains – Instruments and entry points
6. Development partnerships with the private sector and the inclusion of rural poor
7. Development partnerships with the private sector and impact orientation on rural households

EU Development Cooperation models with the private sector; an overview -


4:Results: Current portfolio EU and EU Partner states cooperating with private sector in agriculture

Structuring Criteria I Current Donor Support Modalities and Instruments

- four entry points for the cooperation with the private sector
- financial/capital and non-financial mainly technical support.
- Financial and non-financial support might be channeled directly or indirectly via a third party often service providers.
- “controversial” notion on direct financial grants to reduce upfront risks of market entry or working in insecure environment
- grant competition schemes are not really attractive for the private sector since the preparation absorbs tremendous resources

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4: Results: Criteria II Basic forms of cooperation with private sector - the Donor Perspective

Increasing levels of investment/financial commitment 						
I	II	III	IV	V	VI	VII
Informal cooperation (exchange of concepts, ideas, and strategic objectives)	Formal – loose cooperation platform without joint financial involvement	Formal cooperation - coordination of activities and values, harmonization of norms and standards without joint financial involvement	Financing facility for cooperation with private sector, joint financial involvement	Bilateral cooperation (single company level) joint financial involvement	formal multilateral cooperation merge of activities, (group of companies or alliances); joint financial involvement	Private sector contract partner of development aid and sole implementer, but matching contribution by private sector
Strategic partnership MoUs between multinational companies and donor agencies	NL Netherlands water partnership	Grow Africa Initiative	D- develoPPP (D) with	UK-S, the practitioner hub for inclusive business	EU- PIP Pesticide Initiative Program sustainable horticulture trade including 120 partners	D-BMGF- Compaci Program (cotton), Ginneries organize cotton farmers. Ginneries implement technical program
	D- German Food Partnership	Multi stake holder platform coordinated by FAO, tenure on land, fisheries and forest	NL- PPPfunds for social entrepreneurship Dutch Growth Fund (GGF)	Small projects (<.03 Mio) under develoPPP implemented by	EU-PAPA, Cameroun, cooperation with agroindustries in coffee, cocoa, dairy and cotton	

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4:Results: Criteria III Objectives of development partnerships with the private sector – the Business Perspective

Increasing levels of involvement by private sector in development topics



I	II	III	IV	V	VI	VII
Information and Experience Exchange	CSR measures of individual companies or group of companies (voluntary measure)	Improving business environment (technical-organizational, financial, legal creating new or fair opportunities)	Capacity development of business partners incl. business intelligence	Innovation and market introduction (sharing risk of market entry)	Expansion of technical and organizational, financial capacities (volume markets) Financing value chains	Targeting the base of the pyramid (BOP) with business concept directly
D- Forum for Sustainable Palm Oil (FONAP) private sector-NGOs-donor	EU-Den-D: World Cocoa Foundation harmonizing social and environmental standards along the chain	EU-Danida Uganda, trade related SPS and quality management	D- Federal Ministry of Agriculture, Training Centers- Model farms in Ukraine, Ethiopia, Morocco, Topic applied machinery and land use technologies	EU Risk capital facility South Africa inclusion of disadvantaged people	FIN - Equity participation Finnfund in forms of equity, loan and mezzanine funding	UK- Ethical Trading initiative (ETI)
UK-S, the practitioner hub for inclusive business	AFD PAGEF-RoC (Project for sustainable management of tropical forests)	EU. DFID US-AID rural roads within SAGCOT corridor. Tanzania	D+NL.+? Senior expert service	EU Global Energy Efficiency and Renewable Energy Fund (GEEREF) for risk capital in rural electrification	F- Guarantee schemes to African Banks	UK- support to Global Alliance for improved nutrition GAIN –BOP consumers

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4:Results: Criteria IV: Public-private cooperation in value chain promotion (the vertical supply chain view - from farm to fork)

I	II	III	IV	V	VI	VII	VIII
Input Supply	agric Production	Procurement	Storage handling	Processing	Trade and Distribution	Final consumption	Value chain environment
S – SIDA Challenge Fund sustainable fishery partnership Thailand on tuna, tuna supply forecast	EU—Malawi, Farmers income diversification program			EU. Support for fresh produce exporters, Kenya, market information center, value addition			F- direct support to private sector along the value chain
EU-NL-D-IFDC, Burundi (PNSEB) subsidized fertilizer program	UK- Ethical Trading initiative e.g shrimp production Thailand			UK-S, the practitioner hub for inclusive business, Morocco project fortified food for children	UK-S, the practitioner hub for inclusive business, projects focusing on last mile distribution e.g, clean cooking solutions		EU-Danida Uganda, trade related SPS and quality management
	EU- sugar value chain in Belize; Congo, Ivory Coast, Kenya, Madagascar, Malawi, Mozambique Tanzania, Zimbabwe focus sustainability and social aspects					UK-GSMA mobile for development in nutrition –multiple countries	EU- Banana value chain in Cameroon, Ivory Coast, Ghana, DomRep , Suriname, Belize, focus sustainability and social aspects
		UK-Business Innovation facility, supporting AGORA supermarket suppliers in Bangladesh					AFD Worldbank feeder road program Ivory Coast
AFD Cambodia Camagra value chain						WFP-NL-digital food	


EU Development Cooperation models with the private sector; an overview -

4:Results: Criteria V: Financing value chains – Instruments and entry points

I	II	III	IV	V	VI	VII
Input Supply	agric Production	Procurement	Storage handling	Processing	Trade and Distribution	Final consumption
Agricultural machinery financing through supplier and guarantee e.g. John Deere	EU-NL-Global Index Insurance	EU- UK-F-L- WFP purchase for progress		NL- Refinancing of Credit lines in agro-processing via Rabo-Bank	D-KFW/DEG credit for shrimp exporter in Vietnam to increase purchasing capacity with small producers	
	D-BMGF COMPACI AID by Trade Foundation refinance through sale of loge in textiles					

EU Development Cooperation models with the private sector; an overview -

4:Results: Criteria VI: Development partnerships with the private sector and the inclusion of rural poor

I Maintaining natural resource base	II Promoting commercial farming		III The “outgrower” aspect		IV Targeting disadvantaged farmers		V Targeting vulnerable rural households	
Degree of inclusiveness 								
targeting natural resources (public goods) indirect involvement of rural population as e.g. workers	addressing commercial activities e.g. processing; focus growth in volume production and processing		Program addressing commercial activities incl. farming + small holdings; Linkage concepts, out-grower, contract		Program targeting specifically only smallest farmers with limited growth potential		Program targeting rural vulnerable exclusively –customer of services or consumers	
	< 1000 farms	>1000 farms	< 1000 farms	>1000 farms	< 5000 farms	>5000 farms	<5000 households	>5000 households
S, innovations against poverty, fair trade timber Indonesia	D- Federal Ministry of Agriculture, Training Centers- Model farms in Ethiopia, Morocco, machinery and land use technologies	EU-NL.-GIIF Global Index Insurance Africa	UK-S, the practitioner hub for inclusive business, Nigeria, Guinness breweries supply with sorghum and maize	EU. SAGCOT program in Tanzania		EU ANEP Agriculture and nutrition extension project in Bangladesh and Nepal	EU Risk capital facility South Africa inclusion of disadvantaged people	UK- support to Global Alliance for improved nutrition GAIN

EU Development Cooperation models with the private sector: an overview -

4:Results: Criteria VII: Development partnerships with the private sector and impact orientation on rural households

I Social impact dimension on rural households		I Environmental impact dimension on rural households		III Financial impact dimension on rural households	
financing programs	technical programs	financing programs	technical programs	financing programs	technical programs
	UK- Ethical Trading initiative (ETI) e.g shrimp production Thailand –working conditions		UK- Fair Trade Labelling	EU Risk capital facility South Africa inclusion of disadvantaged people	EU-Italy-UNIDO-AGRA AAF/TAFTA Facility of the agricultural fund, capacity development of outgrowers
	EU Banana accompanying measures Ghana housing program for workers		S – SIDA Challenge Fund sustainable fishery partnership Thailand on tuna	EU-NL-Global Index Insurance	EU—Malawi, Farmers income diversification program
	WFP-NL-digital food				

EU Development Cooperation models with the private sector; an overview -

5: General Remarks & Outlook

- PSDA working group continues working on recommendations of future orientation in cooperation with the private sector.
- It appears that programs get more complex with a rising number of partners and different contributions requiring a reduction in complexity about objectives and clear impact orientation
- With the growth of the economy more non-traditional cooperation partners of the private sector emerge
- Cooperation with the private sector is not a substitute for direct support. It is an “add-on” specifically in reaching a broader mass of people in rural areas.

EU Development Cooperation models with the private sector; an overview -

5: General Remarks & Outlook

- Cooperation models with the private sector towards developing agriculture receive fundamental criticism from a wide range of NGOs and groups of the general public but at the same time numerous programs with the active involvement of NGOs exist e.g. social and environmental standards
- Cooperation models with the private sector require an open and transparent dialogue with the interested public and need a pro-active notion e.g. project impact monitoring by an independent institutes. Good practice examples exist.
- For further information please contact the secretariat or members of PSDA