



# African Private Sector Perspectives

Agribusiness & Small Holder Farmers Engagement

Daniel Gad, Omega Farms

Nov 25<sup>th</sup>, 2014

# Engagement Models

- Often referred to as Public Private Partnerships
- More often an Aggregation model
- A Transformational Equity building model is needed: based on long term investment (patient capital) & catalytic investments

# Some Examples of Partnerships

- Guts Agro
- Acos
- Safari Fresh & Indu Farms
- Moyo Nuts & Seeds
- Rwanda Farmers Coffee Co.
- Aggregation, market support, agronomic support, input financing are some of the most common characteristics of these relationships

# Lack of Substantial Involvement of the African Domestic Investor due to PPP Weak Points

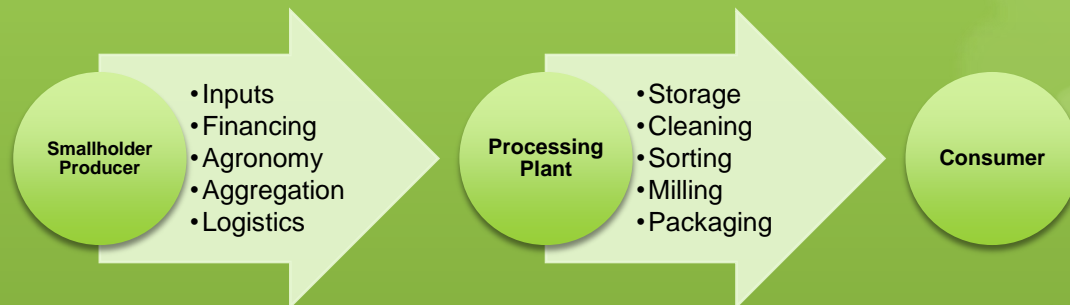
- Cost of doing business as a PPP model is too high
  - Lack of adequate judicial framework in some locations
  - Requirement to add staff for relationship management, contract management, agronomic support
  - Need to train SHF in business relationship
- Very little governmental support in some locations,
- Development Partners do not have adequate clear rules of engagement with the Private Sector
- Getting Development Partners engaged often takes a long time
- Funding approvals and disbursement of funds take a long time

# Transformational Approach to Value Chain

## Traditional Value Chain



## Shortened Value Chain



# Transformative Approach: Equity Building for the SHF & Equity Sharing by the Investor

- Foundation is a combination of Catalytic Funding & Patient Capital
- African Domestic Private Sector invests as well as manages the project
- Development Partners & Government invest in the required capital to support SHF (training, contract management, irrigation, mechanization & inputs)
- SHF builds ownership equity over time, ownership is expressed in shares (conversion of the agreed to percentages of the farmers earnings and value of the land contributed to the business entity).
- A new governance model must be established as farmers become shareholders of the company.

# Observations & Conclusions

- Current PPP models for the most part are still focused on Aggregation models.
- In order to Transform Agriculture in Africa there is a clear need to bring domestic private investments and SHF closer together. Equity based ownership for SHF builds a stronger long term value building proposition that will go a long way towards poverty reduction and accelerating agricultural value addition and downstream processing.
- The African Domestic private sector investor gains when the partnership with SHF's is financially robust beyond aggregation and transforms the relationship.