

THE PRIVATE SECTOR AND DEVELOPMENT CO-OPERATION – TWO UNEQUAL PARTNERS IN THE PROMOTION OF AGRICULTURE

Some people extol collaboration between the private sector and public development co-operation as the royal road to efficient implementation of development measures; others see it as putting the most vulnerable groups at risk. There have been very few robust studies of the extent and impacts of these co-operative projects. The German Institute for Development Evaluation has set out to change this. It has put the spotlight on German technical co-operation in the agricultural sector.

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Since the mid-1990s, the importance of the private sector as a partner in development co-operation has been growing. This is reflected in, inter alia, the 2030 Agenda for Sustainable Development. The Agenda notes that promotion of sustainable development cannot be handled by governments alone; the private sector – comprising organisations of all sizes from micro enterprises to multinationals – also has a key part to play in enabling the Sustainable Development Goals to be achieved. The opportunity to leverage private funds is not the only reason for involving the private sector. It is also assumed that private-sector companies can provide some services and technologies better and more efficiently than the state.

In German development co-operation, too, collaboration with German, international and local companies is becoming increasingly important. This is apparent, for example, in recent strategy papers of the Federal Ministry for Economic Cooperation and Development (BMZ), such as the “Marshall Plan with Africa”. The establishment in 2016 of the Agency for Business and Economic Development (Agentur für Wirtschaft und Entwicklung – AWE), which is intended to function as an interface between German development co-operation and the private sector, emphasises BMZ’s efforts to boost collaboration.

There is collaboration with private businesses in many sectors of development co-operation. Particularly important, however, is co-operation in agriculture – a sector that provides a livelihood for many poor people in the Global South. Moreover, agriculture, especially in Africa, is seen as an important starting point for economic development and the promotion of rural areas. Fundamental BMZ documents highlight the pivotal role of companies in developing and promoting agricultural value chains and in providing know-how and technology. For example, involving partners from

the private sector, civil society and the scientific community is a key element in the Green Innovation Centres for the agriculture and food sector that, as part of the “One World – No Hunger” special initiative, are currently a focus of BMZ’s activities.

CIVIL SOCIETY’S CONCERNS

This positive view is not shared by everyone. Critics among policy-makers and in particular within civil society fear that the emphasis will be primarily on the economic interests of the companies involved (e.g. opening up new sales markets) and not on the groups targeted by development policy. Private-sector involvement is also criticised on the grounds that the participation of large globally active corporations simply promotes market-oriented agriculture with increased use of agricultural inputs and that smallholders in particular are put at a disadvantage. Civil society organisations suspect that not only will positive impacts on the target groups not be forthcoming but that the effects will actually be negative – they fear that there is no guarantee that private-sector companies will comply with human rights standards and principles and that human rights risks will not be identified. Ensuring and promoting human rights has become an increasingly important concern of development co-operation in recent years. As part of this concern there is intense discussion of the responsibilities of companies involved in value chains in the countries of the Global South – regardless of whether their operations are in the context of development co-operation or on their own account. These issues are also addressed in Germany’s National Action Plan for Business and Human Rights, which was adopted in 2016, and elsewhere.

Despite the increasing importance of the private sector as a partner in development co-op-

eration both internationally and in Germany, there have as yet been few studies and evaluations that have assessed these collaborative schemes. The German Institute for Development Evaluation (Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit – DEval) has therefore analysed co-operation with the private sector in German technical co-operation’s work in the field of agriculture.

WHAT FORMS OF CO-OPERATION EXIST?

In technical co-operation the focus is on joint implementation of projects in the partner countries of development co-operation. One way in which this takes place is via development partnerships with the private sector (DPPs) – for example under the umbrella of the *develoPPP.de* programme, which has been running since 1999. Integrated development partnerships with the private sector (iDPPs) are another option; as the name suggests, such partnerships involve co-operation with private-sector companies being integrated into bilateral technical co-operation projects. In both DPPs and iDPPs the partners contribute their resources and share the risks in order to achieve a common goal. The services of technical co-operation are usually provided in kind, so that only very rarely do the companies receive cash. The projects of the above-mentioned Green Innovation Centres take the form of iDPPs. For example, one of the centres is working to improve the milk value chain in Tunisia: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the large Tunisian dairy company Délice are together developing training courses that help smallholders improve their milk production and enhance their entrepreneurial skills. In addition, Délice is making technological innovations available to the milk-producing farms.



The poorest population groups often lack the resources needed to participate in value chains.

Photo: Michael Brüntrup

Between 2006 and 2016 there were 473 projects in the agricultural sector that involved co-operation with the private sector; 45 per cent of them formed part of the develoPPP.de programme, while another 40 per cent were iDPPs. There is a geographical focus on sub-Saharan Africa, where some 40 per cent of the projects are located. During that period around EUR 190 million was invested in co-operative projects; EUR 114 million of this was private-sector funding. The public element was small, amounting to less than 2 per cent of Germany's technical co-operation budget in the agricultural sector. Thus, despite the considerable attention that co-operation with the private sector is attracting, little practical use is being made of this approach. It can,

however, be assumed that this element will continue to grow in future.

Other forms of co-operation such as Public Private Partnerships (PPPs) to improve public tasks including water supply and transport infrastructure in partner countries are typically handled by financial co-operation. In addition, financial co-operation can provide public-sector stakeholders with assistance in the form of subsidies or loans. For example, loans may be provided to countries or sectors that, because of the higher investment risk, are either not served by the conventional commercial banks or are obliged to pay very high interest rates. Another form of co-operation is the multi-stakeholder partnership (MSP). An MSP

is a long-term partnership between state, civil-society and private-sector stakeholders that usually aims to address complex overarching challenges for particular sectors or individual products. A prominent example of an MSP is the German Initiative on Sustainable Cocoa, the members of which are seeking to make cocoa farming more sustainable by sharing their knowledge and experience. The Initiative's goal is to improve the livelihoods of cocoa farmers and conserve natural resources.

WHAT ARE THE DEVELOPMENT BENEFITS?

The DEval evaluation concludes that co-operation with private businesses is in principle a relevant and appropriate means of contributing to poverty reduction and food security, which are the main goals of German development co-operation in the agricultural sector. Technical co-operation in agriculture pursues a market-based approach designed to promote growth and thus create jobs. Private-sector businesses can be important partners in this approach. A direct and frequently observed result of such co-operation is an increase in agricultural production in the value chains supported.

However, evaluations have found that the poorest population groups are unable to benefit directly from such market-based approaches because they lack the resources (land, know-how, labour, finance) that are needed for participation in value chains. For smallholders with a certain level of resources, though, it is a very promising avenue. All participants must therefore be clear about which goals can realistically be achieved by co-operation with the private sector – and which cannot.

As a further benefit – regardless of sector – it has also been found that, as a result of the interest of private-sector companies in developing long-term business relationships, the activities tend to be continued after the end of the development co-operation project. However, it is also noticeable that the development-related components are often scaled back severely when the project ends.

It is virtually impossible to say whether co-operation with the private sector actually adds value in practice by comparison with project implementation by technical co-operation alone. One of the reasons for this is that the implementing organisations' monitoring and evaluation systems are not designed to yield a separate assessment of the companies' activities and contributions to the goals of a project. This

problem is particularly acute for iDPPs because of the way they are integrated closely into “normal” bilateral development co-operation programmes. The inadequate identification and measurement of the impacts and benefits of co-operation with the private sector appears not to be limited to German development co-operation; in the international literature, too, authors lament the absence of reliable information on the effects of such co-operation.

Alongside the intended positive effects there is also always a risk of unintended effects that may have adverse consequences for the target groups of the measure or for other population groups. These unintended consequences can range from distortion of markets to breaches of human rights standards and principles. While the duty of development co-operation to examine human rights risks is clearly set out in theory, the DEval evaluation has found that in practice current procedures are not suited to identifying human rights abuses that could occur in projects (the DEval evaluation did not investigate whether co-operative projects with private businesses have already resulted in actual human rights abuses). There is also still a need to clarify how private-sector businesses – which are relatively new partners in development co-operation and not automatically committed to its goals – should be involved in project appraisals. In the agriculture and food sector, companies are under particularly intense public scrutiny and in consequence they often adopt specific sustainability standards or join label schemes. The potential inherent in this can and should be utilised by development co-operation.

PAVING THE WAY FOR SUCCESSFUL CO-OPERATION

The DEval evaluation and other studies have identified various factors that contribute to successful co-operation with the private sector. For example, because development co-operation and private businesses have different objectives, it is important to identify the commonalities in order to ensure that all the stakeholders involved in the project are pursuing the same goals and can benefit from the joint activities. There are usually more commonalities with sourcing companies – that is, companies that buy raw materials or products from the partner countries of development co-operation – than with companies that seek to sell their products there. This is because the activities of sourcing companies tie in particularly well with those of development co-operation – many development co-operation projects involve expanding

and improving the quantity and quality of products and value chains. In this situation, companies acting as purchasers are a crucial element in the functioning of the chain. At the same time, these companies benefit more from the development co-operation activities, for example if these activities involve training and organising the smallholders. Companies with products to sell, on the other hand, find that in the partner countries they encounter stiff competition from providers from other countries who are often able to offer their products at lower prices; in addition, the groups targeted by development co-operation are often not the typical clientele of the private-sector companies.



Private-sector involvement must never be at the expense of the target groups of development co-operation

The ultimate aim is to develop inclusive business models that benefit, inter alia, the poorer smallholders who are the target group of development co-operation, since this does more to reduce poverty. However, a frequent obstacle here is the fact that smallholders lack the financial resources needed in order to make use of the innovations on offer. Loans are available to these smallholders only at excessively high rates of interest, if at all. Development co-operation must therefore seek to ensure that the provision of financial services for the groups targeted by development co-operation is given high priority. When negotiating the common ground, it is also necessary to make sure that any potential areas of conflict are identified and spelt out. For example, it is in the interests of sourcing companies to buy their products at the lowest possible prices, while it is the task of development co-operation to promote the degree of organisation and hence the negotiating position of small-scale farms. Private-sector involvement must never be at the expense of the target groups of development co-operation.

In recent years there has been an increased focus on the establishment of equal partnerships between development co-operation and private businesses; such a partnership is a key factor in the success of a co-operative project. However, implementation of the partnership concept is hindered by a number of obstacles that arise from the differing ways in which the partners operate. These obstacles include inadequate understanding of the other partner's

objectives, a lack of private-sector know-how in German development co-operation and extensive formalities that result in businesses complaining about the excessive bureaucracy and inadequate flexibility of the implementing organisations. However, critics should remember that development co-operation uses tax revenues and is subject to particular regulations and values – so that while greater flexibility and faster processes are desirable, they are only to a certain extent possible. The partial lack of private-sector know-how means that the potential of a co-operative project is not always recognised and utilised by development co-operation operatives; furthermore, this lack makes communication with private-sector partners more difficult. At the same time, the development policy objectives must also be recognised and shared by the co-operating businesses.

The fairly short project terms in German development co-operation also pose a challenge, because private-sector companies think and plan long-term. Developing trust between possible business partners and establishing formal business relationships is invariably a protracted process. In the agricultural sector the difficulties are compounded by the dependence on vegetation periods and the possible impacts of bad weather conditions. In addition, introducing technological and agronomic innovations to smallholders can take a great deal of time – time that is often not available in development co-operation projects.

In conclusion, there is no doubt that the trend towards co-operation with private-sector companies to promote the agricultural sector will continue. It is therefore essential for development co-operation to do more to acknowledge private businesses as equal partners than has previously been the case. In addition, development co-operation must be more systematic in identifying how the private sector can contribute and what added value for development arises as a result – partly in order to learn from this for itself and make more appropriate use of such co-operation in future, and partly in order to be better able to explain the advantages of co-operation to a critical public.

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For references, see online version of this article at: www.rural21.com