



IFAD and public-private partnerships: Selected project experiences

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Enabling poor rural people to overcome poverty



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Introduction¹

In many developing countries, diminishing state intervention in agriculture has opened the way for the free play of market forces and encouraged private companies to get involved in the production, processing and marketing of agricultural commodities.

Since the 2008 food price crisis, agriculture has become an increasingly attractive investment, as evidenced by the subsequent rush to invest in agricultural land. More and more private companies have been looking to gain sustainable access to raw materials and supplies and expand their outreach to poorer rural consumers and a growing number of urban consumers in developing countries, as part of their strategy to build their long-term competitive advantage. As a result, the private sector has become the main engine of growth for rural economies and private investment in agriculture is now greater than official development assistance.

IFAD has been adapting to these changes and pursuing the new opportunities that have presented themselves with the rise of private-sector rural investment. We see enormous potential to accelerate poverty reduction by continuing to foster partnerships that merge the interests of smallholder farmers with those of private companies. We have made private-sector partnerships a key part of our strategic plan because they allow us to leverage the resources of the private sector in order to scale up our development interventions and reach more poor rural people.

Under the right conditions, private-sector investment can contribute to pro-poor development that raises incomes and strengthens food security. While the private sector gains on the supply side, farmers benefit from linkages to secure markets and access to technology, services, innovation and knowledge. Our experience shows that these partnerships can generate significant improvements in livelihoods and employment opportunities, as well as bring indirect benefits for communities such as improvements in the local economy and investments in infrastructure and services. When we partner with the private sector we have more certainty that enterprises will become economically viable and that they will be sustained beyond the life of a project.

But there are also risks and challenges. Smallholder farmers, especially women and other disadvantaged groups, risk being excluded and marginalized, being exploited, or finding themselves in unequal relationships with a more powerful corporate private sector.

IFAD has an important role to play in creating the right conditions for mutually beneficial public-private partnerships (PPPs) to flourish and in creating viable models for bringing together the interests of all parties in ways that are equitable and transparent. We work with governments to help them create favourable policy environments and provide the infrastructure to allow rural businesses to thrive. We help build relationships between small-scale producers and private companies, negotiating

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and supporting inclusive and sustainable collaborations. We show how it is possible to engage with small-scale rural producers in a socially and environmentally responsible manner, creating models that can be taken up by others.

Although IFAD does partner with multinationals and big private corporations, in the majority of cases we work with the local private sector. Buyers, supermarkets, input suppliers, commodity brokers, warehouses, MFI and commercial banks – of smaller or greater size – are all actors potentially interested in linking with well-organized farmers' groups.

In promoting PPPs we keep the interests of poor rural people to the fore, and ensure that marginalized groups such as poor rural women and ethnic minorities also benefit. We empower small-scale producers by helping them build strong organizations that are able to engage with the private sector.

The following sections present IFAD's experiences in building PPPs in country projects and programmes around the world, from which we draw conclusions, lessons learned and the way forward.

Case studies of IFAD-supported PPPs

IFAD's experience in partnering with the private-sector centres on its role as a facilitator and 'honest broker'. Through the projects and programmes that it supports, IFAD has forged partnerships between private companies and groups of small-scale producers along specific value chains. In these projects, IFAD has supported three basic types of PPP models:

1. **Formal contractual arrangements.** In this model, private-sector companies work with small-scale producers according to a variety of contractual arrangements – such as outgrower schemes or contract farming – and form a long-term commercial relationship with them.
2. **Delegation of a particular function of the value chain to producers' organizations.** In this model, private-sector companies delegate the management of producer-owned primary processing centres to small producers' organizations.
3. **Joint ventures between private companies and producers' groups.** In this model, a new enterprise is set up in which small-scale producers and the private-sector company co-own the business along part of (e.g. at the processing stage) or the whole value chain.

The case studies described below illustrate these PPP models (or slight variations and combinations of these models) and indicate the results and impacts documented thus far.



Sub-Saharan Africa

Burkina Faso and Mali – Building farmer's income and safety nets while securing local energy supply in West Africa

Brief description of the PPP/project objectives

MBSA is a company producing non-polluting biodiesel from the energy crop jatropha. Its inclusive business model brings together outside investors and local smallholder farmers in Burkina

Faso and Mali. MBSA has set up local foundations in the two countries, the main objective of which is to strengthen the capacity of the farmers and their cooperatives and to help farmers add value to carbon credits. The farmers plant and harvest jatropha and their cooperatives sell the jatropha nuts to MBSA, either in Burkina Faso or Mali, where the oil is then extracted. The product is sold exclusively to local markets. This biofuel model integrates jatropha production into the smallholder farming system without creating a conflict over land usage between food and fuel production because jatropha is either intercropped with food crops or grown on unproductive land.

IFAD grant: US\$500,000 to Mali
Biocarburant SA (MBSA)
Duration: 2012-2015

Role of the IFAD-supported project in the PPP

IFAD helps smallholder farmers partner with MBSA in a combination of a joint venture and contract farming. IFAD supports a regional partnership development unit aimed at accelerating the consolidation and formation of biofuel foundations in five target countries (Burkina Faso, Côte d'Ivoire, Guinea, Mali and Senegal). The foundations help farmers' cooperatives integrate jatropha into their production systems and also train farmers in improving food production for greater food security. Support is also being provided through IFAD-supported projects to strengthen the producers' associations involved.

Role of the private sector

MBSA Holding, with its various shareholders, finances the two national subsidiaries in Burkina Faso and Mali, owns the processing facilities and facilitates funding of the foundations.

MBSA Holding was conceived as a mutually beneficial enterprise. There are many stakeholders, including research institutes, development organizations, unions and federations of cooperatives, and MBSA Holding. Producers have an equity stake in the business and mechanisms are in place to ensure a transparent relationship between both parties. Smallholders are among the company's shareholders and are represented on the board.

Role of government

Government policy is key in promoting more inclusive business models and other incentives, particularly in Mali. The Government of Mali has created an enabling environment for foreign and national private investment.

Both governments provide support in the form of technical services and have initiated programmes to support rural people who wish to set up jatropha businesses, reducing start-up costs by providing equipment and inputs.

How many rural people benefited?

Overall, MBSA works with more than 10,000 smallholder farmers in three regions in Mali and two regions in Burkina Faso.

What are the benefits to smallholder farmers?

- Active role in the company, participating in price agreements and decision-making processes.
- Increased sales of jatropha nuts and direct benefit from sales.
- As shareholders, increased value of shares, and dividends.
- Maintenance of land rights and added value to their own plots and to unproductive land. In Mali, land rights are strengthened, given that Malian law grants land rights to those who plant trees.
- Improved yields of food crops planted alongside jatropha.
- Diversified incomes, thus providing a safety net should other crops fail.

Other impacts

- Rehabilitation of land by jatropha, which can be grown on degraded and marginal land, is drought-resistant, is not grazed by animals and helps bind soils and protect cultivated fields from wind and other erosion.
- Availability of fuel in rural areas. MBSA focuses on local production, processing and consumption.
- Generation of carbon credit income by farmers by planting jatropha. This income is used to finance the operational costs of the foundation and for other investments in production.
- Use of the residue from the extraction process as organic fertilizer for soils and in soap production.
- Strengthening of women's land rights, and management and ownership of soap factories by a women's group.

Ghana – Northern Rural Growth Programme

Brief description of the PPP/programme objectives

The programme helps set up contract farming arrangements between private partners (buyers and processors) and smallholder farmers. Products include cotton, shea nuts, maize, sorghum, soybeans, butternut squash and groundnuts.

The programme provides technical support to facilitate the outgrower schemes; provides improvements in infrastructure, such as feeder roads or storage facilities, where needed by the private partners; and builds the capacity of farmers' organizations in terms of business development and good governance of their organizations.

Northern Rural Growth Programme
Total cost: US\$103.6 million
Approved IFAD loan: US\$22.3 million
Approved IFAD grant: US\$400,000
Duration: 2008-2016

Role of the IFAD-supported programme in the PPP

The programme approached private partners, based on marketing surveys. In some cases, it made the first contacts with the private partners, after which the programme negotiated and signed the contracts. The programme also helped the farmers' groups ensure fair prices and comply with the terms of the agreement.

Role of the private sector

The private companies invested in start-up financing, training and monitoring, and guarantee a market for the products. They also carry out specialized training and monitoring for quality assurance of the produce. Some private firms provide inputs on a loan basis to the farmers.

Role of government

The government provided technical training to the farmers' organizations in production, post-harvest management and quality assurance.

How many rural people benefited?

By early 2013, about 50,000 farmers had benefited from the programme, and the number continues to increase.

What are the benefits to smallholder farmers?

- Increased productivity, e.g. a 200 per cent increase in yields of maize and soybean and a 140 per cent increase in sorghum yields.
- Increase in quantities and quality of product sold.
- Higher prices paid to smallholder farmers.
- Some employment creation.
- Sustainable contractual arrangements.
- Community benefits, including new infrastructure, such as feeder roads, warehouses and irrigation schemes, that trigger income-generation opportunities and also attracts further private investment.
- Improved living conditions, better housing and acquisition of vehicles for farm transport.
- In irrigated areas, improved food and nutrition security and an end to the pre-harvest hunger period.

Liberia – Smallholder Tree Crop Revitalization Support Project (STCRSP)

Smallholder Tree Crop Revitalization Support Project
Total cost: US\$25.0 million
Approved IFAD loan: US\$16.9 million
Duration: 2012-2017

Brief description of the PPP/project objectives

In Liberia, despite being the very first engagement of its kind, a very promising PPP has been instituted between the Ministry of Agriculture, STCRSP and the Liberia Agriculture and Asset Development Company (LAADCO), a private-sector exporter of cocoa and coffee.

Role of the IFAD-supported project in the PPP

STCRSP supports: (i) the rehabilitation of rural road networks for improved access to markets; (ii) the rehabilitation of cocoa and coffee plantations, primary processing and linkages between smallholder farmers and the private sector to increase production and the quality of cocoa/coffee sold; and (iii) the financial management and institutional development of three cooperatives and capacity-building of Ministry of Agriculture staff to enable the cooperatives to benefit from extension services, bargaining power and lower transaction costs.

Role of the private sector

The private company LAADCO is providing technical and extension services and also concrete cofinancing. It has to date cofinanced and invested over US\$1 million towards supporting smallholder cocoa farmers across its three partner cooperatives in three districts. The forms of investment include: human resources, through building district teams of extension workers (technicians, agronomists and supervisors); vehicles (pick-up trucks and motorbikes) to support cooperative mobility and transportation; and provision of much-needed pre-financing for cooperatives' working capital.

Role of government

The government is investing in rehabilitation of the cocoa fields and has engaged LAADCO as a key implementing partner for the rehabilitation of an initial 1,000 ha of cocoa and coffee smallholder farms. Agreement is under way between the IFAD-supported project STCRSP, the government and LAADCO to support the rehabilitation of another 15,000 ha of cocoa or coffee and LAADCO has committed US\$5 million to cofinance this objective.

How many rural people benefited?

Approximately 1,000 farmers (1 ha, 1 farmer) have benefited.

What are the benefits to smallholder farmers?

- Improved commercialization: as an exporter, LAADCO presents a ready buyer and market for cooperatives and farmers in the project areas.
- Better prices: up to 50 per cent above the price of middlemen, who are the only other real market option for farmers.
- Increase in sales volume due to the higher absorption capacity of the private company.
- Product quality improvements.

Madagascar – Rural Income Promotion Programme (PPRR) and Support Programme for the Rural Microenterprise Poles and Regional Economies (PROSPERER)

Brief description of the PPPs/programmes' objectives

PPRR aims at increasing income and food security of the rural inhabitants of the Toamasina Province through partnership between producers/transporters/processors and traders. The objective of the programme is first and foremost to improve small-scale producers' market access by building up commodity chains and helping them optimize their produce and position in the chain.

The programme tries to overcome some of the obstacles that poor producers face, like shrinkage of the local market, increased dependency on the informal financial sector and a tendency among exporters to be passive and reactive towards the market instead of actively looking for new market opportunities. These phenomena are breaking down some of the most important agricultural commodity chains and making it very hard for poor producers to sell their produce profitably.

PROSPERER is also focusing on strengthening commodity chains, in this case by integrating traditional clusters into modern value chains, including silk, honey, fibre production and many more. The programme focuses on increasing the incomes of poor rural people in five of the country's poorest and most densely populated regions. It works towards creating efficient business development services that respond to the needs of small and rural microenterprises and it builds the capacity of these enterprises based on their individual requirements.

Both programmes focus on building clusters of sustainable partnerships between various participants in the selected value/commodity chains. This union of stakeholders is an advantage to the extent that it promotes synergy, creates credibility and adds value in the chain that would result in an increase in the income of each member of the cluster.

Through workshops where public and private partners meet, problems and constraints in the selected value chains and clusters are discussed and joint solutions sought.

Another important PPP model is related to the objective of improving access to rural finance for poor farmers through partnerships between PROSPERER and rural banks.

Role of the IFAD-supported programmes in the PPPs

In both cases, the IFAD-supported programmes play the role of facilitator in building relationships between stakeholders and facilitating dialog between the public sector, private companies and rural farmers. The programmes organize and implement capacity-building of farmers and staff of relevant public entities. PROSPERER is also offering financial services to small-scale entrepreneurs.

Rural Income Promotion Programme
Total cost: US\$28.2 million
Approved IFAD loan: US\$14.5 million
Duration: 2004-2013

Support Programme for the Rural
Microenterprise Poles and Regional
Economies
Total cost: US\$46.4 million
Approved IFAD loan: US\$17.7 million
Approved IFAD grant: US\$288,000
Duration: 2008-2015

Role of the private sector

The private sector invests in productive infrastructure and capacity-building of farmers to increase the value of farmers' output in the value chain.

Role of government

The government's contribution is of the order of US\$5.2 million (18.4 per cent) in PPRR. It invests in facilitating the supply of inputs and raw materials, the ability to access the regional market and capacity-building in management, marketing and production technology.

What are the benefits to smallholder farmers?

- Rationalization of collection systems.
- Better and more standardized quality of produce.
- Increases in sale prices.
- Strengthening of farmers' bargaining position.
- Development of partnerships between producers' groups and commercial buyers.
- Lower rate of rejection of products by buyers.
- Introduction of new products.
- Improvement in product transport conditions.
- Improvement in yields.
- Strengthening of farmers' organizations (e.g. improved management skills).
- Establishment of market access centres for various crops, fruits and vegetables – making the value chain shorter and resulting in better returns to farmers.

Other impacts

- Improvement in access to rural credit.
- Better rural infrastructure.

Malawi – Rural Livelihoods and Economic Enhancement Programme

Rural Livelihoods and Economic Enhancement Programme
Total cost: US\$29.2 million
Approved IFAD loan: US\$8.4 million
Approved DSF grant: US\$8.3 million
Duration: 2009-2017

Brief description of the PPP/programme objectives

The IFAD-supported programme and the government partnered with two private-sector entities (Exagris Africa Ltd and National Smallholder Farmers' Association of Malawi, or NASFAM) in order to develop value chains for groundnuts. The programme's goal is to ensure that more farmers are able to produce groundnuts that meet required market standards and that there are buyers for their product.

Role of the IFAD-supported programme in the PPP

The IFAD-supported programme invited private companies to submit proposals, selected two companies and provided them with grants to help develop the value chain. It also supplied financing (in the first three years) for the cost of training the farmers, distributing seed and constructing fully equipped community buying centres. IFAD's guidance ensured that the interests of the private sector dovetailed with those of the farmers and that the companies have preferential access to the farmers' crops.

Role of the private sector in the PPP

The two companies are responsible for supporting farmers to increase their yields, ensuring reduced aflatoxin levels (a known carcinogen) in the crops, improving access to certified seed and securing markets for the product.

Role of government

The government manages the extension personnel and programme implementation at the district level and provides extension service workers, who work directly with the smallholder farmers.

How many rural people benefited?

Outreach has been higher than expected. Midway through the programme, the number of smallholder farmers benefiting is already significantly greater (7,618) than the original target for the programme (5,400).

What are the benefits to smallholder farmers?

- In just two years, an increase of about 50 per cent in volumes sold.
- Yield increase of about 44 per cent.
- Increase in prices received by smallholder farmers of about 108 per cent.
- Increase in number of farmers gaining access to certified seed.

Mozambique – Agricultural Markets Support Programme (PAMA) and Rural Markets Promotion Programme (PROMER)

Brief description of the PPPs/programmes' objectives

In order to address the limited and often non-existent rural market network in Mozambique, PAMA, the original programme, worked to build the capacity of small and medium-sized rural traders to provide market services to the farmers and make rural products more marketable and profitable. It created the innovative Rural Traders Development Programme (PDCR), which facilitates the establishment of market relationships and organized trading schemes, and enables rural financial institutions to adapt financial products to the needs of traders and to set up a sustainable business development service.

PROMER builds on emerging opportunities for both domestic and export markets, and particularly for agribusiness investment, to improve the terms of trade for small-scale farmers. Using Strategic Investment Plans, the programme works with private agribusinesses to strengthen their commercial interactions with smallholder farmers.

Role of the IFAD-supported programmes in the PPPs

IFAD identified private partners to work with and provided training, technical assistance and matching grants through its loans to support their role as marketing facilitators. It also helped build the capacity of the farmers' organizations. Under the new programme, IFAD finances matching grants to agribusinesses and technical assistance to rural traders.

Agricultural Markets Support Programme

Total cost: US\$27.6 million

Approved IFAD loan: US\$22.8 million

Duration: 2001-2008

Rural Markets Promotion Programme

Total cost: US\$40.6 million

Approved IFAD loan: US\$31.1 million

Duration: 2009-2016

Role of the private sector

The private-sector partners took part in the training and set up the collaboration with the smallholder farmers, providing market services and building relations with bigger traders. They also established long-term contractual arrangements with the smallholder farmers under PAMA and continue doing so under PROMER.

Role of government

The government has adopted strategies to improve agricultural markets in general, has supported PAMA's innovative approach and continues to support market improvements through PROMER.

How many rural people benefited?

Under PAMA, approximately 33,000 farmers benefited from improved marketing services delivered by the participating rural traders. The partnerships launched by PROMER are still in their infancy but some 500 farmers were selling crops under contract arrangements by April 2013.

What are the benefits to smallholder farmers?**PAMA**

- Increase in prices of about 23 per cent.
- Increase in the volume of crops marketed of 100 per cent.
- Increased access to services (financial, inputs, etc.).
- Community-level benefits: group formation, literacy training and development of rural roads.

PROMER

- Market certainty and higher prices.
- Increase in contract arrangements.
- Increased access to services (especially inputs).
- Community-level benefits: group formation, literacy training and development of rural roads.

Other impacts (PAMA)

- Increase in the volume and quality of the product.
- Increased ability of traders to accumulate capital, invest in their businesses and ensure that they are financially self-sustaining.

Rwanda – Smallholder Cash and Export Crops Development Project (PDCRE) and Project for Rural Income through Exports (PRICE)

Brief description of the PPP/project objectives

The original PDCRE forged a partnership between two tea-producing cooperatives and private investors. The tea factories established by the private-sector partners bought directly from the cooperatives, which participated as equity shareholders in the tea factories. The same model is replicated in the new PRICE, which continues to promote investment in the rehabilitation of existing tea plantations and the establishment of new ones. Cooperatives will acquire equity shares of 30 to 40 per cent in factories to be built on four greenfield sites.

Smallholder Cash and Export Crops Development Project
Total cost: US\$21.9 million
Approved IFAD loan: US\$18.6 million
Duration: 2003-2011

Project for Rural Income through Exports
Total cost: US\$56.0 million
Approved IFAD loan: US\$18.7 million
Duration: 2011-2018

Role of the IFAD-supported project in the PPP

The original IFAD-supported project made initial investments by purchasing shares in the two tea factories on behalf of the cooperatives, helped the cooperatives rehabilitate existing tea plantations and build necessary infrastructure, and developed other tea-growing areas for smallholder farmers. It also helped build the capacity of the cooperatives to engage with the processors.

The new project improves production practices and strengthens farmers' organizations. It also supports the process of obtaining certification for the tea and facilitates access to financial services.

Role of the private sector

The private sector provided the investment to set up the processing units and guarantees equitable prices to the producers' cooperatives supplying its tea factories with green leaves.

Role of government

The government gave land leases to the private sector and cooperatives operating on the tea sites and provided inputs such as seedlings and fertilizers, as well as technical support, to the cooperatives to improve production and financial management. The government has also invested in rural feeder roads in areas where the factories have been established.

How many rural people benefited?

The first project benefited 20,000 tea growers. The new project aims to benefit 14,300 tea growers on new and existing sites.

What are the benefits to smallholder farmers?

- Price increases resulting in an 11 to 40 per cent rise in farmers' income.
- Improvements in living conditions, especially widespread home improvements.
- Employment creation: in one of the project districts alone, the tea partnership has created 1,800 new jobs, excluding those in nurseries.

- As shareholders, small farmers have greater ownership and a more active role in the partnership with private investors.
- A rise in access to health services for local populations from 28 per cent to 94 per cent.
- Additional seasonal work, which also has an indirect impact on poor and landless households.
- Nearly doubling in volume of green leaf tea and in some areas also an improvement in the quality of the product.

Sao Tomé and Príncipe – Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme

Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme

Total cost: US\$16.6 million

Approved IFAD loan: US\$10.0 million

Duration: 2003-2015

Brief description of the PPPs/programme objectives

The programme has set up partnerships between the government, IFAD, the Agence Française de Développement and five European companies, aimed at developing entire value chains (from production to final markets) within an ethical framework. One of the main activities of these partnerships is to enhance returns on investments in traditional agricultural value chains (cocoa, coffee, and pepper and other spices) through the use of organic and Fairtrade certification and by linking to European markets.

Role of the IFAD-supported programme in the PPPs

The IFAD-supported programme carried out a study of cocoa prices and introduced organic and Fairtrade certification as a means of obtaining higher prices for the producers. It brokered the partnership between local government, the private sector and the smallholder farmers and provided funds to local government to cover initial investments. It also provided technical assistance to farmers and helped strengthen their organizations. The companies have established long-term contracts with the farmers' organizations.

Role of the private sector

The private sector contributes technological expertise to help improve production and meet quality standards, provide extension services, finance the certification process and undertake to purchase the product. The private companies involved are Malongo Café, KaoKa, Hom&Terre, GEPA and Café-Direct.

Role of government

The government provides some funding and technical services, and has facilitated delivery of services to target communities. Within the communities, the government has provided infrastructure such as roads, warehouses, drinking water systems, solar panel installation and nurseries.

How many rural people benefited?

Across the four value chains, a total of about 5,500 households, or 25,000 to 27,000 individuals, have benefited from the programme.

What are the benefits to smallholder farmers?

- In the case of organic and Fairtrade cocoa, up to a fourfold increase in prices.
- Improved incomes and clear evidence of impact on rural households; better living conditions and purchase of assets such as bicycles and electric generators for the home.
- Direct and indirect employment benefiting more than 8,000 individuals.
- Greater technical and managerial skills.
- Access to financial services, inputs, packaging materials, etc.
- Access to markets otherwise inaccessible to smallholders.
- Community-level benefits: communities are now able to invest in their own development and that of their associations. Cooperatives have used some of the profits to create new health facilities. Overall, the local economy is revitalized and there is a decrease in rural-urban migration flows.

Other impacts

- At least a tenfold increase in volumes sold.
- Increase in the quality of product, which now satisfies EU standards set by buyers.
- Sustainability: the first of the four cooperatives created by the project has become independent.

Swaziland – Lower Usuthu Smallholder Irrigation Project

Brief description of the PPP/project objectives

The project is part of a large-scale irrigation infrastructure project.

It focuses on the intensification and diversification of high-value crops, and subsequent integration of smallholders into the commercial economy. The project has linked smallholder farmers growing sugar cane to the nearby Ubombo processing mill.

Farmers are organized into associations and commit their land to a communally operated and irrigated block farm. In return, they acquire a share in the business and receive dividends from profits. All partners (growers, millers and government) are motivated to ensure high quality and sustainable production.

Lower Usuthu Smallholder Irrigation Project

Total cost: US\$108.4 million

Approved IFAD loan: US\$15.0 million

Duration: 2004-2013

Role of the IFAD-supported project in the PPP

The project supports on-farm development and smallholder involvement in the scheme. It has helped establish irrigated farming and agricultural production, with sugar cane as the anchor crop and alternative crops grown for food security and commercial purposes. It has also mobilized communities into institutions, trained them in business and commercial agriculture principles and practices, and supported development planning within chiefdoms, including issues related to the relocation of homes and schools to make way for the irrigation infrastructure.

Role of the private sector

Ubombo Sugar Ltd. expanded its sugar mill capacity so that it can process sugar cane from smallholder farmers. It provides free extension services and inputs at market rates,

and helps farmers' associations secure competitive terms and conditions for transport of the cane to the mill.

Role of government

The government has financed the majority of infrastructure, relocation costs and land preparation for 50 per cent of the sugar-growing area.

The government also established the Swaziland Water and Agricultural Development Enterprise (SWADE), a parastatal agency which provides support to smallholders in running sugar cane farms (by enabling them to manage budgets, procure inputs and maintain irrigation infrastructure), negotiates on their behalf with the private-sector company and mobilizes farmers into well-functioning associations. SWADE also helps farmers acquire land-use rights.

How many rural people benefited?

Nearly 3,000 members of 66 smallholder farmers' organizations are directly providing the mill with sugar cane. Thirty-four of these companies were operational by early 2013.

What are the benefits to smallholder farmers?

- Increased productivity and volumes sold: first harvests were 15 per cent higher than estimated.
- Price increases and dividends as shareholders.
- Diversification: farmers grow other crops for consumption and commercial sale in addition to sugar cane.
- Employment creation: the 34 operational farmers' organizations are providing 360 permanent new jobs and up to 4,000 openings for seasonal labourers.
- Improvements in living conditions: extra cash is now available for better food and nutritional security, children's education and home improvements. Communities have improved access to safe drinking water and better sanitation facilities.
- An economic boom in the area that is led by the sugar cane industry. Small communities have turned into economically vibrant towns. The mill also provides municipal and social services, such as health and education.
- Holding of land rights by the smallholders, within their farmers' organizations.

Uganda – Vegetable Oil Development Project, Phases I and II

Brief description of the PPP/project objectives

The project was designed to alleviate Uganda's dependence on imported vegetable oils by supporting the domestic production and processing of palm oil. It was the first example of an IFAD-supported PPP in Uganda.

In its first phase, the project negotiated a tripartite collaboration between the government, a private company and smallholder farmers, to establish a plantation and processing units for production of vegetable oil on Bugala Island in the district of Kalangala. The partnership was reinforced through interdependence: the palm oil mill provides a secure market for smallholder producers who guarantee a supply of raw material for processing.

In the second phase of the project, the same collaborative business model is being repeated in a new location and further extended to oilseed production in order to show how similar tripartite partnerships can be forged within a new value chain.

Role of the IFAD-supported project in the PPP

Under the first phase, the IFAD-supported project financed smallholder oil palm development through loans made to the government; designed and brokered the tripartite business model; and provided financial and technical support for the development of the smallholder outgrower schemes. It also helped establish a trust to link the smallholder farmers to a private company (OPUL, described below) and to mediate on their behalf.

Role of the private sector

A conglomerate of private companies set up the nucleus estate, palm oil mill and refinery, and established Oil Palm Uganda Limited (OPUL) to manage the plantation and processing units.

Smallholders grow and sell their crops to OPUL at a mutually agreed price. OPUL provides a ready market and complete support package to farmers, including seedlings, inputs, support with land preparation and technical advice. Smallholders have a 10 per cent share in OPUL.

Role of government

The government provided land on lease to the private-sector partner to establish a nucleus estate and also made funds available to smallholder farmers as start-up loans with flexible repayment conditions. The government also made improvements in local infrastructure and services, such as district roads and ferry transport.

How many rural people benefited?

More than 1,500 smallholder farmers are directly involved in production, while 2,000 are employed at the nucleus estate and 500 as field labourers on smaller plantations.

Vegetable Oil Development Project,
Phase I
Total cost: US\$60.0 million
Approved IFAD loan: US\$19.9 million
Duration: 1998-2011

Vegetable Oil Development Project,
Phase II
Total cost: US\$146.2 million
Approved IFAD loan: US\$52.0 million
Duration: 2010-2018

What are the benefits to smallholder farmers?

- Higher prices for their products. Once the trees are mature, farmers earn an estimated US\$170 per acre per month.
- Considerable income increases and livelihood benefits (not quantified by the project).
- New jobs for about 4,000 people.
- Company benefits and subsidies enjoyed by OPUL employees.
- Producers with a 10 per cent share in OPUL and representation on its board.
- Improved land tenure security since participating farmers have had their land surveyed.
- Access to financial services and inputs needed for production. The private-sector partner provides extension services and agronomical training.
- At the community-level, dramatically improved infrastructure facilities and services, which have encouraged others to invest and develop the area. There is improved access to financial services on the island; food production has increased; and idle land is being used for economic activities, which is improving the food security of the island. More children are being schooled and there is better access to health services.

Other impacts

- Increase in volume and quality of fresh oil palm for sale.
- Reduction in the country's dependency on vegetable oil imports in part due to OPUL's palm oil production.
- Stimulation of the local economy and the opening up of the area to tourism due to investments in infrastructure and services. Having been one of the poorest districts in Uganda, Kalangala is now one of the richest.
- Better preservation of the protected forest areas now that farmers are foregoing activities, such as charcoal burning and wood extraction, that led to degradation of these areas.



Asia and the Pacific

Bangladesh – Market Infrastructure Development Project in Charland Regions (MIDPCR) and The Finance for Enterprise Development and Employment Creation (FEDEC)

Market Infrastructure Development Project in Charland Regions

Total cost: US\$43.9 million

Approved IFAD loan: US\$24.9 million

Duration: 2006-2013

The Finance for Enterprise Development and Employment Creation

Total cost: US\$57.8 million

Approved IFAD loan: US\$35.0 million

Duration: 2008-2014

Brief description of the PPPs/projects' objectives

MIDPCR was designed to strengthen linkages between farmers, input suppliers and high-value agricultural markets. Often linkages are not strong enough to secure high-quality input and the necessary technical knowledge, hindering small-scale farmers in their efforts to increase their productivity and diversify into higher-value agricultural production meeting market demand.

The project addressed this by systematically building linkages among the different actors of the value chain. The project's Rural Enterprise Component (RED), implemented by the international NGO iDE, aimed at identifying and linking small-scale producers to lucrative market opportunities and adopting a systematic approach to developing sustainable value chains in the project area, one of

the most remote and poor areas of Bangladesh.

The FEDEC project is a jointly funded project of IFAD and the Palli Karma-Sahayak Foundation (PKSF). PKSF was established in 1990 by the Government of Bangladesh as a 'not-for-profit' company. The FEDEC project was designed to support poor microentrepreneurs through training and microloans in the selected value chains. The PPP model consists of loans from the government to the project's private-sector partner organizations (POs) in the selected value chains.

Role of the IFAD-supported projects in the PPPs

In both projects, IFAD financed activities through loans made to the government and provided financial and technical support for the development of the smallholder production and market development. IFAD also acted as a broker between the private-sector partners and the government.

Role of the private sector

Under MIDPCR, input suppliers work to provide good-quality input that improves the output of farmers, while larger buyers engage in long-term commercial relationships with farmers to ensure them more stable income. Both input suppliers and buyers are also benefiting from the PPP: for input suppliers, better customers and for buyers, better and more stable suppliers.

Under the FEDEC project, the private sector takes an active part in identifying and assessing borrowers and training microentrepreneurs.

Role of government

Under the FEDEC project, the government works through PKSf and invests in the development of the selected sectors and the training of microentrepreneurs.

How many rural people benefited?

Under MIDPCR, within two years of project implementation, successful interventions were scaled up throughout the area, increasing the outreach from 20,000 to 72,000 farmers.

What are the benefits to smallholder farmers?

- Increased crop yield.
- Additional income per farmer ranging from BDT 3,000 (US\$40, for fruit) to BDT 21,000 (US\$270, for fish).
- Strong linkages between farmers and other value-chain stakeholders.
- Better quality input supply.
- Technical assistance for farmers through 52 private-sector institutions, 4 public agencies and 2 research organizations.

Other impacts

- Adoption of more than 30 new technologies.
- Improved infrastructure to get products to the market.
- Increased sales, employment and net profit of microenterprises.
- Self- and wage employment for microenterprises.

India – Convergence of Agricultural Interventions in Maharashtra (CAIM)

Brief description of the PPPs/projects' objectives

Through a partnership with FieldFresh Foods Pvt. Ltd, an agribusiness company exporting fresh vegetables, farmers in the CAIM project are supplying baby corn to major supermarket chains in the United Kingdom. The IFAD-funded project is linking a significant number of smallholder farmers to the global market for high-value produce. FieldFresh Foods provides the link to overseas markets and has the capacity and infrastructure to provide farmers with close support through a contract farming arrangement. The project aims at making farmers more attractive to such operators as FieldFresh Foods through investments in capacity-building and better infrastructure to reduce transport time and costs. The exporter is also gaining from the partnership in terms of higher-quality produce from farmers and a more stable supply, which increases the company's own market value as a supplier to supermarkets in the United Kingdom.

Convergence of Agricultural Interventions in Maharashtra
Total cost: US\$118.6 million
Approved IFAD loan: US\$40.1 million
Approved IFAD grant: US\$1.0 million
Duration: 2009-2017
Directly benefiting: 286,800 households

Role of the IFAD-supported project in the PPP

The role of the IFAD project is to act as a facilitator to bring the company together with the farmers by inviting FieldFresh Foods to work with a group of farmers mobilised by the project. Field staff of a CAIM project partner Implementing Agency (a local NGO) have been trained by FieldFresh Foods to support farmers, backing up the advice given by FieldFresh's own staff. The CAIM project is also providing a subsidy for the transport of baby corn from the field to the packhouse.

Role of the private sector

FieldFresh Foods invests in the value chain by training farmers in how to meet international standards of production by providing crop specification sheets and free access to wide-ranging managerial, technical and extension services. It also supplies hybrid seed for baby corn and facilitates processing and packaging of the baby corn.

Role of government

The government has acted as a co-investor in infrastructure improvements from the field to the FieldFresh Foods packhouse. It also has provided, via other government programmes, subsidies for seed and drip irrigation equipment, making investment in baby corn production more attractive for farmers.

How many rural people benefited?

The first season of production began in August 2012, with 100 farmers contracted to cultivate baby corn over 100 acres. In the second year, this has expanded to 400 farmers on 400 acres.

What are the benefits to smallholder farmers?

- Increased volumes sold: there was no baby corn grown in the IFAD-supported project district of Akola before 2012, hence the baseline was zero. Yield of baby corn is 3 to 5 tons per acre of fresh cobs plus 20 to 25 tons of green fodder.
- Increase in quality: the quality of baby corn production, handling and packaging is now up to international standards, satisfying the BRC Global Standard for Food Safety and ISO 22000-2005 certification.
- Increase in prices received: The price of baby corn is Rs 6.5 (US\$0.10) per kg. The price for green fodder is Rs 1,000-1,500 (US\$16-24) per ton. Combining the income from cobs and green fodder, farmers generate a gross income of around Rs 50,000 (US\$800) per acre per crop of baby corn. The net profit is in the region of Rs 44,000 (US\$704) per acre per crop.
- Long-term contractual arrangements: contracts are currently on an annual basis.
- Access to services (financial, inputs, etc.): FieldFresh Foods supplies hybrid seed for baby corn.
- Side production from baby corn: feeding green maize fodder to livestock increases milk yield by 1 to 1.5 litres per day (a 20 per cent increase).

Indonesia – Smallholder Livelihood Development Project in Eastern Indonesia (SOLID) and Rural Empowerment and Agricultural Development (READ)

Brief description of the PPPs/projects' objectives

SOLID focuses on establishing links between farmers and the market. The project supports the development of smallholder farmers' federations and their integration in value chains through the provision of financial, technical and management support. Based on sound business plans, links will be developed between the federations and key value-chain participants. New and better relationships with larger buyers should provide incentives for farmers to adopt better agricultural practices and produce higher (export) quality products, to grade produce and to ensure good primary processing (drying and storage).

The READ project supports a public-private partnership whereby smallholder farmers are linked to a private company, in this case Mars in Indonesia, for cocoa production in Central Sulawesi. The Mars Sustainable Cocoa Initiative, in partnership with the Indonesian Government and IFAD, is investing in research, education and cocoa certification. The project is improving farming techniques, building new roads, increasing poor farmers' access to finance and reviving the flagging cocoa sector.

Indonesia – Smallholder Livelihood Development Project in Eastern Indonesia

Total cost: US\$65.0 million

Approved IFAD loan: US\$49.1 million

Approved IFAD grant: US\$1.1 million

Duration: 2011-2019

Rural Empowerment and Agricultural Development

Total cost: US\$28.3 million

Approved IFAD loan: US\$21.1 million

Approved IFAD grant: US\$500,000

Duration: 2008-2014

Role of the IFAD-supported projects in the PPPs

In both projects, the role of IFAD is to provide support in mobilizing and capacitating farmers and providing productive inputs. IFAD plays an important role in facilitating the relationship between private companies and smallholders to develop a win-win long-term relationship.

Role of the private sector

Under the READ project, Mars has established a number of cocoa development centres in the IFAD project districts and two buying points in South Sulawesi to facilitate more direct access to markets for IFAD beneficiaries. Mars provides technical support to farmers and pays price premiums of 15 per cent.

Role of government

The government is providing the enabling environment in terms of public infrastructure and/or other public goods.

What are the benefits to smallholder farmers?

- Market access.
- Technical support from world-class technical personnel from Mars.
- Price premium of 15 per cent on top of guaranteed price for quality cocoa.
- New rural roads and irrigation systems.
- Access to new farmland.
- Better returns: some farmers have raised their annual profit from US\$700 to US\$3,500.

- Increased yields.
- Increased production from 0.6 ton/ha to 1.8 tons/ha.

Other impacts

- Improved extension services.

Papua New Guinea – Productive Partnerships in Agriculture Project (PPAP)

Productive Partnerships in Agriculture Project
 Total cost: US\$46.21 million
 Loan amount: US\$13.97 million
 Duration: 2010-2016

Brief description of the PPP/project objectives

In 2010, IFAD, the International Development Association (IDA), the Government of Papua New Guinea through the National Department of Agriculture and Livestock, the Papua New Guinea Cocoa Board and the Coffee Industry Corporation Limited (CIC) started the six-year PPAP, with the aim to promote the establishment of result-oriented partnerships for the provision of technologies and services in cocoa- and coffee-growing areas. Approximately 20 percent of Papua New Guinea's rural population is engaged in cocoa production, processing and sale, and approximately 2.5 million people in the country (i.e. over one third of the population) are dependent on coffee production, processing and sale for their livelihood.

The project seeks to improve the performance of sector institutions and to enhance industry coordination in the cocoa and coffee sectors. One key objective of the project is to foster the integration of smallholder producers in well-performing and remunerative value chains by developing and implementing public-private alliances in the project areas.

Role of the IFAD-supported project in the PPP

The role of the IFAD-supported project is to build trust between public and private stakeholders and ensure that public agencies are more responsive to the needs of the private sector, including farmers. Further, the project supports farmers' organizations in the establishment of partnerships with the private sector in the coffee and cocoa sectors.

A key feature of the PPAP is the use of an integrated value-chain development approach involving partnerships between smallholder coffee and cocoa farmers and private-sector entities acting as aggregators for extension service delivery, commodity processing and marketing. Partnership activities are facilitated through the provision of soft infrastructure to strengthen coffee and cocoa industry coordination bodies; and through the provision of hard infrastructure to improve connectivity and market access around the supported partnerships.

Role of the private sector

Each private-sector partner is involved in the implementation of programmes in partnership with one or more farmers' organizations. The programmes aim at providing members of the farmers' organizations with technical support in production and marketing.

Some examples are:

- Kongo Coffee Limited. The company promotes and expands the production of Elimbari Coffee through a marketing arrangement with smallholders.
- Monpi Sustainable Services Inc. The company trained smallholders in coffee husbandry, employing environmental and social practices to enable certification to various international standards. In addition, the company also developed model gardens and demonstration blocks, which are being used for training. A 50 per cent increase in coffee production is expected by 2015.
- PNG Coffee Exports. The company improves productivity through the rehabilitation of areas under coffee plantation, as well as in-filling and replacing old, non-productive trees. Further, the company invests in improving the quality of coffee through the adoption of best practices in post-harvest management and by constructing raised beds for drying.

Role of government

The government has a key coordination role in the project related to knowledge, learning and provision of public goods. It is not directly responsible for project implementation, which is entrusted to the apex-level industry coordinating bodies, but it is now leading the national scaling up of the project approach.

What are the benefits to smallholder farmers?

- Training on agronomic practices, tree maintenance, and post-harvest management.
- Coffee and cocoa tree areas rehabilitated and improved.
- Improved quality of coffee and cocoa, and in certain cases certification approved.
- 13 PPPs involving 11,589 households approved for coffee.
- 12 PPPs involving 5,915 households approved for cocoa.
- Established and well-functioning Industry Coordinating Committees (ICC) for both coffee and cocoa.

Solomon Islands – Solomon Islands Rural Development Programme (SIRD)

Brief description of the PPP/programme objectives

SIRD, cofinanced by the World Bank, AusAID and the European Union, is focused on improving the delivery of small-scale infrastructure, and social and agricultural services in rural areas, as well as supporting rural economic development through PPPs between the government, the IFAD project, the private banking sector and private SME agribusinesses.

Companies interested in investing in rural areas can get a ‘supplemental equity grant’ for their investment of up to US\$143,000 from SIRD. Businesses present a business plan to the bank showing how much equity the business owners are able to contribute, how much they would like to borrow from the bank and how much they would like to have as an equity grant. To be eligible for an equity grant, the business

Solomon Islands Rural Development Programme
Total cost: US\$30.39 million
Loan amount: US\$3.99 million
Duration: 2010-2014

has to demonstrate that it will purchase raw or processed materials from the rural areas or have operations in rural areas in a way that benefits farmers.

Role of the IFAD-supported programme in the PPP

The IFAD project created the initial contact by approaching the private banks and simultaneously promoting the project to potential borrowers in terms of small and medium-sized businesses. The project also facilitated the process of identifying business opportunities that can benefit farmers and presenting them to the bank. The project has invested about US\$1.1 million, provided in the form of equity grants to some 58 businesses.

Role of the private sector

The grants from SIRDP have mobilized equity contributions from private companies totalling about US\$2.1 million and about US\$4.5 million worth of loans from the private banks to cover the remaining costs of the activities for which businesses received the SIRDP grant.

Role of government

The government invested the initial capital of US\$1.1 million for the equity grants to encourage the three private banks concerned (ANZ, Westpac and BSP) to take on this novel approach to enticing both the banks and the businesses to invest more of their own capital in rural areas.

How many rural people benefited?

Some 58 businesses are direct beneficiaries and have created about 300-400 rural jobs. Considering an average household size of 5.5 persons, this means the project is benefiting around 2,200 people.

What are the benefits to smallholder farmers?

- Increase in volumes sold, e.g. increased purchase of coffee and cocoa from farmers by the trading company that was able to expand its business and purchase more produce from the farmers due to the equity grant.
- Employment creation: about 300-400 jobs.
- Access to services, e.g. increased ferry routes made possible by the grant to a transport company and increased availability of agricultural inputs at rural stores due to the use of the equity grant by businesses to expand their inventory.

Sri Lanka – Smallholder Plantation Entrepreneurship Development Programme (SPENDP)

Brief description of the PPP/programme objectives

SPENDP aims at strengthening smallholder involvement in processing, value addition and marketing through private-sector involvement. For fruits and vegetables, the programme works with Cargill's Food Product Pvt. Limited, which buys from smallholders, and for mushrooms, the project works with Lahiru Food Products. The programme facilitates sustainable business relationships between smallholders and the

buying companies and has assisted in the process of establishing a written forward sales agreement between the private-sector partner and the producers.

**Smallholder Plantation
Entrepreneurship Development
Programme**
Total cost: US\$39.9 million
Approved IFAD loan: US\$22.5 million
Duration: 2007-2017

Role of the IFAD-supported programme in the PPP

The programme facilitates partnerships and provides technical inputs and training through service-providing public line agencies. Further, it facilitates making credit available through participating financing institutions, linking with the private sector and providing matching grants to cover capital expenditure.

Role of the private sector

The private sector provides most of the agro-inputs, seeds and cash advances to individual producers. In the case of Lahiru, the company provides advance financing as well, if there is a need for building mushroom production huts. The company then gradually deducts the credit from the farmer's sales with an agreed rate of interest, which is slightly above the market interest rate.

Role of government

The government provides technical support in terms of extension services and training.

How many rural people benefited?

About 250 mushroom-producing families (about 1,000 beneficiaries as family members) benefit.

What are the benefits to smallholder farmers?

- Increase in volumes sold: all are new producers in the case of mushrooms, and on average one producer supplies about 200 kg per season, but this varies considerably. In the case of fruits and vegetables, the sold volume increase is about 20 per cent over a two-year period.
- Increase in quality: since only standard quality vegetables and fruits are purchased, the quality has improved and, as a result, the rejection rate of fruits and vegetables has come down by about 70 per cent. Mushrooms need to be produced to the exact quality. Gradually the rejection rate has come down from about 10 per cent to 2 per cent over a three-year period.
- Increase in prices received for vegetables and fruits of about 20 per cent.
- Employment creation: for vegetables, there is no additional employment created and for mushrooms, the activity is new and all 250 producers on average employ about 2 to 3 family labour for mushroom production.
- Improved access to financial and input services for both mushroom production, and fruit and vegetable production.

Other impacts

- Increased awareness about commercial agriculture and more and closer market linkages.
- Farm road quality improvement.



Latin America and the Caribbean

Brazil – The Sustainable Land Management in the Semi-Arid Region Project

Brief description of the PPP/project objectives

The overall purpose of the project is to increase the sustainable development and the quality of life of the communities affected by land degradation in the semi-arid north-east of Brazil. The specific goal of the PPP within the project is to organize small farmers' groups into agroecological consortia to produce and process cotton and to apply for organic certification. Due to climatic challenges in the project area such as shortage of rainfall, it is essential to find adaptive strategies in order for farmers to improve their yields and protect the ecological base upon which they depend.

The project facilitates the adoption of a participatory guarantee system (PGS) within all the territories with cotton production in the agroecological consortia. The system requires mutual agreement and trust between producers, traders and consumers, ensuring that the products meet the established standards. Instead of using external inspectors as is required by traditional certification schemes, the PGS works through a network of farmers' groups that define the organic standards and practices themselves, carry out inspections on each other's farms and verify compliance with organic principles.

The Sustainable Land Management in the Semi-Arid Region Project
Total cost: US\$15.4 million
Approved GEF grant: US\$5.94 million
Duration: 2007-2013

Role of the IFAD-supported project in the PPP

In response to demand from farmers' families, the project supports farmers with technical assistance to ensure that they have the skills and knowledge to manage environmental resources and be more resilient to climatic variations.

Role of the private sector

Traders are involved in the PGS and contribute through their willingness to pay higher prices for the organic cotton.

Role of government

The Brazilian Government is supporting the project through an enabling legal framework that promotes organic and sustainable agriculture in dryland areas.

How many rural people benefited?

The growing number of families participating in the consortia is also revealing: it has risen from 138 families in 2009 (first year of implementation) to 678 in 2011 and to 900 families in 2012.

What are the benefits to smallholder farmers?

- Better and more sustainable production practices.
- Higher productivity.
- Increases in income.
- Better market access.
- Higher prices.
- More entrepreneurial spirit among farmers.
- Improved management skills at local and national level.

Nicaragua – Value Chain and Market Access Project for Small-scale Producers (PROCAVAL) and Adapting to Changing Markets and the Effects of Climate Change (NICADAPTA)

Value Chain and Market Access Project for Small-scale Producers

Total cost: US\$38.0 million

Approved IFAD loan: US\$9.16 million

Approved DSF grant: US\$10.16 million

Duration: 2008-2015

Adapting to Changing Markets and the Effects of Climate Change

Total cost: US\$37.0 million

Approved IFAD loan: US\$8.06 million

Approved DSF grant: US\$8.06 million

ASAP grant: US\$8.00 million

Duration: 2014 - 2020

Brief description of the PPPs/projects' objectives

PROCAVAL has paved the way for an even stronger focus on opportunities for public-private partnership in the newly designed project NICADAPTA. Both projects aim to support smallholder participation in value chains through strategic alliances with private-sector buyers. In some cases, the model for collaboration can be contract farming, especially in cocoa, where demand exceeds supply and it is, therefore, of great importance to the buyers to gain more control of the supply chain. In others, the purpose is mainly to establish contact between farmers and cooperatives and between cooperatives and business opportunities in the country or internationally. For example, PROCAVAL has supported cooperatives in selling to coffee shops nationally because profitability turned out to be higher in this market than exporting green coffee internationally. With cocoa, the best

market to support is the high-quality export market, for which the project supports relationships with international trading companies.

Role of the IFAD-supported project in the PPP

The role of PROCAVAL is to support cooperatives in improving their market access. The project facilitates communication and contact with potential buyers, primarily by investing in building capacity in cooperatives so they themselves can create the contact and develop and maintain sustainable relationships with profitable markets. Another aspect is to strengthen the organizational capacity of cooperatives in a way that ensures that increased earnings also will benefit the cooperatives' members. The private-sector partners have been involved from an early stage in the design of the new project to clarify private-sector needs in relation to the development of the selected value chains in cocoa and coffee.

Both the ongoing and the new project will invest in public infrastructure like roads to reduce cost and loss of quality in bringing produce to the market.

Role of the private sector

The private sector invests in technical assistance related to post-harvest handling, private infrastructure like storage facilities and buying of new land to increase production.

Role of government

The government mainly works to improve the enabling environment, e.g. facilitating conditions for export and easier access to credit, technology and market information.

How many rural people benefited?

Under the new project, the number of beneficiaries in cocoa farming is expected to be 22,000. Under PROCAVAL, the project currently has 77,000 beneficiaries.

What are the benefits to smallholder farmers?

- Increase in volumes sold.
- Improved quality of produce.
- Increase in prices that farmers receive due to value addition (e.g. ground coffee sales to coffee shops yield more than sales of green coffee for export).
- Employment creation due to cooperatives selling to coffee shops and new investments in coffee production.
- Long-term contractual arrangements in contract farming.
- Improved credit services.

Paraguay – The Empowerment of Rural Poor Organizations and Harmonization of Investments Project (Paraguay Rural Project)

Brief description of the PPP/project objectives

The project provides support to small-scale producers through their organizations in various value chains to diversify production and access more profitable markets.

Farmers' organizations are supported by the project through the financing of business plans and are then directly responsible for identifying and implementing possible new business ventures.

Farmers' organizations are strengthened so that they can identify their own training needs and hire appropriate trainers to do capacity-building. The project aims at facilitating collaboration with potential buyers and the rural bank sector to improve market and credit access. In some value chains, the project facilitated the process of formulating and implementing contracts between buying companies and farmers' organizations. The experiences in the Paraguay Rural Project have laid the groundwork for even more market-oriented project design in new projects, like the Inclusion of Family Farming in Value Chains Project (PPI), with a stronger emphasis on facilitating relationship-building between farmers' organizations and companies.

The Empowerment of Rural Poor Organizations and Harmonization of Investments Project
Total cost: US\$17.83 million
Loan amount: US\$12.01 million
Duration: 2007-2013

Role of the IFAD-supported project in the PPP

The project funds business plans presented by farmers' organizations and supports them in the implementation of the plans. Part of the business plan includes technical

capacity-building that the project finances but farmers' organizations are themselves in charge of identifying and hiring the providers of capacity-building. By strengthening farmers' organizations and investing in productive infrastructure, the project also makes farmers' organizations more attractive to potential buyers.

Role of the private sector

In the sesame value chain, buying companies have provided capacity-building. This aspect of involving buyers more actively and increasing their investment in PPP models is one of the purposes of the new project (PPI) design.

Role of government

Through the project the government supports the strengthening of farmers' organizations in specific value chains.

What are the benefits to smallholder farmers?

- Increased technical capacity.
- Access to more profitable and stable markets.
- Better access to financial services.
- Improved productive infrastructure.



Near East, North Africa and Europe

Armenia – Rural Areas Development Programme (RAEDP) and Farmer Market Access Programme (FMAP)

Rural Areas Development Programme
Total cost: US\$37 million
Approved IFAD loan: US\$9.08 million
Duration: 2005-2010

Farmer Market Access Programme
Total cost: US\$34.5 million
Approved IFAD loans:
US\$1.08 million (to RFF) plus
US\$5.45 million (to FREDAs)
Duration: 2008-2013

Brief description of the PPPs/programmes' objectives

RAEDP financed a single revolving fund, the Rural Finance Facility (RFF). FMAP also financed the RFF and in addition started the Fund for Rural Economic Development in Armenia (FREDA).

- RFF. This revolving fund uses the banking sector to disburse funds for on-lending to beneficiaries.
- FREDA. The financial crisis of 2008 led to a severe lack of agricultural lending, with banks demanding very high collateral for loans. With small and medium-sized rural enterprises urgently needing alternative sources of finance, FREDA was created. It is an equity fund that has specifically targeted private companies, particularly in the country's

food-processing sector, that are strategically placed within the food value chain and with strong backwards and/or forward linkages to smallholder farmers. By focusing investment decisions not just on a firm's business plan but also on its projected contribution to local economic development, the fund has sought to expand markets and so build sustainable agricultural livelihoods.

Role of the IFAD-supported programmes in the PPPs

The partnership was initiated by IFAD. IFAD's role differed according to the type of fund.

- For RFF, IFAD has invested approximately US\$10.8 million.
- For FREDA, IFAD has invested approximately US\$5.2 million for investment capital and US\$250,000 for FREDA's operational costs.

Role of the private sector

For RAEDP and FMAP, the private sector consisted of banks, microfinance institutions (MFIs) and private companies.

- Under RFF, the private banks and MFIs invested approximately US\$4.7 million. This money was used for the same purpose as the IFAD funds for RFF (i.e. agricultural lending to the project beneficiaries).
- Under FREDA, financing has been used to invest equity in strategically placed companies (specifically food processing and canneries, milk processing and wineries). FREDA invests in companies and currently owns approximately 30 per cent of the companies' shares; the value of such companies owned by private-sector actors – net of FREDA's share – is approximately US\$11 million.

Role of government

The contribution from the Armenian Government has come in two areas: the implementation of enabling policies conducive to business and tax exemption.

How many rural people benefited?

- Under RFF, 1,910 loans have been disbursed, resulting in the creation of 2,400 full-time jobs.
- Under FREDA, approximately 900 households have benefited.

What are the benefits to smallholder farmers?

FREDA

- Increased aggregate sales (for all 10 FREDA co-owned companies) from US\$2.3 million to US\$3.8 million since FREDA began investing. Although there is no precise data on how much of this increase can be attributed to smallholders, the fact that these companies must procure high-quality crops and other supplies from local smallholders means that they have a direct impact on poor rural households.
- Increased exports from US\$892,000 to US\$2.2 million (an increase of 135 per cent) as a consequence of FREDA's companies receiving support to improve production standards to the levels demanded by export markets.

RFF and FREDA

- Finance to smallholders directly provided by RFF, with IFAD funds totalling US\$11 million. US\$5.2 million worth of IFAD funds invested by FREDA in processing industries reliant on supply from smallholders, thereby providing financing indirectly.
- Creation of 2,400 full-time jobs by RFF and 950 full-time jobs by FREDA. All of these jobs have been either for smallholders or for the rural unemployed.

Egypt – West Noubaria Rural Development Project (WNRDP)

Brief description of the PPP/project objectives

WNRDP was launched in 2003 to help Egypt adjust its negative food balance of trade and enhance its food security.

Part of this project assists farmers and their associations in entering into formal contractual arrangements with private-sector companies, such as exporters and agroprocessors at relevant points of the value chain, thereby increasing the export of food crops (particularly to neighbouring countries and Europe).

Since 2011, WNRDP (and six agricultural cooperatives and two marketing associations supported by the project) has formally collaborated with the USAID-funded Premium Project, with the goal of increasing employment opportunities and improving sales of fruits and vegetables through compliance with Global GAP and Fairtrade standards. This collaboration builds on the achievements of WNRDP, such as the establishment and strengthening of local marketing associations and agricultural cooperatives.

West Noubaria Rural Development Project
Total cost: US\$54.8 million
Approved IFAD loan: US\$18.4 million
Duration: 2003-2014

Role of the IFAD-supported project in the PPP

Project funds have been provided for assistance to farmers and associations to support: (i) applied research on marketing strategy studies and the identification of new markets; (ii) training of field staff and farmers on market-oriented farming (e.g. quality assurance, seasonality and maintaining regular supply); (iii) the establishment of farmers' marketing associations (FMAs); (iv) the drafting of contractual arrangements between farmers and private-sector companies; (v) the provision of credit for the purchase of equipment (such as trucks) and the rent of market outlets; and (vi) the improvement of marketing information services.

Role of the private sector

Blue Moon, a private company specializing in international standards, implemented the USAID-funded Premium Project, with which WNRDP (and six agricultural cooperatives and two marketing associations supported by WNRDP) collaborated.

As a consequence of WNRDP and its collaboration with the Premium Project, a number of private companies have direct contracts with poor rural farmers. As of 31 March 2012, a total of 56 private companies have and/or are purchasing from marketing associations (a 14 per cent increase compared with 2010-2011). These marketing associations have been collecting service charges from the companies with which they sign marketing contracts for the supply of agricultural produce at a rate of 1 per cent on the value of total products supplied.

Role of government

The Egyptian Government covered local costs associated with the household food supply programme at the beginning of the project and with staff training and costs associated with staff operating at zonal and village levels.

How many rural people benefited?

As of 31 March 2012, a total of 5,961 farmers have benefited from contractual arrangements with private companies (an 82 per cent increase compared with 2010-2011).

WNRDP has helped establish six FMAs in Bangar Al Sokar, El-Bustan, El-Hamam, Entelak, Tiba and West Noubaria, with a total membership of 30,571 smallholders.

A major benefit of the project has been the direct linkages created between farmers and private-sector companies. This has included:

- Contract with Kenana Company (for export to Italy of sweet peppers and sun-dried tomatoes): 15 farmers.
- Contract with Heinz Company (for sun-dried tomatoes): 300 farmers.
- Contract with Almaghrabi Export Company (export to Europe of raisins): 3 farmers.
- Contract with Arnaut Company (for export to Switzerland of peanuts): 80 farmers.
- Contract with the companies Agro Food, Alex Jet, El-Almia, Elshimaa, Agroland and AgroAlex (for export of organic potatoes): 323 farmers.

As of the end of 2012, the number of farmers obtaining Global GAP certification was 950. These farmers can now market their produce internationally through their cooperatives.

What are the benefits to smallholder farmers?

- Creation of direct linkages between poor rural farmers and the private sector by the project.
- Assistance in meeting the requirements of the Global GAP and Fairtrade standards.
- Assistance in forming and strengthening the FMAs. The six FMAs that the project has helped to establish have a total membership of 12,438. Benefits of these FMAs include:
 - o Training of FMA members, e.g. on negotiating for marketing agricultural produce and instruction about the benefits of producing organic crops.
 - o Enhancement of the farmers' ability to benefit from economies of scale, e.g. better bargaining power with traders (FMA members have managed to secure better prices than non-organized farmers).
 - o The FMAs act as a focal point for establishing business relationships and developing contracts with export and processing companies.

Morocco – Projet de développement des parcours et de l'élevage dans l'Oriental, Phase II (PDPEOII)

Brief description of the PPP/project objectives

The PPP was formed following a period of consultation with all stakeholders interested in the development of the sheep sector (as part of the Plan Agricole Regional de l'Oriental), out of which was created a formalized agreement for the improvement and development of the sector (for red meat production). The objective was to establish a feedlot slaughterhouse building and modern outlets for butchers, with a training programme prior to the upgrade. A regional livestock production and marketing cooperative (COPACO) was created for this purpose, bringing together farmers, cooperatives and the national livestock feed company SONABETAIL. The project also partnered with the Association Nationale Ovine et Caprine (ANOC) for the creation of sheep and goat farmers' groups and for conducting studies on the development of food systems and for improving goat farming.

The formal agreement provided technical assistance to smallholder farmers, focusing on agricultural techniques, small ruminant husbandry and microcredit. The informal agreements were for the marketing of agricultural products of smallholder farmers.

The PPP was launched in conjunction with a partnership with a regional microcredit association (the Al Karama Association).

Projet de développement des parcours et de l'élevage dans l'Oriental, Phase II
Total cost: US\$9.2 million
Approved IFAD loan: US\$6.4 million
Duration: 2004-2010

Role of the IFAD-supported project in the PPP

IFAD's role has been to finance training, technical assistance and part of the equipment.

Role of the private sector

The private sector has invested in the following:

- Human resources (where the private-sector partner used its own employees, or alternatively hired specialized persons for the duration of the partnership),

- who were used to carry out the partnerships' activities (including surveying, training and technical assistance).
- Provision of equipment as stipulated in the agreement to be used by the partner to complete activities (including vehicles, computers, agricultural equipment, etc.).

Role of government

The government has played a supportive role in the PPP and financed salaries of the government staff involved in the project.

How many rural people benefited?

The PPP of PDPEOII operated in conjunction with a partnership with the Al Karama Association. From the launch of the partnership with the Al Karama Association until December 2012, 1,200 customers were granted credit.

What are the benefits to smallholder farmers?

- Creation of two sheep farmers' groups and a goat farmers' group, and studies on the development of food systems and improved farming as the result of the partnership with ANOC.
 - o Access by farmers to technical assistance in livestock husbandry techniques.
 - o Increase in yields and in income through a doubling of the selling price of the products involved in the marketing arrangements.
- Overall, an average income of DH 700 (US\$84) per household per month generated by the financing of all activities. This dynamic has generated additional revenue across the entire project area of about DH 10 million (US\$1.2 million) during the period 2006-2012.

Republic of Moldova – Agriculture Revitalization Project (ARP)

Agriculture Revitalization Project
 Total cost: US\$34.6 million
 Approved IFAD loan: US\$14.7 million
 Cofinancing (private sector):
 US\$18.8 million
 Duration: 2006-2013

Brief description of the PPP/project objectives

The IFAD-initiated project partnered with processors, marketing agents, producers, eight participating financial institutions (PFIs) and seven business providers from the private sector. Two models were applied:

- Village initiatives. In this model, a group of farmers may seek to establish linkages with processors or marketers, through which their produce can be guaranteed a market (e.g. through contract farming).
- Processor or marketing agent/exporter initiative. In this model, entrepreneurs may seek to establish linkages with one or more villages to guarantee themselves the supply of farm products on time and in the desired quantity and of the desired quality.

Role of the IFAD-supported project in the PPP

IFAD's main support focused on community economic investments. IFAD's role has been primarily to identify private partners to work with, mobilize and empower

communities, and provide training, technical assistance and institutional capacity-building and community economic investments through its loans.

Role of the private sector

The private PFIs put in 15 per cent of their money for on-lending to SMEs. These resources were used to deliver medium- and long-term loans to eligible SMEs for the establishment of intensive fruit tree plantations and vineyards (34 per cent), as well as storage, food processing and marketing infrastructure (28 per cent), agriculture machinery and equipment (19 per cent), livestock production facilities (7.3 per cent), irrigation equipment (6.2 per cent) and greenhouse development for the production of off-season, high-value vegetable crops (5.2 per cent).

Role of government

Through its Credit Line Directorate, the Ministry of Finance (MoF) efficiently managed the revolving of refinancing activities. Similarly, the government provided policy guidance and coordination across the entire IFAD portfolio in the country. It played a critical role in the alignment of interest rates charged to borrowers with market rates.

How many rural people benefited?

The project directly benefited 564 smallholders and indirectly 3,900 households (or 10,140 beneficiaries).

What are the benefits to smallholder farmers?

- Increased volumes sold: there has been 33 per cent annual average growth of SMEs fixed assets and US\$1.78 sales per dollar invested, and an equity increase of 101 per cent.
- Increase in quality: all enterprises financed since project inception are fully operational. By 2013, enterprises had improved most of their financial indicators against the baseline values. An average growth in operating income of 44 per cent against the baseline value was seen.
- Employment creation: employment reached 3,900 households (50 per cent above appraisal target). Men and women have benefited equally. The investment in greenhouses created 682 full-time jobs, or 17.5 per cent of the total employment created.
- Evidence of the impact on rural households (income, assets, poverty, food security, etc.): one ha of greenhouse generated 16 full-time new jobs, benefiting mainly women (73 per cent), and an average of US\$300 in monthly earnings.

Lessons learned/challenges and constraints

The establishment of business models that link smallholder farmers to private-sector investors is not without challenges and difficulties. As IFAD has gained experience in supporting PPPs, various issues and lessons have come to the fore.

In general, developing a relationship of trust in interacting on behalf of farmers with the private sector, and keeping the benefits of both parties in mind, is crucial to maintaining the goodwill of the private sector. The timing and bureaucratic processes of development initiatives are not always compatible with private-sector requirements and working rhythms. Delays and the poor coordination of project delivery can affect supply levels to processors and traders and thereby threaten the sustainability of the partnership.

Other issues and key lessons arising from our PPP experience:

- For private investors, the provision of public infrastructure – such as roads, storage facilities and basic public services – is often the incentive needed to invest in rural areas.
- Price negotiations and the search for a balance satisfactory to both smallholder farmers and private partners is often a challenge.
- It is important that roles, responsibilities, reporting structures and ownership titles for every aspect of the partnership are clearly defined from the outset in order to understand and work with the motivations of the private-sector partner and to avoid fostering unreasonable expectations in both parties.
- We need to engage with private-sector partners that can provide knowledge and experience relevant to the value chain targeted and specific to the locality and that can offer guaranteed and sustainable market access, as well as commitment to a long-term relationship with smallholder farmers.
- Beyond the commercial success of the venture, it is important to ensure that the interests of smallholder farmers are kept to the fore, that cooperatives and farmers are not exploited, that they can rely on adequate support services and that the partnership remains truly equitable. In order to achieve this, careful monitoring and evaluation is needed, as well as a clear understanding of the target group and expected benefits of the partnership. Ideally, the success of the PPP is measured by indicators that capture improvements – or lack thereof – in livelihoods.

It is also worth noting that the pursuit of partnerships between private investors and smallholder farmers has brought up the sensitive issues of land tenure security and the social sustainability of this kind of collaboration. IFAD's approach is to encourage and facilitate mutually beneficial partnerships between smallholder farmers and private investors, seeking where possible to promote partnerships that do not require a major transfer of land rights to investors. Rights to land need to be recognized, including legitimate occupation and formal legal rights. In our engagement with the private sector, we seek to demonstrate how land issues influence the setting up of these business models and how they can be addressed in favour of smallholder farmers.

The way forward and future prospects

More than ever, it is important that IFAD works with the private sector to achieve sustainable development solutions that can be easily scaled up, and it is IFAD's intention to continue to play the role of 'honest broker' in building mutual trust between the private sector and small-scale rural producers. Our aim is to establish PPPs that are equitable, fair and transparent, and that create win-win situations for both the companies and the smallholder farmers or rural poor people. IFAD is well equipped to play this role because of our well-established and recognized mandate, our credibility with governments and our strong and close relationships with the rural poor and their organizations at country level.

While we have gained some experience in partnering with the private sector as demonstrated in the foregoing case studies, we still have more to learn in terms of: (a) matching the needs of private companies with those of smallholder farmers and poor rural producers – especially women and more marginalized groups; (b) providing appropriate incentives for private companies to build long-term partnerships with our target groups; (c) engaging in policy dialogue with governments to provide a more enabling environment for private-sector development and business-oriented solutions for rural poverty reduction; and (d) improving our systems to better monitor, evaluate and measure the results and impact of our interventions in this area.

The selection of the private companies with which to work is also important. We will continue to fine-tune the selection criteria and due diligence mechanisms with which we screen the companies we engage with, ensuring that the vision and long-term commitments of the private-sector partners are aligned with those of IFAD. We believe that this will allow us to allocate public IFAD funds in a more transparent, effective and efficient manner.

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