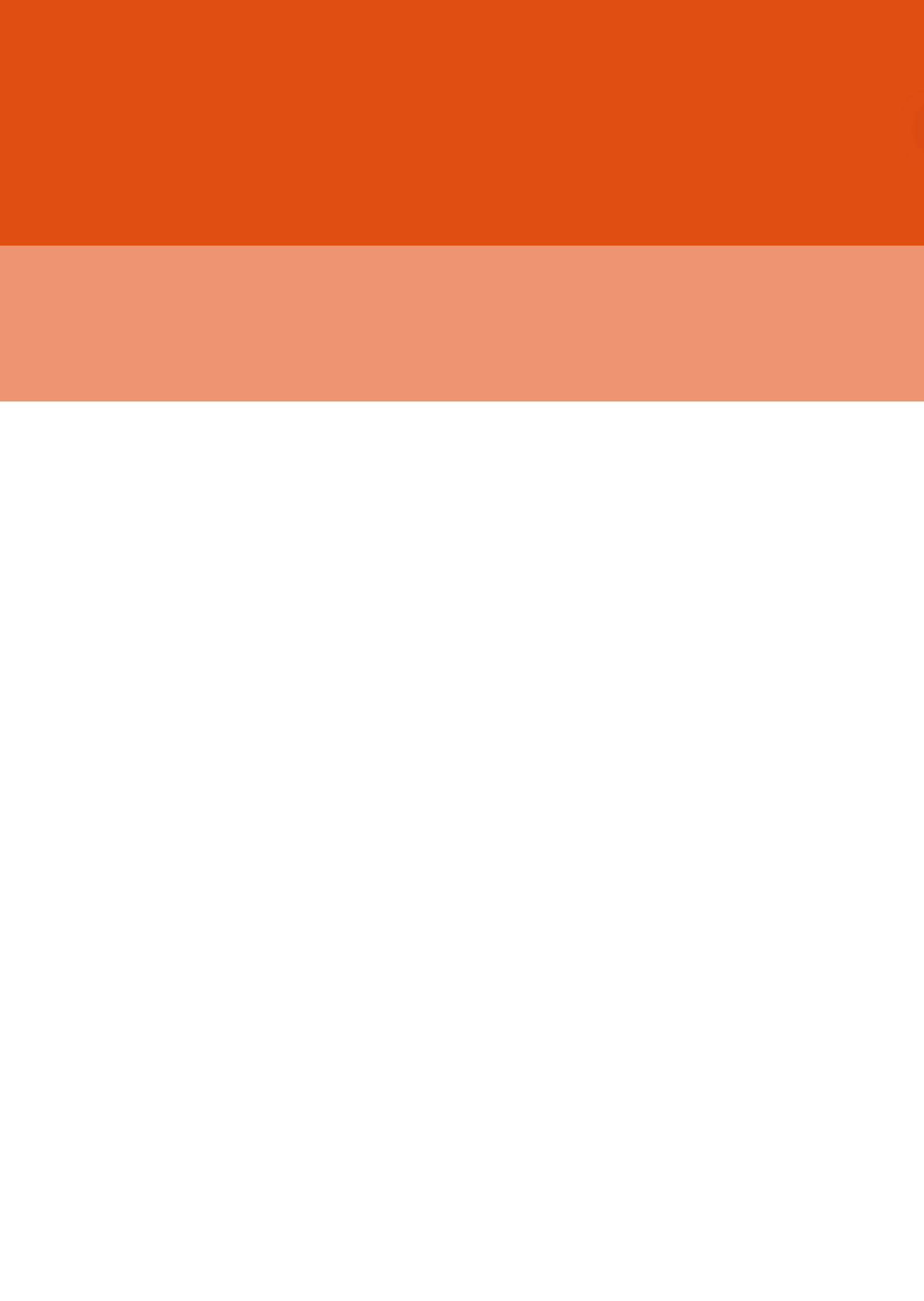


# PARTNERSHIPS BETWEEN PRODUCER ORGANIZATIONS AND ENTERPRISES

Lessons learned from recent  
experiences in West and East Africa





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experiences in West and East Africa**

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Inter-réseaux Développement rural is a diverse network of African and European members (farmer organizations, NGOs, researchers, experts, technical and financial partners and decision makers). Its mission is to facilitate access to information, the sharing of experiences and discussions on rural development in Africa. Since 2017, the network has been coordinating a cycle of reflection on private sector involvement in African agriculture. Read the cycle papers here: <https://www.inter-reseaux.org/mot-cle/cycle-sur-le-secteur-prive/>

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ISBN 978-92-9266-114-4

Printed December 2021

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# EXECUTIVE SUMMARY

Partnerships between producer organizations (POs) and enterprises are being promoted as a model for value chain structuring that can integrate women and men smallholder producers more equitably and sustainably. A number of different types of partnerships between POs and downstream enterprises (engaged in agrifood processing and marketing) are currently operating in West and East Africa: crop purchase or an input supply contracts; contract farming systems that are integrated to varying degrees; joint ventures in which the PO and the enterprise take equity stakes. These partnerships offer attractive opportunities, especially for women and men smallholder producers and their organizations. However, they also pose risks, and failures still occur frequently. The lessons learned from capitalizing on four recent experiences (Benin, Burkina Faso, Kenya and Senegal) provide food for thought to improve the design and implementation of partnerships between POs and enterprises that are genuinely win-win for both parties.

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## WHAT ARE THE EXPECTED BENEFITS OF THESE PARTNERSHIPS?

### FOR THE PO

- Access to a stable and potentially profitable market
- Ability to offer more services to members (agricultural advisory services, access to inputs and financing, certification)
- Development of new skills and enhanced credibility of the PO

### FOR THE ENTERPRISE

- Regular access to quality products with traceability
- Access to group offer to realize economies of scale
- Enhanced image by buying from the smallholder producers it supports



## What are the key lessons learned from capitalizing on these experiences?

The **provision of services** by the enterprise (such as input supply, crop season prefinancing or producer advances, technical assistance, equipment and even community services) enables the PO to improve production capacity and product quality to meet the enterprise's requirements. It is also a way of retaining producer loyalty over the longer term (e.g. to avoid parallel sales).

**Agricultural advisory services** to producers (on production techniques and good harvest and post-harvest practices) is essential to ensure compliance with contract obligations, particularly in the case of certified production. This should boost productivity to cover household food needs while generating a marketable surplus. Relying on existing proximity agricultural advisory services arrangements ensures long-term sustainability.

**Capacity-building** for elected officials and leaders of POs (in administrative and financial management, planning and monitoring) is also vital to ensure proper management of the partnership. Technical and financial partners have a major role to play in this regard. Mastering automated applications and information technologies is a strategic competency needed for monitoring production and marketing operations.



It is important that **public policies** are put in place to promote local value chains and local sourcing of enterprises. These include appropriate customs and tax measures, local supply quotas, local consumption awareness campaigns, awarding institutional contracts, improving quality control and traceability, and supporting certification. Legal regulation is also needed to safeguard contracts and to set product quality and health safety standards.

**Contracts** between POs and enterprises should clearly stipulate the roles and responsibilities of each partner (product quantity and quality standards; delivery terms and timelines; payment terms and deadlines for the enterprise; pricing arrangements). Flexibility in contract implementation is however a key factor for a successful partnership so that prices and volumes can be renegotiated during the crop season. To allow for such flexibility, **consultative platforms** for dialogue and transparent information sharing must be set up at the outset of the partnership. Dispute resolution arrangements should preferably be provided for in close proximity to producers, and involve representatives of the PO and the enterprise but also a neutral broker able to act as mediator.

To retain producer loyalty, **purchase prices** paid to producers need to offer an incentive and actually be profitable. Experience shows that prices do not always cover the full cost of production, specifically the cost of additional work needed to meet quality standards and work done by the PO to monitor the partnership. Ways of sharing value added (sharing profits made by the enterprise on sales, fair trade or joint ventures) can contribute to win-win partnerships.

**Compliance with commitments** by POs (in terms of product volume and quality, delivery timelines and, where applicable, repayment of any inputs supplied) is a major challenge. Agricultural advisory services are essential in this regard. In addition, the contract must be well calibrated: it is preferable to agree on modest, incrementally higher volumes (with a minimum commitment contingent upon repayment of input credit or expected gains in yields, for instance). Purchasing agricultural insurance enables the PO to limit the impact of climate risks. For enterprises, there is also a risk of default (on volume or selling price, or on input supply and payment deadlines). Prior to implementing the partnership, therefore, there must be assurances that the enterprise is financially and contractually sound with reliable market opportunities.

**Compliance with quality criteria** is another major challenge. Production specifications should be established by collective bargaining to ensure ownership by producers. Quality control arrangements should also be discussed and clearly defined. Shared quality control systems and quality premiums are often good approaches. Acceptance by the enterprise of a learning phase for the PO and its members, and development of storage capacities, will allow for a gradual improvement in quality.



External technical and financial support may be needed to start up partnerships, e.g. to build the capacities of producers and POs. It is crucial, however, to ensure that **exit strategies for independence from external partners** be put in place sufficiently in advance. Including financial services as part of the partnership arrangement is essential to autonomous actors and a sustainable partnership.

The **PO's dependency on the enterprise** diminishes its bargaining power. To mitigate this risk, it is important for POs to diversify their operations, buyers and markets.

Partnerships between POs and agrifood processing enterprises may have an impact on the **producers' food and nutritional security** and **environmental sustainability**. These factors should be taken into account when designing the partnership; the role of brokers and governments (in the context of government projects) is essential to this end. In terms of food value chains, contract volumes should take into account the quotas needed to also cover household food needs. Crop diversification and rotation, and intensification of agroecological practices, should be promoted within PO-enterprise partnerships.

### **WHAT ISSUES SHOULD BE CONSIDERED IN SHARING EXPERIENCES AND EXCHANGES?**

The synthesis of lessons learned highlighted several key issues: How to ensure that PO-enterprise partnerships have a positive impact on human development? What public frameworks should be put in place to this end? What conditionalities are needed for enterprises supported in promoting these partnerships? How can lessons learned be leveraged for all actors, particularly POs?

# INTRODUCTION



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## Partnerships between producer organizations and enterprises: an increasingly promoted model for value chain development

Private sector promotion is increasingly permeating the international cooperation and development sector. Private enterprises, with their capacity for investment and innovation, are seen as key actors in the transformation of African agriculture – to boost production, supply a rapidly growing population with healthy and nutritious food, and provide decent employment and incomes to the millions of young people entering the workforce each year.<sup>1</sup>

1. Inter-réseaux, Issala, SOS Faim Belgique, *Le rôle croissant du secteur privé dans les politiques agricoles et alimentaires en Afrique. Contexte, formes et enjeux* (2019).

Among potential ways of involving private enterprises in African agriculture, partnerships between POs and enterprises are more and more promoted. These partnerships are being put forward as a model for structuring value chains that can integrate smallholder producers more equitably and sustainably. Different partnership models have been developed (ranging from simple contracts for crop purchases or input supply to more or less integrated contract farming systems, to joint ventures in which the PO and enterprise take equity stakes or partnership agreements with no direct marketing) under the impetus of different development partners (see the IFAD example in the box below) as well as private initiatives (contracts between POs and enterprises do exist without external support from a facilitator).

Partnerships with downstream enterprises operating in agrifood processing and marketing are meant to integrate producers into market-oriented value chains where they will have stable, profitable sales outlets for their products. They are also intended to trigger investments by enterprises in production value chains (in the form of subsidies for inputs and agricultural advisory services or infrastructure finance) within a context of public spending that are restricted and that are increasingly oriented towards seeking out a way of leveraging private investment. Commercial models establishing a relationship between an enterprise and producers can thus offer an alternative to large-scale land purchases.<sup>2</sup> Finally, partnerships between enterprises and POs provide more sustainable support to producers by connecting them with market opportunities that can help them become independent.

Although they offer attractive opportunities to the actors involved, particularly smallholder producers and their organizations, PO-enterprise partnerships are not risk-free, and failures still occur frequently. Capacity-building for actors, setting up policy frameworks that provide incentives, sustainable governance models and financing of partnership arrangements, or indeed compliance with contract commitments, are also challenges that need to be addressed.

#### **FOCUS – PO-ENTERPRISE PARTNERSHIPS IN IFAD-FUNDED PROJECTS**

Many agricultural value chain development projects funded by IFAD in West Africa promote the establishment of these production partnerships between POs and enterprises, especially in the agrifood processing sector.

In Sao Tome and Principe, beginning in 2003, the Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme, and then the Smallholder Commercial Agriculture Project (PAPAC), supported partnerships between cooperatives and international enterprises around niche export value chains (coffee, cacao, pepper) to provide the most vulnerable rural households with sustainable income opportunities.

2. The Food and Agriculture Organization of the United Nations (FAO), the International Institute for Environment and Development (IIED) (2010). *Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders*; IIED, Oxfam, *Tipping the Balance. Policies to shape agricultural investments and markets in favour of small-scale farmers* (2012).

The Agricultural Value Chains Support Project (PAFA) implemented in Senegal from 2010 to 2016, and the Agricultural Value Chains Promotion Project (PAPFA) launched in Burkina Faso in 2018, support contracting by POs with market operators under market access subprojects (SPAMs): a degressive subsidy to facilitate access to inputs, equipment and agricultural advisory services to capitalize farms and POs, raise productivity and generate a marketable surplus for the market operator.

IFAD has developed a public-private-producer partnership approach, known as the 4P model, to more equitably and sustainably integrate smallholder producers into value chains and to develop a more systematic way of collaborating with private sector enterprises. The POs contribute their know-how and products that meet the demand from the enterprises; the enterprises facilitate market access and invest in equipment and infrastructure; public agencies invest in basic infrastructure and put in place an enabling economic, regulatory and policy framework; the intermediary (an IFAD-funded project or a third party recruited by IFAD) supports the establishment of partnerships.<sup>3</sup> As part of the Partnering for Value Project financed by IFAD and implemented by the SNV Netherlands Development Organization between 2015 and 2018, 20 4P partnerships were documented in five countries (El Salvador, Mozambique, Senegal, Uganda and Viet Nam) to generate lessons on the way to employ the 4P approach.<sup>4</sup>

In West Africa, inclusion of the 4P model in programmes is relatively recent as part of productive partnerships (PPs) between POs and enterprises, particularly around agrifood processing. Support for PPs distinguishes between simple contracts between POs and enterprises (such as product sales contracts), 4Ps as described above, and joint ventures in which the PO partner takes an equity stake in the enterprise to which it is contractually bound. In Mauritania, the Inclusive Value Chain Development Project (PRODEFI) undertook three 4P initiatives (local goat milk collection and processing, meat-based food manufacturing and a slaughtering and poultry freezing unit) that were disrupted by the COVID-19 pandemic. In Senegal, a complementary initiative to PAFA was launched to support 4P development to strengthen contractual relations between POs and market operators. The Inclusive Finance in Agricultural Value Chain Project in Mali and the Agricultural Development and Market Access Support Project in Benin have also adopted this model of strengthening PPs, although at present they are at a preliminary stage of implementation for development of 4P models and joint ventures in particular.

3. IFAD, *Note pratique. Créer des partenariats public-privé-producteur (4P) dans les filières agricoles* (2016).

4. SNV, IFAD, *Brokering Public-Private Producer-Partnership* (2018). *Lessons Learned from the Partnering for Value Project implemented by SNV Netherlands Development Organization 2015-2018*; SNV, IFAD (2018). *Partnering for Value. Lessons from Public Private Producer Partnerships (4Ps) in practice*.



Partnerships between producers and enterprises, and the role of brokers and public authorities in supporting and scaling them up, have already been the subject of several reviews and studies, especially in the case of IFAD-funded projects.<sup>5</sup> This literature underscores the importance of several factors: the market structure in which the partnership takes place; the key role of the broker in designing and supporting the partnership; selection, capacity-building and accountability of both producers and enterprises; the need for balanced governance arrangements that inspire trust and transparency between the actors; and the role of the public authorities (down to the local level) in creating enabling conditions for partnerships between producers and enterprises (including both infrastructure and services, and regulation). Secure land tenure and strong POs are also flagged as prerequisites for win-win partnerships between enterprises and smallholder producers.<sup>6</sup>

In light of the existing literature, this paper looks at recent experiences in partnerships between POs and enterprises in West and East Africa. It confirms and further explores some of the lessons learned and sheds new light on success factors and challenges by examining the balance of power in commercial relationships, particularly from the point of view of producers and their organizations. It is intended to improve the design of genuinely win-win partnerships between POs and enterprises.

5. See, for example: SNV, IFAD, 2018; IFAD, 2016; IFAD, IDS, 2015. *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains*; IFAD (2013). *IFAD and the public-private partnerships: Selected project experiences*.

6. FAO, IIED, 2010; IIED, Oxfam, 2012.

## Frame of reference and methodology: capitalizing on experience to inspire discussion and experience-sharing

### A SYNTHESIS BASED MAINLY ON CAPITALIZING FOUR PARTNERSHIP EXPERIENCES

This synthesis of lessons learned highlights the diversity of partnership models (chapter 2), the benefits they offer to the actors (chapter 3), key success factors (chapter 4), challenges to overcome in implementation and partnership sustainability (chapter 5) and issues to explore further in subsequent discussions and sharing of experiences (chapter 6).

The synthesis is based mainly on lessons learned from four capitalized experiences (in Benin, Burkina Faso, Kenya and Senegal), one of which took place as part of an IFAD investment project.<sup>7</sup> It was enriched by observations from a review of documentation (see chapter 7) and contributions by a private sector working group coordinated by Inter-réseaux Développement rural.

#### CAPITALIZATION OF PO-ENTERPRISE PARTNERSHIPS: FOUR EXPERIENCE FACTSHEETS

**Experience factsheet No. 1** – CGA/EAML partnership: Supporting producers commercializing malting sorghum (Kenya)  
[http://www.inter-reseaux.org/IMG/pdf/ir\\_capitalisation\\_secteur\\_privé\\_1\\_cga-eaml\\_fr-1.pdf](http://www.inter-reseaux.org/IMG/pdf/ir_capitalisation_secteur_privé_1_cga-eaml_fr-1.pdf)

**Experience factsheet No. 2** – Wack Ngouna/Mamelles Jaboot partnership: Contracting millet for local thiakry (millet pudding) production (Senegal)  
[http://www.inter-reseaux.org/IMG/pdf/ir\\_capitalisation\\_secteur\\_privé\\_2\\_wack\\_ngouna-mamelles\\_jaboot.pdf](http://www.inter-reseaux.org/IMG/pdf/ir_capitalisation_secteur_privé_2_wack_ngouna-mamelles_jaboot.pdf)

**Experience factsheet No. 3** – Jus Tillou: A corporation exporting organic pineapple juice (Benin)  
[http://www.inter-reseaux.org/IMG/pdf/fiche\\_experience\\_les\\_jus\\_tillou\\_vf2.pdf](http://www.inter-reseaux.org/IMG/pdf/fiche_experience_les_jus_tillou_vf2.pdf)

**Experience factsheet No. 4** – SCOOPS Barakadi/NAFASO partnership: Setting up a partnership for rice production and marketing (Burkina Faso)  
[https://www.ifad.org/documents/38714170/44293678/BARAKADINAFASO\\_e.pdf/4222b598-79a9-9070-f03b-345628a5abda?t=1638869094531](https://www.ifad.org/documents/38714170/44293678/BARAKADINAFASO_e.pdf/4222b598-79a9-9070-f03b-345628a5abda?t=1638869094531)

7. SCOOPS Barakadi/NAFASO partnership, as part of PAPFA implementation (Burkina Faso).

## **A FOCUS ON PARTNERSHIPS BETWEEN POS AND AGRIFOOD PROCESSING ENTERPRISES**

This work focuses on partnerships involving POs rather than individual producers. The literature underscores the advantages of this partnership model, first and foremost because of a more balanced power relationship between the producers and the enterprise, although organizational weaknesses and PO governance can act as constraints that need to be addressed in some cases.<sup>8</sup>

This work also focuses on partnerships between enterprises processing agrifood products – which offer the most opportunities for integrating POs into market-oriented value chains – taking into account linkages with service providers (inputs, financing and advisory services) and brokers (technical and financial partners). Besides, lessons learned from the Partnering for Value Project<sup>9</sup> show that partnerships around value added activities spark greater long-term cooperation than partnerships around raw materials (in the absence of other value added activities).

Some value chains have historically been structured around partnerships between POs and enterprises, with a vertical integration model and substantial public financing (as in the case of the cotton value chain in Burkina Faso, where three companies share the former state monopoly and manage all value chain operations). This analysis is more interested in innovative experiences where partnerships between POs and enterprises exist within a logic of horizontal integration so that the PO retains a significant degree of autonomy.<sup>10</sup>

## **LEARNINGS FOR DEEPER REFLECTION AND DISCUSSION**

This synthesis of lessons learned is intended for all those wishing to launch or support a PO-enterprise partnership. It has been prepared as a tool (i) for POs (and their partners) and enterprises wishing to engage in a partnership; (ii) for technical and financial partners, to guide them in designing and implementing projects in support of PO-enterprise partnerships (e.g. IFAD); and (iii) for governments designing strategies to structure value chains.

Based on the main capitalization findings on four PO-enterprise partnership experiences, this synthesis is meant to be as neutral and concise as possible. The intention is not to produce an in-depth analysis of all the aspects and issues involved in PO-enterprise partnerships, but rather to spark an exchange and discussion within the community of development actors. This first paper is to be considered a living document to encompass further experiences and contributions to enrich the analysis and gathering of good practices in PO enterprise partnerships.

8. See, for example, Farm, *Contractualiser avec les agriculteurs en Afrique. Rapport final du groupe de travail* (2018).

9. SNV, IFAD, *Partnering for Value. Lessons from Public Private Producer Partnerships (4Ps) in practice* (2018).

10. See IPAR, *Feed the Future Sénégal – Naatal Mbay: Notes de capitalisation. La contractualisation* (2019).

## PRESENTATION OF THE FOUR PARTNERSHIPS CAPITALIZED: A DIVERSE RANGE OF MODELS



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The partnership models identified<sup>11</sup> in capitalizing these experiences are highly diverse, ranging from a straightforward crop purchase or input supply contract to a partnership agreement with no direct marketing between the PO and the enterprise, to more or less integrated contract farming systems, to setting up a company with capital held jointly by the PO, local processor and a foreign enterprise.<sup>12</sup> Cotula and Vermeulen (2010) outlined a typology of business models involving smallholder producers and private investors. However, they underscored the need to look at the specific provisions of each contractual arrangement to evaluate the balance of power and the sharing of value and risk actually at play in the partnerships (see box below). Accordingly, this chapter presents the specific modalities of each of the four partnerships capitalized.

11. The four case studies were selected on the basis of the availability of data and of all the stakeholders involved in the four models to provide a detailed account of the experiences, as well as providing for a sufficiently diversified sample in terms of geography, type of partnership, value chain, actors, strengths and weaknesses.
12. FAO, IIED, *Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders* (2010).



### **FOCUS – TYPOLOGY OF BUSINESS MODELS INVOLVING SMALLHOLDER PRODUCERS AND PRIVATE INVESTORS**

The report *Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders*<sup>13</sup> classifies business models involving smallholder producers and private investors into six categories: (i) contract farming, with a prior agreement to supply raw materials, often in exchange for services provided by the enterprise; (ii) management agreements, in which land is provided to a landless producer or enterprise to manage; (iii) sharecropping or tenant farming, whereby producers work for other producers or an enterprise that owns the land; (iv) joint ventures in which independent market actors are co-owners of the enterprise; (v) farmer-owned businesses; and (vi) various upstream and downstream business links.

The report assesses value-sharing within these six business models according to four criteria: (i) ownership of the business and key assets; (ii) voice, or the ability to influence key decision-making by the enterprise; (iii) sharing of risk; and (iv) reward, or the sharing of costs and benefits.

The review did not find that one particular business model was the best solution to bring smallholder producers into value chains. Value-sharing between commercial partners has more to do with the specific contract provisions – and so are determined by local context, land tenure, policy, history and culture, and biophysical and demographic considerations. In real life, the six business models presented in this report are always hybrid and appear in various combinations.

The report therefore recommends looking at the detailed structure of each partnership model, performing in-depth case studies and sharing experiences to identify good practices based on local contexts.

Experiences show a highly diverse range of actors involved, both among POs (village groups, some of which are formally accredited as cooperatives; and departmental, regional or national unions) and enterprises (small and medium-sized enterprises [SMEs], large national or subregional enterprises, foreign cooperative groups, multinational companies). The value chains and target markets (local, national or international) are also diverse. The partnerships cover various kinds of agrifood processing (yoghurt with cereal, fruit juice, shea butter, beer, milled rice, and so on).

13. *Ibid.*

The vast majority of the partnership experiences reviewed involve a broker (an NGO or project, or the technical extension network of devolved government services). The type and degree of broker involvement can vary widely, however, from brokering the PO-enterprise relationship and commercial transactions, to building technical and management skills among producers and their organizations, to providing production support to boost productivity and product quality for PO members for commercialization, and so on.

The following chapter presents the four PO-enterprise experiences on which this synthesis of lessons learned is based, highlighting the respective roles of the actors, broker involvement, type of partnership and evolution over time.

## Contractualization

### (i) From input supply contract to production and marketing contract: Barakadi cooperative and NAFASO experience (Burkina Faso)

#### Actors

- Large seed company of Burkina Faso operating in the subregion with 10 years of PO partnership experience; newly active in rice processing (managing a paddy rice processing factory in Bobo Dioulasso);
- SCOOPS Barakadi de N'Dana: village cooperative of 400 women and men rice producers, newly formalized as a simplified cooperative society.

#### Broker

SCOOPS Barakadi received support from PAPFA financed by IFAD for rice production. PAPFA supports lowlands development and provides a subsidy for inputs, equipment and agricultural advisory services under a market access subproject, or SPAM. The PAPFA subsidy is contingent upon an increasing financial contribution from the PO over three years<sup>14</sup> and the existence of a contract between the PO and a market operator. PAPFA facilitated the relationship between the cooperative and NAFASO, the input supplier. However, it did not take part in negotiating the marketing contract between the PO and the enterprise.

In addition, PAPFA and NAFASO signed partnership agreements with the Regional Department of Agriculture. The technical extension agents of the devolved government services are responsible for providing advisory services to producers and monitoring the crop in the lowland area.

#### SCOOPS BARAKADI / NAFASO

- **Subsector:** Millet
- **Zone:** Commune of Kayan (Burkina Faso)
- **Partnership since:** 2020
- **Number of producers involved:** 404, including 236 women
- **Contract volume:** 80 tons

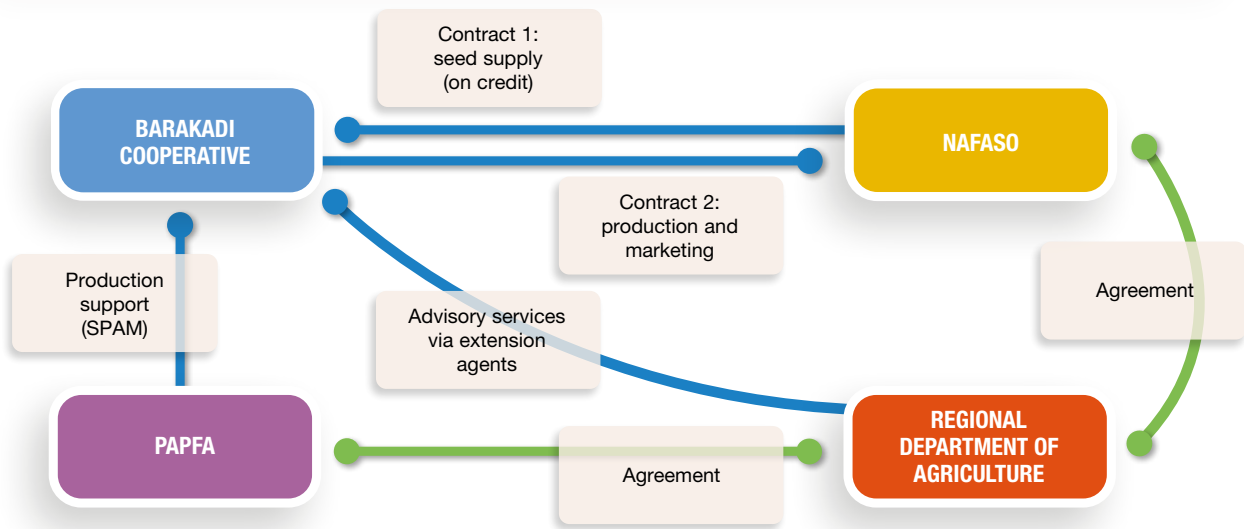
#### Partnership arrangement

The supply of inputs by an enterprise often takes place under a marketing contract to improve the quality of the product delivered by the PO to the enterprise. In the case of SCOOPS Barakadi and NAFASO, the business relationship proceeded in the opposite direction. Firstly, the seed company signed a seed supply contract with the cooperative

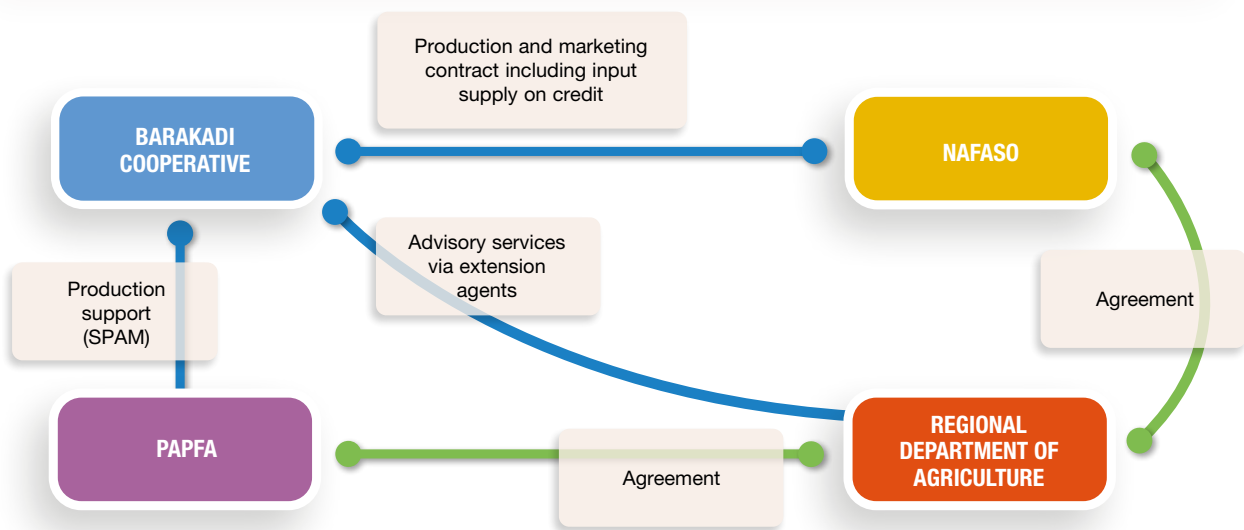
14. 20 per cent in year one, 40 per cent in year two and 60 per cent in year three.

(in June 2020). The seed was delivered on credit and the cooperative was to pay NAFASO once it received the PAPFA subsidy. Secondly, NAFASO signed a rice production and marketing contract with the cooperative to supply its new rice mill with product of the desired quality and variety. Beginning with the second crop season, NAFASO may supply the cooperative with a number of inputs on credit, with the price to be deducted from rice sales.

**FIRST CROP YEAR**



**SUB SEQUENT CROP YEARS**



**Read the experience factsheet:** [https://www.ifad.org/documents/38714170/44293678/BARAKADINAFASO\\_e.pdf/4222b598-79a9-9070-f03b-345628a5abda?t=1638869094531](https://www.ifad.org/documents/38714170/44293678/BARAKADINAFASO_e.pdf/4222b598-79a9-9070-f03b-345628a5abda?t=1638869094531)

**(ii) From closed contractualization to open contractualization:  
Wack Ngouna and Mamelles Jaboot experience (Senegal)**

**Actors**

- Wack Ngouna network of seed and cereal producers, bringing together 111 economic interest groups (GIEs) in three communes
- Mamelles Jaboot: limited liability company producing yoghurt for the Dakar market

**WACK NGOUNA / MAMELLES JABOOT**

- **Subsector:** Millet
- **Zone:** Three communes in Nioro department, Rip (Senegal)
- **Partnership since:** 2011
- **Number of producers involved:** 1,523
- **Volume sold:** 1,000 tons

**Broker**

The Naatal Mbay project (United States Agency for International Development [USAID], Research Triangle Institute [RTI] International), closed in 2019, was a continuation of the Feed The Future project. It supported 14 producer networks, including Wack Ngouna, in contracting with agro industrial enterprises. The project operated in financing and capacity-building for POs. In year one, an agreement was signed with the National Agricultural Advisory Services Agency (ANCAR) to formalize the groups and provide advisory services to producers. Subsequently, ANCAR intervened directly upon request by the cooperative to promote its independence, including in dealing with agriculture advisory services.

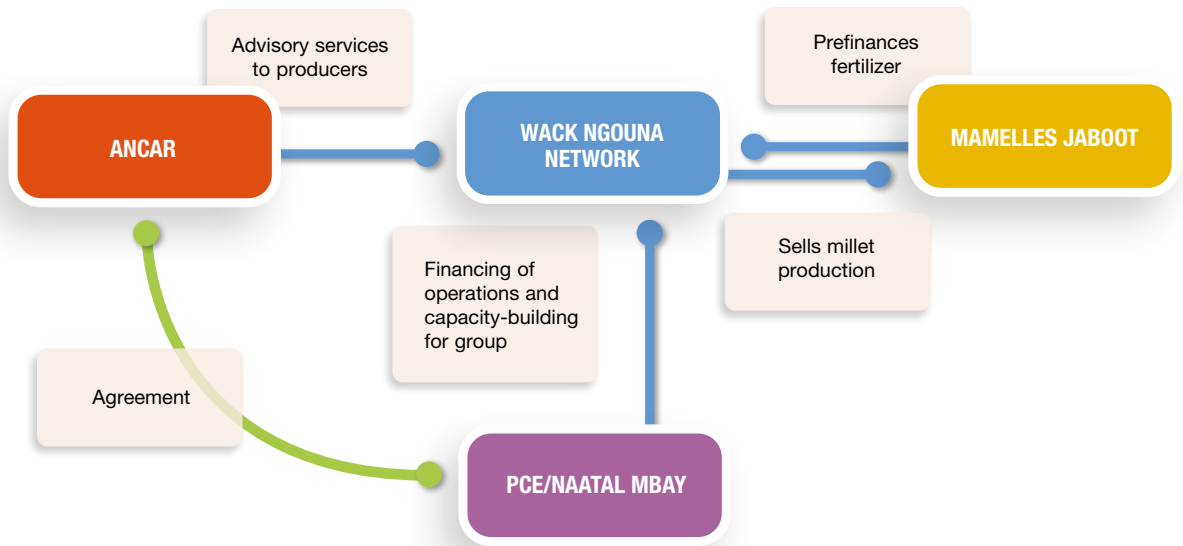
**Partnership arrangement**

The Wack Ngouna network signs a yearly millet marketing contract with the enterprise Mamelles Jaboot, which produces thiakry (yoghurt with cereal). When the partnership was launched in 2012, Mamelles Jaboot prefinanced fertilizer, which the network repaid in kind. From that point on, a multipartite agreement linked Wack Ngouna, Mamelles Jaboot, OCP Senegal (input supplier), the Senegalese National Agricultural Credit Union (CNCAS) and ANCAR (advisory services). At the producers' request, CNCAS pays the input credit to OCP, which delivers the fertilizer to the network for millet production. Upon delivery of the millet, Mamelles Jaboot pays the network through its account with CNCAS. The bank deducts the repayment amount from the input credit.

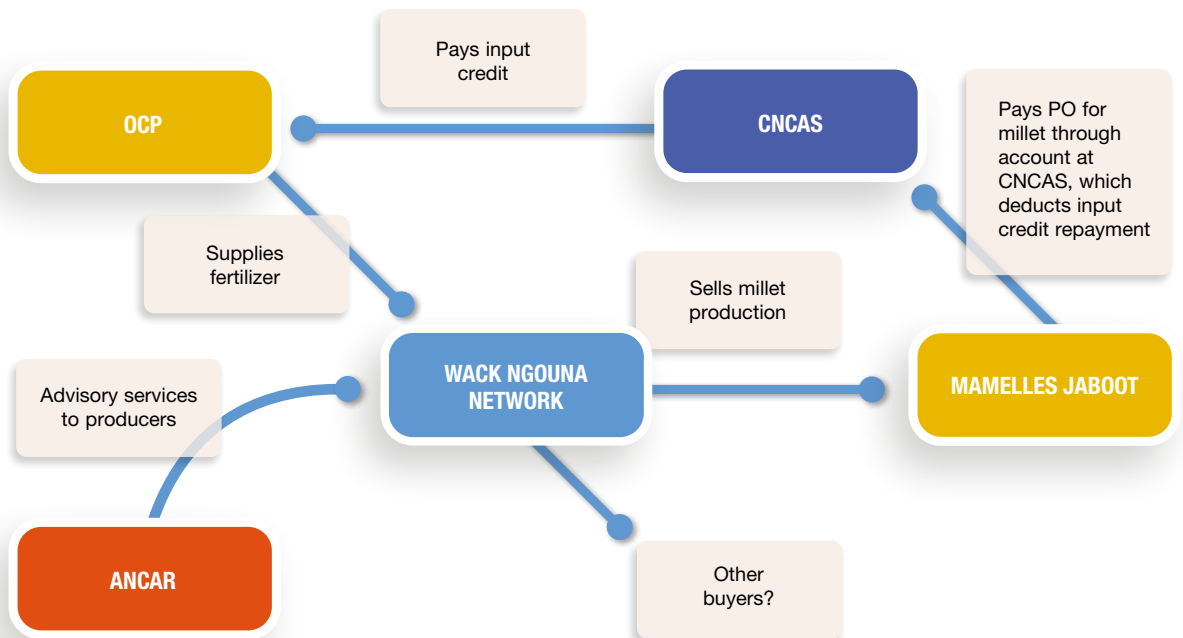
Up until 2018, Mamelles Jaboot had only a single millet supplier and Wack Ngouna had a single buyer. Then contractualization opened up: Mamelles Jaboot took on other partnerships and Wack Ngouna sought to diversify its buyers. Although Mamelles Jaboot sources millet locally, it uses imported milk powder to make the *thiakry*.



**INITIAL ARRANGEMENT**



**CURRENT ARRANGEMENT (MULTIPARTITE AGREEMENT)**



**Read the experience factsheet:** [https://www.inter-reseaux.org/wp-content/uploads/IR\\_Capitalisation-secteur-prive-2\\_Wack-Ngouna-Mamelles-Jaboot\\_VF.pdf](https://www.inter-reseaux.org/wp-content/uploads/IR_Capitalisation-secteur-prive-2_Wack-Ngouna-Mamelles-Jaboot_VF.pdf)

## Joint venture

### (iii) Setting up a joint venture: Jus Tillou experience (Benin)

#### Actors

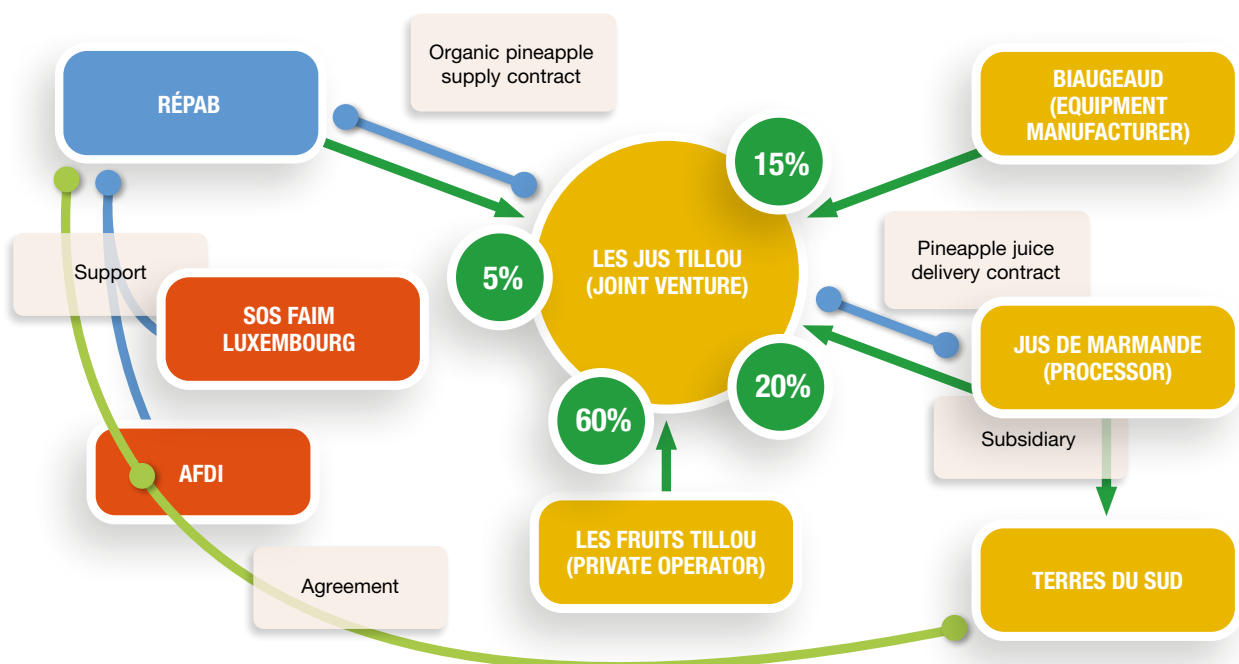
- Network of Pineapple Producers of Benin (RéPAB): union of 15 pineapple producer cooperatives from the Atlantique department
- Les Fruits Tillou: Benin limited liability company exporting fresh pineapple and producing artisanal juice, sourcing from RéPAB since 2003
- Jus de Marmande: juice production enterprise, subsidiary of the French cooperative Terre du Sud
- SH Biaugeaud: equipment manufacturer

#### JUS TILLOU

- **Subsector:** Pineapple
- **Zone:** Atlantique department (Benin)
- **Partnership since:** 2016
- **Number of producers involved:** 151
- **Contract volume:** 1,740 tons (2019)

#### Partnership arrangement

The actors set up a joint venture, Jus Tillou, to install an organic pineapple juice processing factory for export. When the company was set up, 65 per cent of the capital was held by Les Fruits Tillou, 20 per cent by Jus de Marmande/Terre du Sud, 10 per cent by SH Biaugeaud (equipment manufacturer) and 5 per cent by RéPAB. SH Biaugeaud is responsible for installing and maintaining the factory equipment. RéPAB and Jus Tillou have a contract to supply the factory. Another contract between Jus Tillou and Jus de Marmande covers export sales to France. Jus de Marmande repackages and markets the organic pineapple juice.



Source: Adapted from the French Farmers for International Development (AFDI) (2019).<sup>15</sup>

15. AFDI, *La filière d'ananas bio et Jus Tillou au Bénin: Expérimentation d'un partenariat économique responsable entre coop française et béninoise* (2019).

## Brokers

Agriculteurs Français pour le développement international (AFDI), an agri-agency member of the AgriCord network, facilitated the relationship between RÉPAB and Les Fruits Tillou with the French enterprise Jus de Marmande (a subsidiary of the Terre du Sud cooperative group). An agreement covering the period 2018-2020 was signed between AFDI Nouvelle Aquitaine, Terres du Sud and RÉPAB to facilitate consultations between actors and technical and financial support by AFDI and Terre du Sud for RÉPAB.

The NGO SOS Faim Luxembourg has been supporting RÉPAB operations since 2012. For instance, it provided support for RÉPAB to purchase shares in the joint venture Jus Tillou. Organic certification and RÉPAB operating expenses are still largely dependent upon support from the partners. Obtaining fair trade certification at the end of 2018, however, was a step forward and will allow for refinancing the cooperative's fixed costs.

**Read the experience factsheet:** [https://www.inter-reseaux.org/wp-content/uploads/IR\\_Capitalisation-secteur-prive-3\\_Jus-Tillou\\_VF.pdf](https://www.inter-reseaux.org/wp-content/uploads/IR_Capitalisation-secteur-prive-3_Jus-Tillou_VF.pdf)

## Partnership agreement

### (iv) Protecting and structuring local value chains: Cereal Growers Association (CGA) and East African Maltings Limited (EAML) experience (Kenya)

#### Actors

- CGA: brings together groups and individuals farming on various different scales (from 2 to 200 ha) in 24 of 47 counties in Kenya, as well as 93 associate members (service providers)
- EAML: a subsidiary of the Kenyan group East African Breweries Limited (EABL), which is in turn 50 per cent owned by the British group Diageo

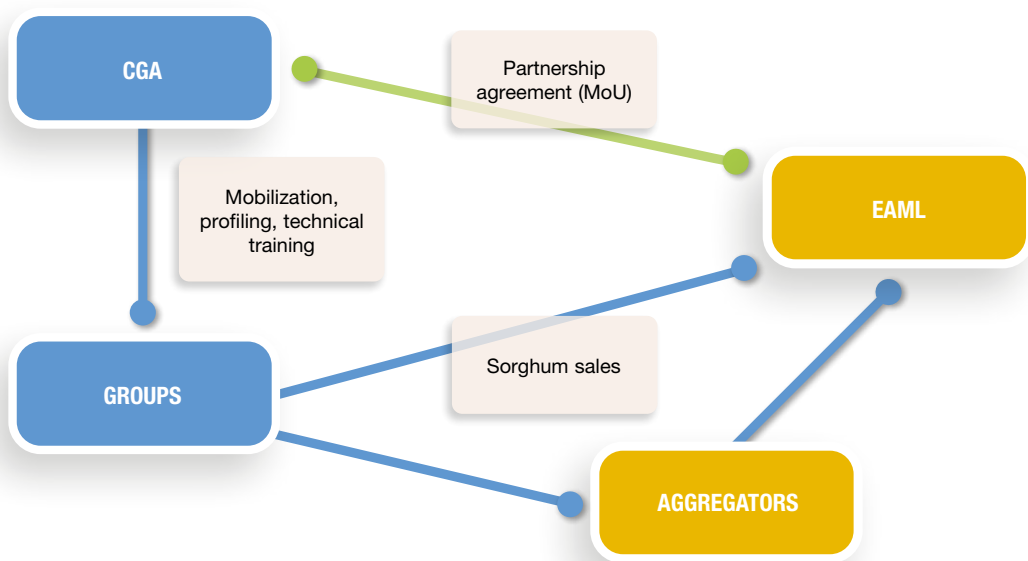
#### Partnership arrangement

Since 2009, EABL has been sourcing sorghum from smallholder producers to make beer. In 2013, CGA and EABL entered into a partnership to conduct a joint lobbying campaign against a tax on sorghum beer sales, to protect both the subsector and the contracts the enterprise had with smallholder producers.

In 2018, EAML and CGA signed a partnership agreement to facilitate supply of the new malting factory from smallholder sorghum producers. CGA did not intervene directly in marketing. CGA is responsible for mobilizing the producers within groups to facilitate commercialization and access to other services such as financial services, input supply and training in good agricultural practices to boost their productivity. The producer groups either sell their sorghum to the enterprise directly or through an aggregator (often an input supplier grouping sales). Not all sales are covered by a contract; when they are, each producer signs an individual contract with the enterprise.

#### CGA / EAML

- **Subsector:** Sorghum
- **Zone:** 10 counties (Kenya)
- **Partnership since:** 2018
- **Number of producers involved:** 40,000 to 50,000
- **Contract volume:** 15,000 to 20,000 tons



CGA also facilitates the groups' relationship with input suppliers and financial service providers. It centralizes demand from the groups and negotiates prices with input suppliers on that basis. In some cases, financial service providers may pay input credit directly to the input supplier.

### Brokers

Several organizations and projects are supporting CGA and structuring an integrated sorghum value chain in Kenya (Alliance for a Green Revolution in Africa, Farm to Market Alliance project). A French agrifood agency, Fert, has been supporting CGA since 2013 in operationalizing its service strategy. In particular, it promotes experience-sharing with French cereal organizations (AGPB, Arvalis).

**Read the experience factsheet:** [https://www.inter-reseaux.org/wp-content/uploads/IR\\_Capitalisation-secteur-prive-1\\_CGA-EAML\\_FR\\_VF.pdf](https://www.inter-reseaux.org/wp-content/uploads/IR_Capitalisation-secteur-prive-1_CGA-EAML_FR_VF.pdf)

# EXPECTED BENEFITS



## For POs and their members

### (i) Access to a stable and profitable market

The main benefit expected by POs from the partnership with agrifood processing enterprises is access to a stable and profitable market to improve incomes and living conditions for producers. With grouped marketing, the PO can generate its own resources to finance its operations and gain independence. Moreover, a relatively fixed selling price that is known in advance provides an incentive for producers and POs to invest in production and develop further.

In the case of the partnership agreement between CGA and the malting company EAML, the partnership does not involve direct marketing by the PO to the enterprise (there are no commercial transactions between the two). The PO underscores that this partnership helps it fulfil its mission to facilitate market access for member producers (although its actions in this regard are financed by project subsidies).



However, having access to markets – and higher than market prices – does not always mean an improvement in living conditions for the most vulnerable or in human development (partnerships with enterprises are sometimes undertaken to the benefit of certain community groups).<sup>16</sup> Also, contracting with an enterprise is costly for a PO (in terms of training, planning, collection and group marketing), and the selling price to the enterprise is not necessarily profitable (see chapter 5.2 (ii)).

### **(ii) Member services development**

Partnerships with processing enterprises offer POs opportunities to develop or strengthen the services they provide to their members to strengthen their production capacity and in many cases product quality: agricultural advisory services; access to inputs, financing and markets; certification; etc. These services may be provided directly by the enterprise in the case of more fully integrated partnerships. They may also be provided by a third party: either a technical and financial partner that undertakes to support the PO in setting up a partnership with the enterprise or a service provider (input supplier or financial service provider) that requires a contract with the enterprise as a guarantee.

Partnerships with enterprises may also have a social impact on producers and, more broadly, on the community in cases where enterprises invest in social services for producers (e.g. schools, clinics or electrification) or when certification premiums (from fair trade in particular) allow for financing social projects.

### **(iii) Improvement in skills and credibility**

Partnerships with processing enterprises impose new constraints on POs (quality standards for instance) but they also offer opportunities for POs to develop and build their skills, professionalize further (planning and monitoring production and marketing operations, quality control, administrative and financial management). In many cases of partnerships, POs are supported by an external partner that provides the necessary capacity-building.

A partnership with an enterprise gives the PO an incentive to put in place collective mechanisms for collection and marketing, a virtuous circle for developing other partnerships. Managing such a partnership serves as a guarantee of the PO's professionalism and lends credibility in the eyes of some interlocutors. Having a proven track record gives the PO credence as a full economic actor and enhances its participation in local, and even national, governance.

16. The IIED and Oxfam 2012 study underscores the need to take into account the diversity of rural societies and the many different subgroups: some, such as women, tend to benefit less from contractual arrangements with private investors. See also chapter 6 of this synthesis for examples on this point.

## For enterprises

### (i) Regular access to quality product

By entering into a partnership with a PO, the agrifood processing enterprise secures and/or diversifies its supply (in quantity, quality, regularity and at a specified price). In most cases, the main expected benefit for the enterprise is an improvement in product quality, traceability and inspection, as well as diversification of the product range.

### (ii) Grouping supply

Entering into a partnership with a PO rather than individual producers enables the processing enterprise to access group supply and realize economies of scale in sourcing. The enterprise benefits from the work done in the field by POs: mobilizing and training producers, planning and monitoring production and commercialization to meet the needs of the enterprise and, sometimes, quality control. The enterprise may also have access to certified markets (certification is in most cases brought by cooperatives).

### (iii) Image enhancement

Social engagement is often advanced by the enterprises involved in partnerships with POs. They source from the smallholder producers they support, prioritize local supply and develop value chains. This is desirable for international companies subject to increasing scrutiny from civil society, consumers and in some cases governments around their social and environmental responsibility – but is also observable among local SMEs. For instance, the enterprise Mamelles Jaboot (Senegal), in contracting with the Wack Ngouna network, has displayed as an objective to support local consumption by adding value to terroir products.

Cotula and Vereulen (2010) observe, however, that the enterprise's willingness to adopt a more inclusive business model – as an actual economic component of its activity rather than part of its social and environmental responsibility programme – is a key factor for success.<sup>17</sup>

17. FAO, IIED, 2010.

# SUCCESS FACTORS



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## Retaining producer loyalty by providing services

The services provided by an enterprise to a PO are a key component of partnership success. On one hand they enable the PO to develop its own services to members to improve their production capacity and product quality. This is essential if they are to be in a position to meet the contract requirements and comply with delivery commitments. Furthermore, providing services, prefinancing crop seasons and extending advances to producers are often promoted as ways of retaining producer loyalty over time (thus avoiding parallel sales).

Services provided to POs most often include supplying inputs on credit (quality inputs, possibly at a negotiated price). The supply of inputs can sometimes benefit the entire family farm (in Burkina Faso, agreements with cotton companies are a way for producers to obtain fertilizer for food crop production).

The services provided can also include technical assistance (see 4.2), production or first-stage processing equipment, or plowing/spreading of pesticides. Finally, in a few cases, the enterprise offers community services (construction of schools or clinics, road development or electrification).

The enterprise may provide such services either directly – as in the case of NAFASO (Burkina Faso) supplying seed and fertilizer at negotiated prices and on credit to its PO partners – or indirectly by prefinancing or subsidizing all or part of a service provider’s offer as in the case of Mamelles Jaboot (Senegal), which, during the early years of the partnership, issued vouchers to the PO to obtain fertilizer on the local market. Finally, the enterprise may also act as a guarantor to facilitate access to services: NAFASO is planning to provide a guarantee so that SCOOPS Barakadi can obtain credit to purchase rice threshing equipment.

In most cases, payment for such services is deducted from the price paid to producers at the end of the crop season.

## Building the capacities of producers and their organizations

### (i) **Advisory services to producers to improve their production capacity and product quality**

Advisory services arrangements are essential to help producers comply fully with recommended production practices, but also to adopt good harvest and post-harvest practices to meet the contract requirements. In a large number of experiences, mainly among cereal and food crop producers, it is also necessary to raise productivity to cover household food needs while generating a marketable surplus in accordance with the technical specifications.

Advisory services are even more important in the case of certified production, where the enterprise must ensure strict compliance with the prescribed technical specifications to obtain certification of the product being marketed. For instance, the experience of RéPAB (Benin) in training organic pineapple producers was a key success factor identified by the enterprise Les Fruits Tillou in developing organic pineapple processing.

In most cases, the enterprises seek out POs already receiving support from technical partners or projects, to take advantage of proximity advisory services arrangements that are already up and running and funded. They may be supported by existing technical extension services within national institutions to ensure that such arrangements are sustainable over the longer term (see box below).

In some cases, the enterprise is directly involved in such assistance, providing technical and/or financial support. This is one solution to the financing of agricultural advisory services that enables the enterprise to better disseminate its technical specifications. However, it poses a risk in terms of independence (especially when the enterprise is an input supplier), PO empowerment and producer ownership of the advice provided.

In Côte d’Ivoire, for example, exporters (Cargill, Olam, ADM, Sacco) play a decisive role in advisory services related to cacao certification (UTZ, Rain Forest Alliance and Fair Trade). In most cases, they prefinance the implementation of advisory services activities. In return, they hold exclusive rights to the certified cacao produced by the cooperatives. The amounts advanced by the exporters are then recovered from the certification premiums to the cooperatives, so the producers ultimately pay for the advisory services.



To implement the assistance, the cooperatives hire technicians and farmers acting as point persons. In most cases, however, capacity-building for the advisory services technicians who are hired by the cooperatives is controlled by the exporters (the exporters select and pay the service providers tasked with capacity-building for technicians). They also control the terms of reference of the cooperatives' technicians and the methodologies they employ. Some training, such as training on data collection, is even provided by the exporters themselves.

The capitalization of exporter-managed advisory services arrangements has shown that they do not lead to any significant changes in farming practices. The cooperatives have a limited role in guiding the advice and there is no way to respond to specific needs expressed by producers. The approach remains prescriptive and does not build a relationship of service and trust between producers and technicians conducive to converting producers to more sustainable farming practices.<sup>18</sup>

### EXAMPLE OF GOOD PRACTICES 1 – USE EXISTING ADVISORY SERVICES ARRANGEMENTS

#### Case of NAFASO / SCOOPS Barakadi de N'Dana (Burkina Faso)

The partnership between SCOOPS Barakadi de N'Dana and the enterprise NAFASO for rice production and commercialization is supported by the Regional Department of Agriculture extension network. This makes for a proximity arrangement that is already tested and complete at a lower cost.

NAFASO has signed a partnership agreement with the DRA based in Bobo-Dioulasso. Compliance with the instructions issued by the DRA and NAFASO is part of the contract signed with SCOOPS Barakadi de N'Dana. The Technical Support Zone (ZAT) agents at the commune level are responsible for compliance with the production and plot monitoring techniques. NAFASO pays the DRA a fuel allowance (which it passes on to the provincial departments of agriculture, then the ZATs). NAFASO also has technicians who do not monitor producers on a day-to-day basis but do perform supervision missions to determine progress made on land development and crops.

PAPFA, which supports SCOOPS Barakadi de N'Dana in its partnership with NAFASO, has also signed a collaboration agreement with the DRA. The provincial and regional departments of agriculture centralize demand for support from POs. PAPFA delegates the monitoring of beneficiary POs in the field to ZAT agents in terms of advice on compliance with production techniques, brokering input purchases and reporting on operations and crops to PAPFA.

18. CIRAD, *Les dispositifs de conseil liés à la certification du cacao en Côte d'Ivoire: Rôle du secteur privé* (2019).



## (ii) Building skills in cooperative management

Conducting a partnership with an industrial actor calls for a certain management maturity on the part of the PO. In order to comply with its delivery commitments to the processing enterprise (in terms of regularity, timeliness and volumes), the PO must develop solid skills in planning and monitoring production and marketing operations. The PO's administrative and financial management capacities are also essential to properly manage the business plan, financial transactions and sustainability of the partnership.

Accordingly, capacity-building for elected officers and leaders of the PO is often required under a partnership with an enterprise. The partners and brokers have a major role to play in this regard.

The mastery of automated applications and information technologies is becoming a strategic competency for POs. In Senegal, the Naatal Mbay project trained database managers and developed cloud platforms within cooperatives with marketing contracts, to empower the cooperatives in monitoring production operations and inventory management. RéPAB received support to develop a production monitoring application (see box below).

### EXAMPLE OF GOOD PRACTICES 2 – DIGITIZING PRODUCTION MONITORING AND APPLIED WORK ON COST ANALYSIS

#### RéPAB (Benin)

Production operations planning is a challenge for RéPAB: the quantities of pineapple to be delivered to the Jus Tillou factory vary from one week to the next whereas production is planned five months in advance. To facilitate production planning and monitoring by technicians, the AGROSFER application was developed with and for RéPAB with support from SOS Faim Luxembourg. RéPAB notifies the producers of flower induction operations through coordinators. The coordinators report on crop status by posting directly to the app. RéPAB inputs this information into an automated system that enables it to more easily organize collection operations. "From my office I can see the availability of pineapple in the field, by plot and variety of pineapple. I know exactly how much we can supply next month." says the RéPAB Director.

RéPAB's partnership with Jus Tillou also offered an opportunity for the PO to do applied work on economic calculations and set targets for improving the network's marketing strategy and accounting and financial management. With support from its partners (AFDI and SOS Faim Luxembourg), RéPAB has worked on its production costs and economic model. Economic data were included in the crop register reported by each producer to improve pineapple production cost analysis.

PAPFA (in Burkina Faso) was inspired by the PAFA experience (in Senegal) in supporting POs around production and contracting with market operators. However, POs in the PAPFA project area are much less structured than those in the PAFA project area in Senegal. PAPFA's pro-poor approach also targeted nascent POs with little experience, comprising mainly women and youth. During project implementation, the POs' need for institutional strengthening and training in management and governance was highlighted to compensate for working with nascent POs with little experience.<sup>19</sup>

In Sao Tome and Principe, work done by PAPAC laid the groundwork to set up four cooperatives in three subsectors (cacao, pepper and coffee), of which just two are currently self-sustaining. The cooperative model of undertaking a business relationship with private international partners sometimes led to the international partners taking a dominant position over the young emerging cooperatives. Cooperatives that were too young and/or insufficiently trained had difficulties positioning themselves. They were pressured to move too fast without any real absorption or reaction capacity (scant availability of human resources) and adopted trajectories and development approaches that were not well adapted to local realities. One of the constraints noted during a project capitalization study is that the social nature of cooperatives, at the service of members in line with cooperative principles, was not fully appropriated by the cooperative members and officers.<sup>20</sup>

## Incentive policies to develop local value chains

The policy framework plays an essential role in creating enabling conditions for partnerships between POs and agrifood processing enterprises.

Tax and customs policies are decisive in encouraging local sourcing by enterprises from producer networks. Alliances between enterprises and POs are forged at the national and regional levels to protect local value chain development, as in the case of CGA and EABL (see box below). The "My milk is local" campaign launched in June 2018 in six countries in the subregion (Burkina Faso, Chad, Mali, Mauritania, Niger and Senegal) brings together 75 organizations (national, regional and international POs, researchers, NGOs and enterprises) to promote local milk against refatted powdered milk imports in West Africa, acting at the same time on policy frameworks, sourcing practices by enterprises (manufacturer commitments to collect local milk, contracting with producers, livestock feed supply) and responsible consumption practices. One of the recommendations made by the coalition is to raise the Economic Community of West African States common external tariff on imported milk powder (and especially on products combining milk powder and palm oil) and eliminate value added tax on all local milk value chain products.<sup>21</sup>

19. IFAD, PAPFA supervision report (2020).

20. JSC-Consulting, *Étude sur la capitalisation de l'expérience des coopératives de petits producteurs autour des marchés d'exportation de niches et performance de celles-ci en termes de production, transformation et commercialisation* (2019).

21. Inter-réseaux, *Interview with Laurent Levard: Faut-il accroître la protection de l'agriculture africaine? L'exemple de la filière lait* (2020).

### EXAMPLE OF GOOD PRACTICES 3 – PARTNERSHIP BETWEEN POS AND PROCESSING ENTERPRISES TO PROTECT LOCAL VALUE CHAINS

#### CGA and EABL (Kenya)

In 2013, the Government of Kenya imposed a tax of 50 per cent on sorghum beer sales. Sales of sorghum beer, which is economical and popular among low-income Kenyan consumers, fell by 75 per cent. The enterprise EABL, which sources from smallholder producers, was forced to cancel all of its contracts for the year.

CGA partnered with EABL and other value chain actors to conduct a joint lobbying campaign, organizing meetings with decision makers, a media campaign and awareness-raising sessions. At the end of 2013, the government issued an amendment calling for a 90 per cent exemption from excise duty for sorghum beer. Demand for malting sorghum recovered and EABL renewed its contracts with sorghum producers.

Following this experience, EABL and CGA formalized their partnership in 2018 to mobilize and train sorghum producers to develop supply for the new malting factory. The 2013 lobbying campaign also gave CGA legitimacy to participate in the development of public policies on the cereals sector. In addition, CGA is taking part in national technical groups on maize, wheat and sorghum.

When new factories are set up by large agrifood groups, governments can also negotiate progressive targets for local raw materials sourcing. In Nigeria, the Friesland Campina and Arla Foods groups were given a minimum quota of 10 per cent local milk in their supply after five years.

In addition to tax and customs measures, other public policy measures can be put in place to promote local value chains and local sourcing by enterprises: national campaigns to encourage consumers to give preference to local products, improvements in quality control and traceability of local products, support for product certification – particularly national or local certification such as a Participatory Guarantee System (PGS) certification,<sup>22</sup> which is more affordable for producers, or certification promoting agroecological practices.

The partnership between NAFASO and SCOOPS Barakadi was set up in Burkina Faso in the context of the presidential initiative to produce one million tons of rice in 2020-2021. In response to this initiative, NAFASO set a target of providing consumers in Burkina Faso and the subregion with more than 2,000 tons of superior quality white rice at a reasonable price (for the 2020-2021 crop season). To this end, it entered into partnerships with 30 POs. Institutional markets can provide an incentive for setting up partnerships between local agrifood processors and POs.

22. PGSs are quality assurance systems with a local orientation. They certify producers with the active participation of local actors and are based on trust, social networks and knowledge exchange.

For instance, the European Union-French Development Agency Contract Agriculture and Ecological Transition Project (PACTE) project in Burkina Faso finances contract farming projects partnering a PO with an institutional buyer (window 1) or a processing, value addition or packaging enterprise (window 2).<sup>23</sup>

Finally, the public authorities also have a role to play in bringing in legal measures conducive to facilitating and securing contracts and setting quality and healthy safety standards for agricultural products as benchmarks for contracts. Clauses to protect the basic rights of producers and dispute settlement mechanisms that are accessible for smallholder farmers mitigate the risk of unbalanced contracts.

## Clear and flexible contracts with a framework for consultation

### (i) Clear, flexible contracts

Partnerships between POs and enterprises are not always covered by contracts in writing. A written contract is a guarantee of commitment by the parties. However, it does not guarantee proper execution, particularly in predominantly oral cultures with limited availability of affordable, effective legal recourse. Oral exchanges and agreements can sometimes carry more weight than a contract in writing.

In addition to the quantity, quality and price of the product to be delivered by the PO to the processing enterprise, there are several other points that should be discussed in advance and stipulated in the contract to avoid any dispute during the crop season: delivery timelines, deadlines for payment by the enterprise to the PO, the role of each party in collecting, storing and transporting the product, and the terms of delivery and, where applicable, repayment of goods or services provided by the enterprise (e.g. inputs).

However, flexibility in contract implementation has been identified as a key success factor over the longer term. Several actors underscore the need for a learning phase for POs regarding contracting and quality standards (see 5.2). In a sector that is highly sensitive to price fluctuations and climate hazards, contract prices and volumes must be renegotiable during the crop season. The volume of rice to be supplied by SCOOPS Barakadi de N'Dana to NAFASO (Burkina Faso), for instance, was revised downwards during the crop season as a result of poor rainfall. Time is needed to build trust between the partners, and adjustments to the partnership are generally needed after two or three contracting cycles.<sup>24</sup>

The FARM<sup>25</sup> foundation working group on contractualization and lessons learned from the Partnering for Value Project<sup>26</sup> recommend the adoption of a flexible pricing formula to manage volatility in prices for certain products and to reflect the market at harvest time. This might mean a guaranteed floor price that could be adjusted upward if warranted by the market, multiyear commitments to smooth out price volatility,

23. PACTE website: [https://pacte.agriculture.bf/?page\\_id=563](https://pacte.agriculture.bf/?page_id=563) (Consulted on 11/03/2021).

24. IFAD, *Note pratique. Créer des partenariats public-privé-producteur (4P) dans les filières agricoles* (2016).

25. Foundation for World Agriculture and Rural Life.

26. SNV, IFAD, *Brokering Public-Private Producer-Partnership. Lessons Learned from the Partnering for Value Project implemented by SNV Netherlands Development Organization 2015-2018* (2018).

revision of guaranteed prices based on evolving production and transportation costs, a price sharing grid between producers and processors, or price thresholds based on volumes supplied to retain producer loyalty. The Benin enterprise Tolaro Global, for instance, authorizes cashew producers to repay prefinancing provided in order to sell to another buyer when prices rise rapidly at the beginning of the crop season. The producers must propose a price to Tolaro Global, which is given priority over other processors but is not obliged to accept the price offered.<sup>27</sup>

#### EXAMPLE OF GOOD PRACTICES 4 – MODEL CONTRACTS FOR ADAPTATION

##### PAPFA in Burkina Faso (IFAD)

To facilitate the establishment of contractual relationships between POs and market operators, IFAD's PAPFA project holds business negotiation meetings coordinated by regional chambers of agriculture. Although not many formal contracts come out of these meetings, they do allow for preliminary contacts to take place between the actors.

PAPFA also developed templates for standard marketing contracts based on the ones proposed by the chambers of agriculture and the General Directorate of Rural Economic Promotion in the Ministry of Agriculture and Water of Burkina Faso. In addition to volume and pricing, the model contract contains specific conditions that are essential to a successful partnership, particularly delivery timelines and payment deadlines (see template in annex).

#### (ii) Consultative frameworks

Renegotiating contracts and settling disputes require adapted consultative frameworks, and all the more so as the relation of power between enterprise and PO is often unequal, to the detriment of the PO.

The partnership governance arrangements should be clearly defined: decision-making bodies, rules governing internal workings, dispute resolution and risk management. The channels of communication the parties are required to use to respond to questions or concerns should be specified, regular meetings should be held between representatives, neutral intermediaries are needed to act as mediators and for day-to-day communications with designated responsible parties (e.g. the officer responsible for sourcing and the PO director or marketing officer). Governance has a cost and communication takes time, so sufficient resources should be provided to address them.<sup>28</sup>

27. FARM, *Contractualiser avec les agriculteurs en Afrique. Rapport final du groupe de travail* (2018).

28. IFAD, *Note pratique. Créer des partenariats public-privé-producteur (4P) dans les filières agricoles* (2016).



Frameworks for consultation and dispute resolution should be in close physical proximity to producers and include representatives of both the PO and the enterprise, as well as a neutral facilitator who can act as mediator. It is also recommended that someone who commands the respect of all parties (such as a traditional chief or representative of the municipality) be associated with the partnership. For instance, NAFASO (Burkina Faso) held a consultative meeting in the N'Dorola commune during the course of the crop season to adapt the contract volumes of rice with each partner producer cooperative in the area. In addition to representatives of the enterprise and the cooperatives, technical extension agents (ZAT Chief) and representatives of the municipality were also present.

Participation in such consultations by technical and financial partners, e.g. project teams, is not always identified as a good practice. PAPFA does not take part in the negotiation of contracts between POs and market operators, or in the consultation process during the crop season and the project prefers to remain outside the contractual relationship between actors to avoid being implicated in a dispute or failure.

#### **EXAMPLE OF GOOD PRACTICE 5 – DIGITAL PRICING AND CLIMATE INFORMATION PLATFORM, MANAGED BY SECTOR ASSOCIATIONS**

##### **PAFA (Senegal)**

PAFA developed a digital platform known as YEGLE to transmit information on prices (market information system or SIM) and rainfall data by SMS. This initiative is managed at low cost by the value chain actors themselves as part of the National Frameworks for Value Chain Trade Associations (CNIF). The platform makes information available to the actors in real time to improve transparency in commercial transactions between POs, market operators and producers.

For climate information, the arrangements set up include five stages: (i) collection of climate information by the National Climate Agency (ANACIM); (ii) SMS transmission of the information by ANACIM to CNIF; (iii) processing and transmission of information by CNIF coordinators to the YEGLE platform; (iv) SMS dissemination of the information by the platform to all value chain actors (CNIF, POs, producers, partners); and (v) appropriate action taken by value chain actors accordingly.

The dissemination of pricing information by CNIF made it possible to settle disputes between the actors when the price stipulated in the contract differed from the market price. Prices are not set in the contracts between POs and market operators but linked to the price on a physical reference market at the time of delivery (e.g. “the Kaolack market” or “the Thiès market”). The CNIF disseminate these reference prices to the POs and market operators through the YEGLE platform.

The CNIF also provide access to certified seed for members to increase their production, with financial assistance from PAFA. Finally, they act as arbitrators in the event of a dispute between the actors.

Transparent information-sharing between the actors is decisive to ensure a level playing field for dialogue and to instil trust between the parties. Renegotiating contracts and maintaining flexibility in contract prices and volumes are not sustainable unless all actors play by the rules and pass on price increases or decreases to all links of the value chain, based on a reliable status of progress on the crop season. In the case of the joint venture Jus Tillou (Benin), despite the shared governance framework, a lack of transparency in setting prices and poor communication between shareholders (leading to difficulties with holding board meetings) caused major problems. The revision downward of pineapple purchase contracts following the collapse in organic pineapple juice prices on global markets had a domino effect on the local processor, then the PO and its member producers.

Capacity-building in negotiation for POs is also a success factor to ensure a level playing field for dialogue and negotiation, to build PO-enterprise partnerships that are genuinely win-win.

## **Attractive prices and sharing of value added**

The price paid to producers is key to a successful partnership. To avoid parallel sales, guarantee deliveries and retain producer loyalty, some processing enterprises offer a higher than market price. For instance, Mamelles Jaboot (Senegal), from the outset of the crop season, buys at the mid-season price (CFAF 200/kg of millet when the market price is around CFAF 80-100/kg). The enterprise must offer POs a price that covers the work done and constraints encountered by POs within the partnership (planning and training for producers, collection operations) – which is not always the case. Guaranteeing a price that is attractive to producers throughout the season can be difficult, particularly for products subject to greater fluctuations in market price. In terms of pricing, it is always more appealing for an enterprise to buy at the farmgate, and the same is true for the producer. The dairy Tiviski (Mauritania) has elected to operate not on the basis of the price paid to producers but rather on their margins, buying large volumes of livestock feed at a lower than market price to enable producers to lower their production costs.

Organic agriculture and/or fair trade certification can offer opportunities to add more value to production, particularly for export markets, and pay producers better. Setting up the joint venture Jus Tillou (Benin) to export certified organic pineapple juice added value to RéPAB organic pineapple production, whereas previously it was being sold on the local market at the same price as conventional pineapple. However, following the drop in the international price of organic pineapple juice in 2018, the price offered to POs by Jus Tillou was no longer attractive. Although it was higher than the market price, it did not cover all of the PO's contract-related costs (certification and expenses to train producers on compliance with production techniques). The new fair trade certification obtained in 2018 is seen as an opportunity to raise the price of organic pineapple juice and offer producers a better price (a minimum price to producers and a fair trade premium for the cooperative's community activities). Jus Tillou paid for the entire volume of pineapple purchased in 2019 at the fair trade price. Discussions are still under way for 2020.

In addition to certification, several partnerships have experimented with ways of sharing value added with producers. In Burkina Faso, the enterprise Gebana, for the 2019 crop season, set up a profit-sharing system with its PO partners (see box below). Having the PO take a stake in the enterprise's capital, or setting up a joint venture, are ways of enabling the PO to share in the profits generated by the partnership. In Mauritania, the Value Chains Development Programme for Poverty Reduction financed by IFAD, which preceded PRODEFI, experimented with inclusive partnerships between POs and small enterprises in the form of GIEs. A poultry slaughtering and freezing unit owned jointly by a private sponsor and poultry cooperatives was set up. Contracting between the actors for marketing was coupled with capital-sharing: the producers were paid as producers but also as shareholders, and were considered to be true partners rather than simply beneficiaries.

In 2019, the joint venture Jus Tillou had not yet generated any profits that could be shared with producers. At that point, the PO's capital stake tied it to the partnership without actually being able to influence its direction. With just 5 per cent of the capital (versus 65 per cent held by the majority shareholder, the processor Les Fruits Tillou), the PO carried little weight in negotiations – without however being able to pull out as it had invested a significant portion of its equity capital in the company. In 2020, Jus Tillou underwent a capital increase and the relative share of RéPAB was reduced further. This experience underscores the fact that the model of an equal partnership and co-ownership, as promoted in the lessons learned from the Partnering for Value Project,<sup>29</sup> is far from being immune to challenges and risks, especially for producers.

## EXAMPLE OF GOOD PRACTICES 6 – SHARING VALUE ADDED AND AGROFORESTRY PROGRAMME

### The case of Gebana (Burkina Faso)

Gebana is a Swiss enterprise that exports dried mango and cashews from Burkina Faso under an organic and in part a fair trade label. It sources products from 40 cooperatives. The enterprise prefinances crop seasons in the form of operating funds for cooperatives and 80 per cent advances on orders. A team of agrotechnicians provides technical support to producers (training on production techniques and good farming practices, and capacity-building for cooperatives in management and accounting). However, the enterprise has a problem with parallel sales by the mango producers it supports. To secure producer loyalty and demonstrate the advantages of a sustainable partnership, at the end of 2019 the enterprise decided to channel part of its profits on direct sales to partner cooperatives. This sharing of value added at year-end provides producers with the additional advantage of spreading out their income over time.

The enterprise is also investing in an agroforestry programme to restore fertility to producers' orchards and thus ensure the sustainability of its partnerships. Finally, experts delegated by the enterprise work with partner cooperatives to share experiences and provide advisory services on agroforestry techniques.<sup>30</sup>

29. SNV, IFAD, *Partnering for Value. Lessons from Public Private Producer Partnerships (4Ps) in practice* (2018).

30. Inter-réseaux, *Interview with Gebana Burkina Faso SARL (Bobo-Dioulasso, 22 October 2020)* (2020).

# THE CHALLENGES



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## Compliance with contractual commitments

Non-compliance with contractual commitments is the major risk identified in PO-enterprise partnerships. The risk exists for both POs and enterprises.

### (i) Compliance by POs

On the PO side, there is a high risk of non-compliance with the expected volume and quality standards, and also the timelines for delivery and repayment of any inputs provided by the enterprise.

Multiple risk factors are at play: failure of producers to comply with recommended practices, poor planning of production operations by POs, climate hazards and pests, parallel sales sparked by more attractive prices or a need for liquidity by producers and financing problems for POs (prefinancing of crop season and collection and marketing activities).

A PO may also be unable to comply with its commitments when the contract and business plan is poorly calibrated, especially if the contract volume was based on overly optimistic projections of yield. This was an issue for the Arabica coffee marketing partnership between CECAFEB and Malongo supported by PAPAC in Sao Tome and Principe. The partnership was based on an unrealistic estimate of the cooperative's production capacity. Moreover, the choice of organic Arabica coffee production was not adapted to the local space (plants poorly adapted to altitude, technical problems with production, poor disease resistance). CECAFEB was unable to produce sufficient volumes to be able to repay the prefinancing received by Malongo. With a deteriorating relationship between CECAFEB and Malongo, the enterprise withdrew and the cooperative redirected its Robusta production towards the local market.<sup>31</sup>

To limit the risk of non-compliance with contract commitments, the actors highlighted the need to base the contracted volume on expected gains in yield under the partnership (with the supply of quality inputs, improved production techniques and/or improvements to land with the support of the enterprise or an external partner). The definition of contract commitments must also take into account self-consumption needs in food value chains and the possible presence of a proximity local market (which raises the risk of parallel sales). The principle of minimal commitments restricted to the repayment of input credit is preferable to contracting for the entire surplus. In all cases it is a good idea to keep modest expectations of what is possible to achieve, perform careful baseline studies and business plans, and properly calibrate what the PO and its members are capable of doing, with progressive support in line with their growing strength.

In the case of the partnership between NAFASO and SCOOPS Barakadi (Burkina Faso), to calculate the volume of rice for marketing the enterprise and its extension agents estimated that with lowland development, the use of improved Orylux variety seed and training of producers, the potential volume would be four tons. The marketable volume was therefore estimated at 2.5 tons/ha to leave 500 kg to producers for self-consumption and provide for enough of a margin in terms of yield.

Taking out agricultural insurance allows the PO to limit the impact of climate risks, particularly the inability to repay input prefinancing. Therefore, a high proportion of millet producers (including the Wack Ngouna network) supported by the Naatal Mbay project in Senegal for contractualization adopted index insurance (adapted to the rainfed farming system, in which rainfall is the most critical factor) offered by CNAAS; in the irrigated rice subsector the organizations were more likely to adopt multirisk agricultural insurance.<sup>32</sup> An insurance contract is a decisive argument to convince a banking institution to extend credit. However, in the event of a climate hazard, the partnership risks being disrupted as the enterprise risks to lack access to the raw materials needed for operations. In some cases, storage capacity at the enterprise may reduce this risk.

31. JSC-Consulting (2019).

32. IPAR, *Feed the Future Sénégal – Naatal Mbay: Notes de capitalisation* (2019).



To diversify the production risk, some actors recommend combining sourcing from smallholder producers with commercial farms. However, if the commercial viability of the mixed production model is properly documented, there is no guarantee of inclusiveness.<sup>33</sup>

## **(ii) Compliance by enterprises**

There is also a risk of default on the part of enterprises, in terms of volume, purchase prices, input supply deadlines or payment deadlines (if the production cycle is long or the distributors pay over the longer term).

Fluctuations in market prices, especially on export markets and/or volatile product markets, are a major risk. For instance, the 30 per cent drop in price for organic pineapple juice on the international market led the exporter Jus de Marmande to lower the price and volumes contracted with Jus Tillou (Benin). The processor passed on the reductions to the PO R  PAB. Calibrating the partnership and business plan based on overly ambitious or optimistic market conditions is a threat to the PO-enterprise partnership. Targeting less risky markets, such as local or regional markets, rather than export markets that feature high value added but are highly volatile and subject to very strict quality standards, would appear to be a good practice to establish partnership relationships over the longer term.<sup>34</sup>

The risk of market operator default or insolvency was also highlighted by PAFA in Senegal. In projects supporting contractualization (SPAMs), an in-depth analysis of the private actor's financial soundness and markets is needed.<sup>35</sup>

## **Improving quality**

Setting quality standards and ensuring ownership by producers of such standards is a major challenge in PO-enterprise partnerships. Industrial processing operations require a homogeneous quality product. However, the concept of quality proper to the agro-industrial framework is often poorly understood in rural areas. Disagreements between producers and enterprises on product compliance with technical specifications are frequent. There are several ways of mitigating this risk.

The technical specifications should be established by collective bargaining to ensure ownership by producers. This may be subject to the power relationship between enterprise and PO. In Burkina Faso, the brewery Brakina (a Groupe Castel subsidiary) requires that aflatoxin levels meet European standards rather than CEDEAO standards, even for beer produced and sold locally. This led to the enterprise's rejection of the maize delivered by partner POs or their intermediaries. Under PAFA in Senegal, negotiating items in the technical specifications with apex POs and sector associations (bringing together all value chain actors: producers, processors and traders) – in the cowpea, millet, bissap and sesame value chains – mitigated the risk of non-compliant products often evoked in contract farming.

33. IIED, *Inclusive agricultural investment: sharing lessons from experience* (2013).

34. *Ibid.*

35. IFAD, PAFA project completion report (2016).

In addition to setting quality standards, inspection arrangements (criteria and measuring methodology) should also be discussed and clearly defined. Shared quality control systems are of interest since it is essential that all actors be fully cognizant of the technical specifications and able to perform independent inspections.

To ensure that producers have a full understanding of quality requirements and the need to comply with production techniques, providing them with training and agricultural advisory services is crucial (see 4.2). Quality premiums may also be relevant incentives – such as the milk quality payment system now being developed by the processor Happy Cow Ltd, which collects milk from two cooperatives in Kenya.<sup>36</sup> Having the enterprise agree to a learning phase enables a progressive improvement in quality and ensures a sustainable partnership (see box below).

Moreover, a lack of equipment for harvest and post-harvest equipment is frequently seen in the experiences capitalized and has a serious impact on quality. Improving storage capacities to the necessary standard is crucial to ensure product quality. Brokers and/or external partners have a role to play in facilitating access by the POs or enterprises to the equipment they need. The enterprise may also facilitate access to such equipment, for instance by acting as guarantor for equipment purchase credit. Promoting leasing is one of the good practices identified by the Naatal Mbay project in Senegal. This allows the POs and enterprises to lease equipment over the long term (four years) and take ownership at the end of the lease. For the duration of the lease, the equipment belongs to the financial institution. Naatal Mbay initiated a partnership with Locafrique (a financial institution specializing in leasing household appliances) to develop a leasing offer for the agriculture sector. USAID provided Locafrique with a substantial guarantee fund (covering 50 per cent of the risk), without which Locafrique would not have proceeded.<sup>37</sup> Governments also have a role to play, for instance by providing sales tax exemptions on specific storage or processing equipment used for local products.

### EXAMPLE OF GOOD PRACTICES 7 – ACCEPTING THE PROGRAMME'S FAILINGS TO BUILD A DURABLE PARTNERSHIP

#### Mamelles Jaboot (Senegal)

Improving the quality of millet produced by the Wack Ngouna network and sold to the enterprise Mamelles Jaboot for *thiakry* production is one of the great successes of this partnership. Improving quality was a long process. The enterprise had a vision of long-term local sourcing and agreed to support a learning phase for the PO, accepting its “mistakes”. During the first crop seasons, Mamelles Jaboot did in fact purchase the entire volume of millet contracted with Wack Ngouna, even though the quality was below par. Then the quality requirements gradually increased. This learning phase enabled the producers to reach a level of quality that today is among the best in the area. The improvement in millet quality also allowed the enterprise to innovate and develop its product range.

36. <https://colloque.inrae.fr/lait2019/content/download/3876/41619/file/LivreR%C3%A9sum%C3%A9sLaitDakarJuin19.pdf>.

37. IFAD, Porcasur, *Etude de cas du Projet Naatal Mbay. Route d'Apprentissage «Mécanismes et outils novateurs pour favoriser la structuration de filières agricoles inclusives: expériences au Sénégal»* (2017).

## Economic model and financial sustainability

### (i) Partnerships that often rely on external support: an exit strategy and intermediation with financial institutions are needed

In most cases, partnerships between POs and agrifood processing enterprises rely on technical and financial support from external partners (NGOs or development projects). This external support would appear necessary to start up partnerships, especially by providing capacity-building for producers and POs (see 4.2). However, exit strategies to wean those partnerships off their dependency upon external partners need to be put in place sufficiently in advance to ensure the partnership's sustainability.

In the case of PAPFA (Burkina Faso), for example, the project subsidy provided to the PO, declining over three years and conditional upon an increasing level of support from the PO, should lead to capitalizing the agricultural enterprises and POs. This should ensure the PO's autonomy in financing crop seasons and should contribute to the project's exit strategy. The model would appear to have shown its worth in Senegal as part of PAFA: 88 per cent of the POs supported reported being able to continue to make input savings at the project's end, and the PO-market operator pairs set up under SPAMs to ensure market access, for the most part, survived beyond the support period. In the course of the project, however, mobilizing contributions in kind from the POs encountered some difficulties, and sustainable access to adapted financial services (savings and credit) would need to be improved to consolidate the gains made by the self-financing model developed by PAFA.<sup>38</sup>

Linking up POs with financial services is essential to their autonomy and development, and to make for a sustainable partnership with the enterprise. The financing model implemented by the partnership between Mamelles Jaboot and the Wack Ngouna network of producers (Senegal) evolved over the six years of the partnership. Initially, the enterprise prefinanced the crop season for millet producers. Then, the National Agricultural Credit Union of Senegal (CNCAS), was brought into the partnership arrangement to provide prefinancing for the Wack Ngouna network (see graph 2.1 (ii)). Bringing financial institutions into a partnership arrangement allows for an increased flow of product sales and enables the PO-enterprise partnership to grow by providing access to needed cash flow. Models that involve buyers or input suppliers providing crop season or harvest credit place cash flow pressures on them with a significant consequent risk, to the detriment of producers. The partnership experiences supported by Naatal Mbay in Senegal, particularly in the irrigated rice value chain, gave rise to an integrated formula combining credit from input distributors, PO crop season or harvest credit and marketing credit from the factories.<sup>39</sup>

Having a signed contract with an enterprise can facilitate a PO's access to financial services. Financial institutions are more inclined to provide loans or extend more favourable interest rates when they have the benefit of a guarantee in the form of a contract.

38. IFAD, PAFA project completion report (2016).

39. IPAR (2019).

## (ii) Recognizing and valuing the work done by POs

In most partnerships between POs and processing enterprises, the PO performs important work training the producers and organizing group sourcing and marketing, all of which benefits the enterprise. However, this work is not always recognized or valued, i.e. reflected in the PO's selling price to the enterprise.

The first stage consists of calculating and recognizing the value added by the PO's work that benefits the enterprise. The second stage consists of developing economic models that can pay back the work over a period of time, reducing the PO's dependence on donors and external technical partners.

In the case of RéPAB (Benin), for instance, an analysis of production costs showed that the selling price of organic pineapple to Jus Tillou did not cover the cost of ECOCERT certification or the salaries paid by the PO to implement and monitor the partnership with the enterprise. These costs are still being covered by RéPAB's partners (e.g. the NGOs AFDI and SOS Faim Luxembourg), pending actual payment of the fair trade price and premiums.

The partnership between CGA and EAML (Kenya) is also dependent upon external financing, as the enterprise EAML does not finance the technical and organizational support provided by CGA to the sorghum producers. The PO therefore needs to mobilize external funding to perform this work, and EAML ultimately benefits from activities funded by donors. This poses a threat to the financial self-sustainability of the arrangement: if the projects end, the PO will no longer be in a position to mobilize and train the producers. Several options are planned by CGA: (i) charging a commission on the volume of sorghum sold to the enterprise by the producers it trains; and (ii) using resources obtained by the PO on more lucrative value chains (wheat, in particular) to fund part of the work done by the PO in the sorghum value chain. Given the needs of producers and their POs, however, it seems unlikely that it will come up with a support arrangement that is entirely free of subsidies (which should be complemented by its own resources).

CGA conducts profiling missions for groups of producers (localization, group composition, cultivated area, volume produced), and its findings are transmitted and used by the enterprise to organize the purchasing campaign. This work to generate information becomes increasingly expensive as the number of producers involved in the arrangement rises. It is therefore essential for the PO to be able to monetize this data collection and compilation service over the longer term.

Conversely, the work done by the processing enterprise (when it takes charge of sourcing inputs and/or collecting products itself) is not always known to partner POs. They may have difficulty accepting the purchase price for inputs and the selling price for products unless they are aligned with local market prices, as they are not aware of the marginal cost of transporting their inputs and products that is borne by the enterprise.

## PO dependency on the buyer

Another challenge facing partnerships between POs and enterprises is the PO's dependency on the buyer. This dependency increases with the enterprise's market strength and the PO's youth and lack of experience. Dependency on the buyer considerably reduces the PO's bargaining power with the enterprise, and could therefore pose a threat to a balanced, win-win contract.

To avoid this risk, the Naatal Mbay (USAID / RTI International) project in Senegal called for open rather than closed contractualization (see graph below).



 <b>CLOSED VERTICAL CONTRACTUALIZATION MODEL</b>		 <b>OPEN HORIZONTAL CONTRACTUALIZATION MODEL</b>	
<b>BUYER</b>			
One single buyer (often a government agency)		Several buyers	
<b>REPAYMENT OF ADVANCES OR CREDIT</b>			
Repayment largely in kind		Repayment in kind and in cash	
<b>TYPE OF SALES</b>			
All sales to single buyer		Sales are split	
<b>CONTRACT TIMING</b>			
Pre-season contract		Pre-season "open price" contract with bank "Closed" price harvest-time contract with buyer	
<b>QUALITY ASSURANCE</b>			
Quality inspected by buyer upon delivery		Quality checks by producer networks, banks and buyers at different stages	
<b>PRICING</b>			
Meeting and lobbying with single buyer		Negotiation based on costs and market Competition between multiple buyers for product	

Table: Closed vertical contractualization vs. open horizontal contractualization. Source: IPAR, 2019.



For the millet value chain, however, the POs are generally restricted to a single buyer given the limited size of the market, which is concentrated in *thiakry* and processed cereals brands. In the case of Wack Ngouna and Mamelles Jaboot, a closed contract worked well. The similar development level of the two actors lead to quite a balanced relationship of mutual dependency that was beneficial: the communal network and the Dakar-based small enterprise were at a similar stage of development and structuring; the closed contract enabled them to grow, develop and diversify their respective operations. Now the contractual arrangement is open and both actors are seeking out other trading partners. In the irrigated rice value chain, open contracting worked within the framework of a large-scale system.<sup>40</sup>

To mitigate the risk of dependency on the enterprise, particularly in the case of a trading partner with outsized market strength, it is vital that the PO diversify its activities and buyers. In export subsectors – where a small number of enterprises enjoy dominant positions or even monopolies – local market complementarity may be a factor in PO resilience (see box below).

Having a single buyer offers the advantage of guaranteeing preferential product sales but poses a significant risk to survival in the event of buyer default. In the case of Jus Tillou (Benin), the worldwide exclusivity clause with exporter Jus de Marmande was reduced to exclusivity for France to enable the processor to turn to other buyers in the event of default by Jus de Marmande, thus keeping up its contracts with RéPAB.

The development of enriched flour in Kenya, under the impetus of the Government's Flour Blending Policy, is seen as an opportunity for CGA to give producers access to an alternative market for sorghum. This will reduce the risks inherent in the monopolistic position of malting company EAML and will result in a more balanced partnership (possibly by renegotiating terms to ensure that the work done by the PO to train producers is compensated).

#### EXAMPLE OF GOOD PRACTICES 8 – USE LOCAL MARKETS TO BUILD PO RESILIENCE TO THE RISK OF EXPORTER WITHDRAWAL

##### CECAFEB (Sao Tome and Principe)

The partnership between CECAFEB and Malongo to export organic Arabica coffee ended in failure. The enterprise withdrew from the partnership and an agreement had to be sought with support from the Government of Sao Tome and Principe to repay the Malongo financing received by CECAFEB.

In response to this crisis, the cooperative then took the initiative to develop Robusta roasted coffee sales on the local market. Good market penetration was achieved in 2018 with seven tons of coffee sold at a competitive price. The cooperative is now selling its products to two new buyers and has entered into partnerships with local supermarkets. This is an illustration of the cooperative's responsiveness and resilience, even though the local market is too narrow to guarantee financial self-sustainability, with a break-even point around 45 tons in annual sales.

40. *Ibid.*

## Food security and environmental sustainability

Partnerships between POs and agrifood processors can have an impact on the producers' food and nutritional security by mobilizing a portion of food production and cropland to supply the enterprise. As long as the partnership is working, the income earned by producers on sales to the enterprise provides them with protection. In the event of a shock, however (market price volatility, enterprise default, climate hazards or pests), the producers may find themselves with no source of income and without having anticipated their self-consumption needs out of their food production. The growing practice of monoculture for commercialization also carries an environmental risk and erodes producer resilience and crop diversity. Mixed crop and small livestock farming continues to be the best strategy for smallholder producer resilience on their family farms.

In the CREATE project, launched in 2013 in Ethiopia with support from different partners (NGOs, microfinance institutions and the Netherlands and Ethiopian governments), the enterprise Heineken facilitated access to seed and agricultural advisory services for partner producers (through grassroots cooperatives and model farmers, large-scale farmers modelling behaviour for smallholder farmers in their network and providing them with different kinds of services) for barley production and sales to the brewery. The farmers are encouraged to focus on Traveler seed as a guarantee of high productivity and a specified selling price. However, the improved seed is less adapted to local conditions and more sensitive to parasitic diseases and weed infestations. Production requires more chemicals, raising production costs for farmers and potentially damaging soil fertility and biodiversity. Moreover, some farmers are not diversifying or not practising crop rotation. Many farmers are dedicating more and more land to malt barley for commercialization to malting companies and breweries, and reducing their food crop production.<sup>41</sup> There are concerns about the medium-term impact of this non-food monoculture on household food security.

The environmental sustainability and food security of producers must be taken into account in designing the partnership, and the broker plays a key role in this regard. In the case of government projects, the government has a key role to play in ensuring that both aspects are effectively taken into account in the type of partnership established. For food value chains, for instance, calculations of contract volumes need to reflect not only the PO's potential production volume but also the volume needed to cover the producers' self-consumption needs. Diversification and crop rotation should be encouraged to build producer resilience in the context of PO-enterprise partnerships. Advisory services arrangements and PO support for members are also key to ensure such diversification among family farms.

41. Roxane Lemercier, *Supporting farmers in the malt barley value chain in Ethiopia: clients' satisfaction and value chain approach to assess the adequacy of the microfinance services provided by Buusaa Gonofaa MFI*. Master's Thesis (2019).

**EXAMPLE OF GOOD PRACTICES 9 – BUILDING COMPANION CROPPING INTO CONTRACTING ARRANGEMENTS TO PROTECT THE NATIONAL AGRICULTURE STRATEGY AND ENVIRONMENTAL SUSTAINABILITY****CGA/EAML (Kenya)**

Sorghum cropping, encouraged by the CGA and EAML partnership, strengthens household food security and the sustainability of production models. Sorghum is more adapted to pedo-climatic conditions in the semi-arid production zones where the member groups farm than the maize customarily grown for food. Given rising climate risks, it can also provide a guaranteed income to households for food.

In addition, the technical support provided to groups by CGA disseminates good practices in sorghum cropping as part of conservation agriculture. Sorghum is grown in rotation with legumes for commercial use (beans and green soya), which contribute more to soil fertility than the traditional maize/bean combination.

## ISSUES TO EXPLORE AND DISCUSS



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Sharing this synthesis with the private sector working group coordinated by Inter-réseaux Développement rural<sup>42</sup> raised several questions and issues that warrant further exploration. A discussion of these key elements and seeking out a sharing of experiences in partnerships between POs and agrifood enterprises will enrich and refine this synthesis of lessons learned as a living document.

**How can we make sure that PO-enterprise partnerships have a positive impact on development, and what public frameworks should be put in place to this end?**

Setting up a partnership between a PO and an agrifood processor does not necessarily mean a positive impact on human development or improving living conditions for smallholder producers and their communities.

42. <https://www.inter-reseaux.org/mot-cle/cycle-sur-le-secteur-prive/>.

The partnership experiences capitalized showed overall positive results in terms of raising incomes and improving living conditions (increasing assets such as motorcycles, upgraded housing or better schooling for children) for the producers involved in the partnership arrangement. In the case of the Wack Ngouna producers network, the partnership with Mamelles Jaboot has also made it possible to develop an off-season market gardening activity. For RÉPAB, some of the producers involved in the partnership with Jus Tillou made productive investments by expanding their cultivated area. Finally, CGA noted that the income generated by the partnership with EAML is enabling producers to diversify their food contribution with flour purchases. Combining sorghum and legume crops also builds resilience to climate change.

However, the stability of the income drawn by producers from the partnership needs to be assessed over the long term – and the RÉPAB experience shows that it is not free of risk. Also, the partnership's impact on development must be measured on the community as a whole, beyond the producers participating in the partnership:<sup>43</sup> the larger-scale impact on the local economy, infrastructure and services, impact on social cohesion and natural resource management, and consideration of community groups such as women.<sup>44</sup> Several contributors underscored the need to give priority to partnerships between POs and enterprises oriented towards local value chains and markets (for a positive impact on the country's food sovereignty, the population's food and nutritional security, better integration of family farming into value chain development and resilience to external shocks – especially global price volatility). As shown by the experiences of Jus Tillou (Benin) and CECAFAB (Sao Tome and Principe), dependence on an international buyer is a factor of vulnerability for the PO and its member producers, and relying on local markets is a factor of resilience.

Building PO-enterprise partnerships within local value chains and markets requires political will to protect local agricultural value chains (see 4.3). The SCOOPS Barakadi/NAFASO partnership, set up in the context of the presidential initiative to promote local rice in Burkina Faso, is a case in point. Avenues of action need to be explored in terms of policies on institutional procurement and local consumption promotion, potentially leading to greater donor investment in these important areas.

To ensure a positive impact on human development, the question of favoured producer groups within the PO-enterprise partnerships (based on gender, age or level of resources like land, capital, water or else, for example) warrants further consideration. Women's participation in partnerships between POs and processors may encounter obstacles. By way of example, the findings of a study on the rice value chain in Benin show that women participate very little in agricultural contracts. Their low levels of participation are attributable, on one hand, by their limited capacity for negotiating with processors and, on the other, by their limited presence in decision-making positions within POs. The study shows, however, that women benefit more from participating in contracts than their male peers (through higher increases in yields, production and income from rice growing).<sup>45</sup> In addition, women may find themselves excluded from certain value chains that were traditionally reserved for them. In the Hamdallaye subbasin in Niger, for example, the arrival of mini dairies displaced women from the milk collection activities that they alone traditionally performed.<sup>46</sup>

43. IFAD, IDS (2015).

44. IIED, Oxfam (2012).

45. Alternatives Rurales (7), December 2017. *Les contrats agricoles affectent-ils différemment les producteurs et les productrices? Cas de la filière riz au Bénin.*

46. <https://www.alimenterre.org/system/files/2020-09/1226-synthese-genre-lait-20200818.pdf>.



### Which enterprises should be supported in promoting PO-enterprise partnerships?

Not all partnerships between POs and agrifood processors are set up under the aegis of a donor or development project. When that is the case, however, questions should be asked about the type of enterprise and the conditionalities that need to be met in order to be targeted by public funds (either directly or indirectly, in the form of support for the PO to implement a partnership with the enterprise). For some contributors, **social and solidary enterprises** should be a priority target of public funds, particularly for projects in support of developing PO-enterprise partnerships.

There are some incentive schemes initiated for micro, small and medium-sized enterprises (MSMEs) in agrifood processing, even on a small scale. The IIT hubs (technology support for agroprocessing enterprises developed by AFD and the NGO TechDev in Burkina Faso, Chad, Mali and Senegal) make support conditional on processing of at least one local product and implementation of social and environmental measures based on a risk assessment and proposed adapted mitigation measures. A corporate social responsibility award for MSMEs engaged in processing could also be established.<sup>47</sup>

The question of the nature of the enterprise, its role in the value chain (production, collection, primary and ultimate marketing, primary and secondary processing) and its size warrants further analysis as well. In the case of Wack Ngouna and Mamelles Jaboot (Senegal), the two actors were relatively well matched, leading to a relationship of mutual dependency that was beneficial: the communal network and the Dakar based small enterprise were at a similar stage of development and structuring; and the closed contract enabled them to grow, develop and diversify their respective operations. Now the contractual arrangement is open and both actors are seeking out other trading partners. In Sao Tome and Principe, on the other hand, establishing a business relationship between incipient cooperatives and private international exporters led to the latter taking up at times dominant positions, and sometimes ended in failure.<sup>48</sup> Lessons learned under the Partnership for Value project<sup>49</sup> highlight the fact that the size of the enterprise plays a decisive role in the partnership results. Large enterprises are more likely to scale up, whereas SMEs are generally oriented more towards local impact. The report also recommends setting up partnerships with local SMEs having roots in the region where producers are located.

### How to ensure the sustainability and scaling up of PO-enterprise partnerships?

There are many cases of failed partnerships between POs and agrifood processing enterprises. Targeting strategies and support for actors, as well as their self-sustainability post project, are vital to a sustainable partnership.

47. Inter-réseaux, *Interview with IIT Hub Burkina Faso* (2020).

48. JSC-Consulting (2019).

49. SNV, IFAD, *Partnering for Value. Lessons from Public Private Producer Partnerships (4Ps) in practice* (2018).

Supporting existing structures and dynamics offers stronger prospects for sustainable PO-enterprise partnerships. Several contributors warned against creating new structures ex nihilo (for both cooperatives and also processing and marketing units) to meet the project needs, or applying a theoretical partnership model that may not be adapted to the realities in the field – all highly risky.

The experiences of PAFA (in Senegal) and PAPFA (in Burkina Faso) call for a reflection on the targeting of POs to be supported in contracting with agrifood processing enterprises. Prior experience in collective organization is a prerequisite for a PO to be capable of fulfilling the contract terms. The PO's maturity should be carefully considered, and strengthened if needed, before undertaking any partnership. Working with POs within structured networks or involving apex organizations in the support is an advantage.

The financing of the work done by the PO (in training and group supply and marketing operations) that ultimately benefits the enterprise appears to be an unresolved issue in several of the partnerships capitalized (Jus Tillou and CGA/EAML for instance). Implementation of the partnership depends upon financial support from external partners, jeopardizing the sustainability of the arrangement.

Finally, bringing financial institutions into the partnership arrangement is crucial to sustainability and growth. The Naatal Mbay project in Senegal, in partnership with CNCAS, offers interesting clues in this regard – with integrated credit formulas bringing together the input distributor, the PO and the processor to limit cash flow constraints, increase the flow of products for sale and reduce the risk of producer default.

### **How to promote the lessons learned from PO-enterprise partnerships for POs?**

Finally, the challenge of promoting this synthesis for POs was also underscored. How can this synthesis of lessons learned be made accessible to POs wishing to engage in such partnerships with agrifood processing enterprises? Also, how to enrich the reading done by POs of the challenges and opportunities involved in PO-enterprise partnerships in order to draw useful lessons? The first step is to disseminate these capitalization products (the four experience factsheets) and this note on lessons learned among national, regional and continental networks of farmers (e.g. through networks of farmer platforms in Africa and beyond).

## CHECKLIST FOR FEASIBLE WIN-WIN PO-ENTERPRISE PARTNERSHIPS



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### Synthesis of lessons and recommendations by type of actor

Before engaging in a partnership or to consolidate an existing one, there are several key elements that the actors should consider. The following section presents a checklist of questions to assess about the conditions of viability of a win-win PO-enterprise partnership and arrangements to be put in place or strengthened to this end. The checklist summarizes, in a practical format, the main lessons and recommendations included here.

		ADEQUATE	NEEDS IMPROVEMENT	NEEDS TO BE SET UP
PO	<p>Do the member producers have access to the services they need to meet their obligations (in terms of volume, quality, quantity)? <i>Inputs, agricultural advice, prefinancing, equipment.</i></p> <p>Have the elected officials and leaders of the PO been strengthened to provide sound management of the partnership? <i>Administrative and financial management, planning and monitoring.</i></p> <p>Does the contract clearly specify the obligations of each partner? Are the contract terms well understood by the PO and its member producers? <i>Quantity and quality standards; delivery terms and timelines; payment terms and deadlines; pricing</i></p> <p>Is there an accessible consultative framework that involves representatives of the PO?</p> <p>Is the purchase price income-generating? <i>The price takes into account the production costs as well as the management and monitoring done by the PO as part of the partnership.</i></p> <p>Is the contract well calibrated? <i>The contract is modest and progressive, and takes into account household self-consumption needs.</i></p> <p>Has risk management (e.g. climate risk) been taken into account?</p> <p>Are the quality standards appropriate? <i>Quality standards have been set by collective bargaining, understood by producers, with clearly defined inspection arrangements.</i></p> <p>Has the PO diversified its activities, buyers and markets to limit the risk of dependency?</p>			
Enterprise	<p>Does the enterprise provide services to the producers to enable them to meet their obligations and therefore retain their loyalty?</p> <p>Does the contract clearly specify the obligations of each partner?</p> <p>Does the contract implementation allow for flexibility and adaptation? <i>PO learning phase taken into account, at least for the first few crop seasons.</i></p> <p>Is there a consultative framework to encourage dialogue and transparent information-sharing between the partners?</p> <p>Does the purchase price provide the producers with an incentive to sell? <i>Purchase price is such that it avoids parallel sales.</i></p>			

		ADEQUATE	NEEDS IMPROVEMENT	NEEDS TO BE SET UP
Enterprise	<p>Is the enterprise financially sound with secure markets to enable it to fulfil its obligations (in terms of volume, price, payment deadlines)?</p> <p>Does the enterprise have sufficient capacity (in administrative and financial management, planning and monitoring) to properly manage the partnership?</p> <p>Are the quality standards and inspection systems discussed collectively and clearly defined?</p>			
Brokers	<p>Are services being provided to the PO and its member producers to ensure that they fulfil their obligations? <i>Agricultural advice, inputs, financial services, harvest and post-harvest equipment.</i></p> <p>Are the PO and the enterprise sufficiently mature and have they received capacity-building (in administrative and financial management, planning and monitoring)?</p> <p>Is there a consultative framework to encourage dialogue and transparent information-sharing that involves all actors and a neutral facilitator?</p> <p>Have the enterprise's financial soundness and markets been verified?</p> <p>Is there an exit strategy for external partners? <i>In particular, the economic model must remunerate the PO over the long term for work done as part of the partnership.</i></p> <p>Have financial services been included in the partnership arrangement?</p> <p>Has the partnership's impact on the producers' food and nutritional security and environmental sustainability been taken into account?</p> <p>Has the partnership had a positive impact on human development? <i>In addition to producer incomes, improvements in living conditions for the community as a whole, impact on social cohesion and natural resource management.</i></p> <p>Do sufficient targeting criteria and conditionalities exist for the enterprises supported?</p>			
Political frameworks	<p>Are public policies (at different levels) favourable to local value chain development and local sourcing by enterprises? <i>Tax and customs measures, local sourcing quotas, sensitization to consume locally, institutional markets, support for certification.</i></p> <p>Do legal measures exist to enforce contracts?</p> <p>Do product quality and food safety standards exist?</p>			



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## CONTRACT OF SALE

### Between

Ms / Mr: ..... Tel.: .....

Representing the Producers' Organization (PO) .....  
of producers of ..... in the commune of: ..... Province: ..... Region:  
.....

### And

Ms / Mr: ..... Tel.: .....

Buyer of ..... domiciled at .....

### It is hereby agreed as follows:

#### Contract purpose

This contract relates to the purchase and sale, between the two aforementioned parties, of ..... tons of ..... at the rate of CFA.F ..... per ton;

For a total of ..... sacks of ..... kg each for a total amount of (*in writing and in figures*) :  
.....  
.....

The parties agree that, by mutual consent, transportation charges will be for the account of ..... (*Buyer or Seller*).

#### Obligations of the Seller (PO)

By agreement with the Buyer, the Seller undertakes to:

- deliver a product of good quality that conforms to the sample provided at the time of the purchase order;
- respect the price agreed in the purchase order until ..... at the latest, after which time the Seller reserves the right to apply the market price.

#### Obligations of the Buyer

By agreement with the Seller, the Buyer undertakes to:

- Pay the agreed amount as specified below:
  - At the time of the order  Upon delivery  Other: .....
- Take the stock at the specified time, i.e. .... days calculated from ....., after which time the Seller is free to charge the market price.

The Buyer reserves the right to refuse the stock if it is not of good quality and fails to conform to the sample provided at the time of the purchase order.

#### Dispute resolution

The signatory parties to this contract undertake to comply with the terms hereof and agree that any dispute arising in the execution of the contract will preferably be resolved amicably.

In the absence of an amicable settlement, a decision will be made by the competent courts.

Signed at ..... on .....

For the Seller

(Signature, name, title, contact information)

For the Buyer

(Signature, name, title, contact information)



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ISBN 978-92-9266-114-4



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