

# Role of public-private partnership in agricultural transformation and rural development: lessons from international experience

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# Is Public Private Partnership a buzz word of the day?

FAO: a PPP for agribusiness development can be defined as a formalized partnership between public institutions and private partners designed to address sustainable agricultural development objectives

*Government*




**BUSINESS**



# Why partner?

## Rationale for Agri-PPPs



1. Scale of investment means public sector cannot do it alone
  2. **High risk** of doing business in agriculture can deter private sector participation
  3. Partnerships can drive **innovation, market access & inclusion of smallholders**
-  PPPs help to resolve:
  - Market &/or policy failure to deliver public good

# How are Agri-PPPs different?

- Degree of formality varies (PPP/PPC)
- Multiple public & private actors = complex coordination
- Scale of investment often lower
- Inclusion (SMEs, farmers) a priority (and cost)
- Risk more likely to be shared rather than transferred to private partners
- Complex regulatory environment



# PPP or Public Private Collaboration?

PPC:

- Less formal (e.g. MoUs) and informal agreements
- Division of responsibility can vary
- Risk & decision-making may not be shared equally
- May involve in-kind investments only



Includes “softer” collaboration

- Multi-stakeholder collaborations
  - SMEs, farmer cooperatives, community groups, NGOs
- Joint initiatives with government agencies
  - Co-management
  - Co-regulation

# FAO Agribusiness PPP Appraisal

**2011-2013**

- 70 cases in 15 countries, 3 regions, specific criteria

Africa	Latin America	Asia
Ghana (5)	Chile (4)	Thailand (5)
Kenya (4)	Colombia (4)	Indonesia (5)
Nigeria (5)	Ecuador (4)	China (5)
Tanzania (4)	Guatemala (4)	Pakistan (5)
Uganda (4)	Peru (5)	Philippines (5)

<http://www.fao.org/ag/ags/ags-division/publications/country-case-studies/en/>

# Agri-PPP themes



## FAO Study

1. Value chain development
2. Innovation & technology transfer (R&D)
3. Business development/advisory services
4. Market infrastructure & logistics

## Others

- Irrigation
- Food safety/biosecurity (SPS)
- Co-management of natural resources (fisheries, forestry)

# Who are the Partners? (FAO, 2016)

## **Public**

- Central and decentralized government
- State banks and rural finance corporations
- State-owned enterprises
- Research institutions, universities, marketing boards
- Donors

## **Private**

- Global and domestic food companies
- Input supply and agro-processing companies
- Financial institutions
- SMEs and producer associations\*
- Civil society (NGOs)



# What do they do?

## **Public**

- Define 'public good'
- Design program objectives
- Conduct/commission feasibility studies
- Screen potential partners
- Monitor and evaluate implementation
- Create enabling environment
- Provide finance and technical assistance

## **Private**

- Lead implementation
- Secure markets and financing
- Introduce technology innovations
- Provide technical assistance

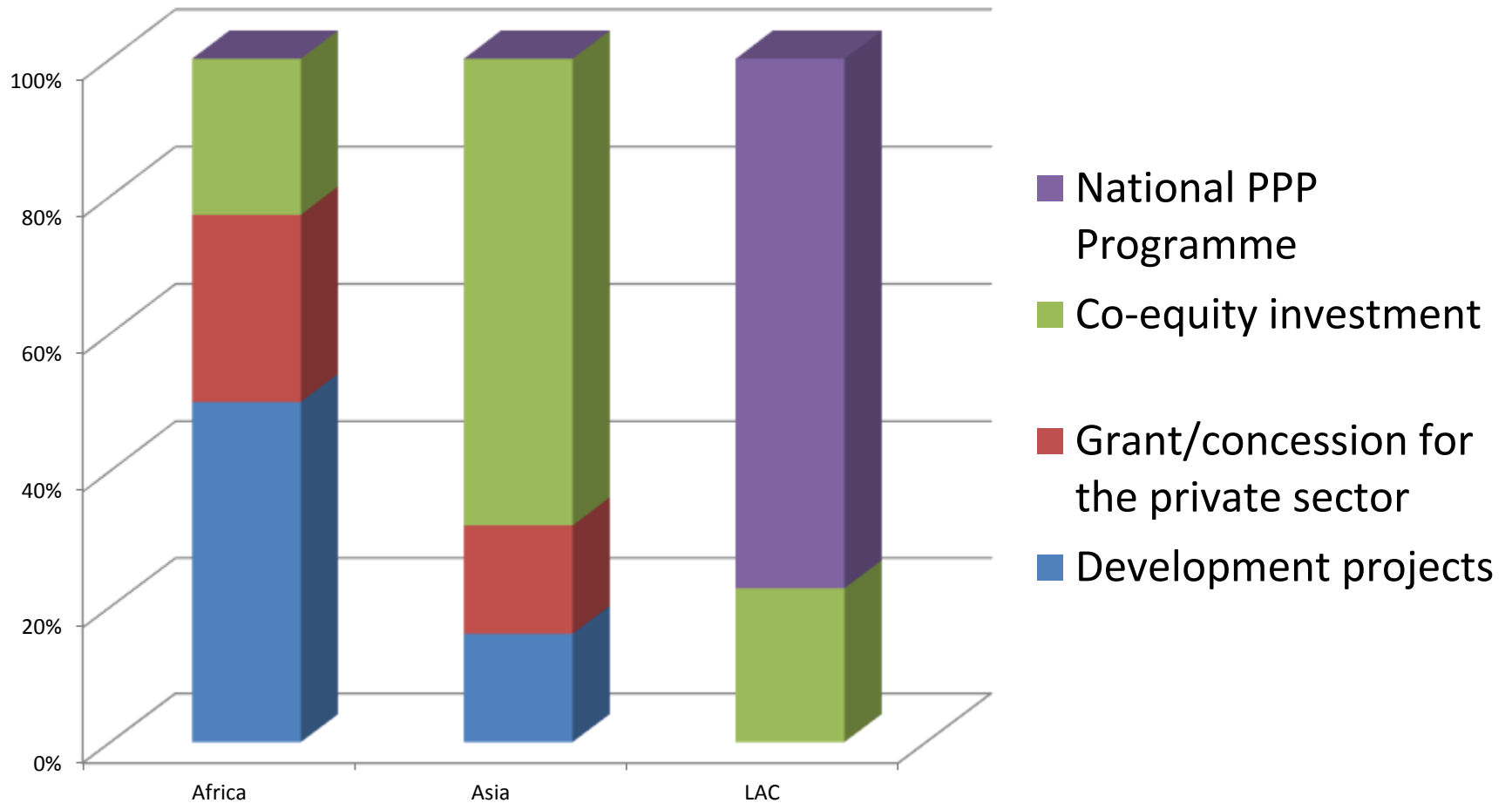
## **NGO/Intermediary**

- Ensure inclusion
- Organize producers and provide technical support

## **Producers**

- Dual role as beneficiaries and/or private partners

# PPP Financing Structure



# Potential benefits



Positive evidence of:

- Pooling of financial resources
  - Improving access of smallholders to finance
  - Financial institutions involved in 14/70 cases – both public & private
- Innovative risk sharing and management
  - Market risk carried by private actor
  - Production risk shared between farmers & public (subsidized ag insurance), contingency funds established
  - Secure purchasing contracts
  - Business management training for Farmers organizations



# Potential benefits



Positive evidence of:

- Innovation
- Market access (lead private firm & farmers)
- Increased food security (although complex) by addressing import substitution, food losses & waste

Some evidence of:

- Inclusion of smallholders & rural poor – specific design elements are required
- Creation of decent employment
- Social stability
- Environmental benefits



# Lessons learned (FAO, 2016)

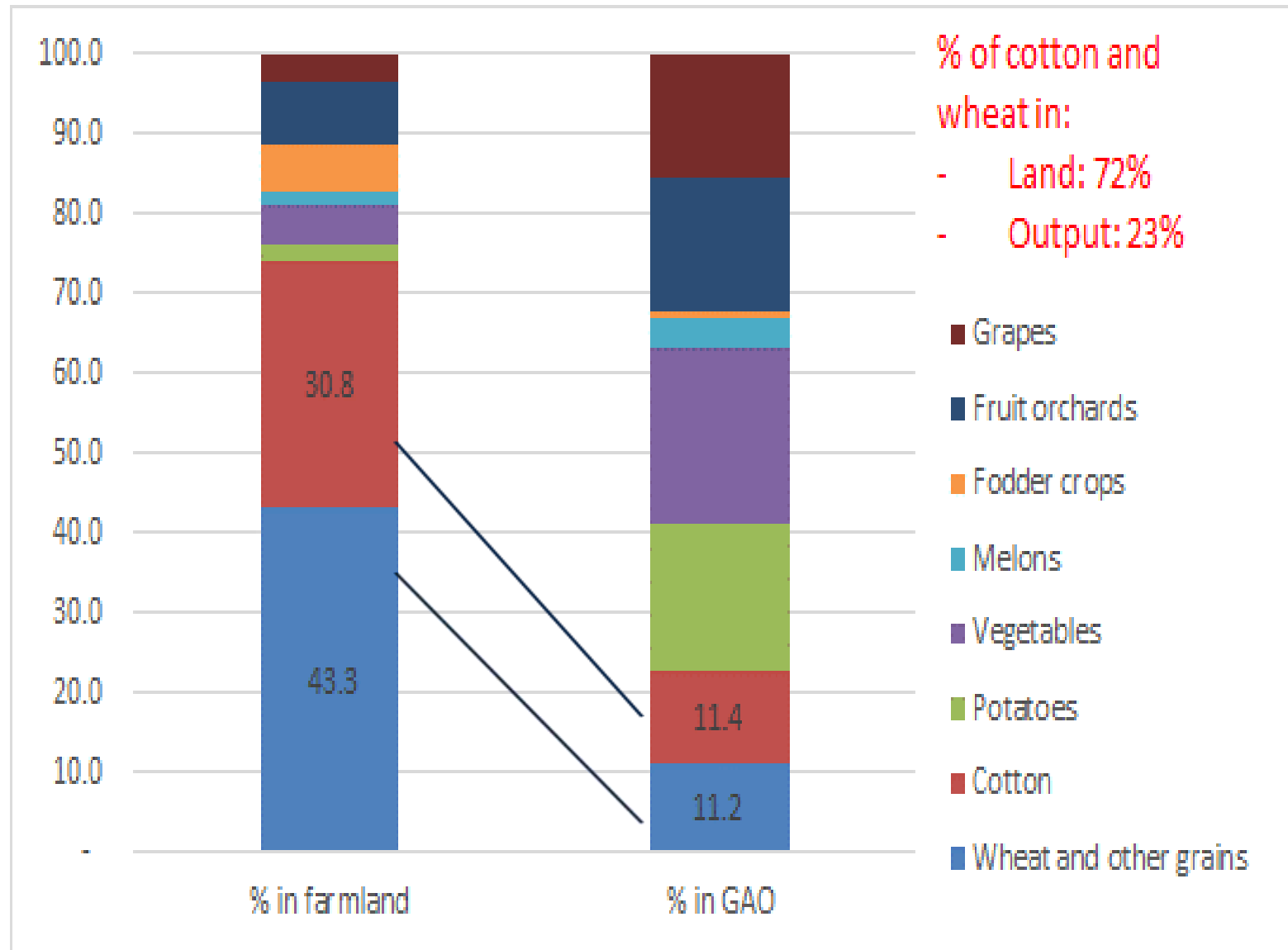


1. Clearly define public objectives
2. Clearly define partner roles and design incentives to match skill set of partners
3. Share risk fairly between partners and include risk management mechanisms to protect the most vulnerable
4. Involve financial institutions as a third partner had positive impacts
5. PPPs can promote inclusion of smallholders, but unlikely to have impact on the poorest
6. Collective action a key feature to promote inclusion and reduce transaction costs
7. PPP programmatic approach has some benefits over ad hoc projects

# Agri-PPPs in Uzbekistan: perspectives and challenges

- Primary agriculture:
- 19% of GDP in 2018 – 30% of GDP (new)
- 27% of labor force
- 17% of merchandise export
- Lack of incentives for farmers, state-led input supply and production systems, and unfavorable weather conditions led to the decline in cotton and wheat production in 2017 and 2018
- For all other crops, dehqan farms outperformed large farms
- Farms started to invest more in livestock production, but their share is still small compared to dehqans to make a difference

# Two “Agricultures”: Cotton/Wheat and the Rest



# In 2019, clusters will manage 50% of the cotton growing areas

	Regions	Number of clusters	Cotton area under clusters, ha	Cotton area in the region, ha	% of cotton land under clusters
1	Republic of Karakalpakstan	2	18,700	86,291	22
2	Andijan	9	61,315	79,391	77
3	Bukhara	7	32,450	97,900	33
4	Jizzakh	2	8,500	78,100	11
5	Kashkadarya	6	53,450	135,900	39
6	Namangan	7	55,304	63,406	87
7	Navoi	2	3,800	32,588	104*
8	Samarkand	5	33,300	75,580	44
9	Surkhandarya	6	52,480	74,078	71
10	Syrdarya	2	31,500	72,557	43
11	Tashkent	6	68,720	73,001	94
12	Fergana	6	36,610	82,080	45
13	Khorezm	4	35,135	82,757	42
	<b>Total</b>	<b>64**</b>	<b>521, 264</b>	<b>1,033,629</b>	<b>50</b>



# Cluster system in cotton industry

Positive outcomes	Emerging risks
<ul style="list-style-type: none"><li>• Large private investments in farming and textile industry</li><li>• Faster adoption of new farm technologies</li><li>• Accelerated mechanization of cotton production and harvesting</li><li>• Advisory services for farmers</li><li>• Increase of export of higher-value textile products</li></ul>	<ul style="list-style-type: none"><li>• Continuation of the state production plans and procurement price</li><li>• Vertical integration dominates</li><li>• Risk of unequal relations with (contract) farmers</li><li>• Overreliance on cluster organizers by the government to provide agricultural (public) services</li></ul>

# What can PPPs bring?

- PPPs can make farm support more market-oriented
- PPPs have high potential for spillover effects by utilizing economic incentives in production and marketing
- PPPs can significantly decrease risks for smallholder farmers
- Potential to achieve economies of scale
- Introduce market mechanisms into farm input and service provision
- Increase volume and quality of public spending on core agricultural programs

## What can PPPs bring? (cont'd)

- Investing more in seed research and development, and promotion of climate-smart technologies
- Strengthen management of wheat public stocks and wheat price volatility
- Enhance early warning and monitoring systems to better respond to climate change
- Private sector-led input markets
- MFD approach to attract private investments and make agricultural public expenditures more effective

# Important Agri-PPP Resources



FAO 2016 study on Agri-PPPs: An International Review

<http://www.fao.org/documents/card/en/c/20e3ff08-df6f-4e48-abd3-037eccdde9df/>

Other useful recent resources:

PBL, 2015 Public-Private-Partnerships in Development Cooperation – potential and pitfalls for inclusive green growth

[http://www.pbl.nl/sites/default/files/cms/publicaties/PBL\\_2015-public-private-partnerships-in-development-cooperation-1810.pdf](http://www.pbl.nl/sites/default/files/cms/publicaties/PBL_2015-public-private-partnerships-in-development-cooperation-1810.pdf)

IFAD, 2016 How to do Public-Private-Producer-Partnerships in Agricultural Value Chains

<https://www.ifad.org/documents/10180/998af683-200b-4f34-a5cd-fd7ffb999133>

Thank you for your attention!