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PROPARCO'S MAGAZINE

SCALING UP THE DEVELOPMENT IMPACT OF AGRO-INDUSTRY

Sustainable contractual arrangements
Food security
Technical improvements
Value creation
Structuring value chains
Fostering rural employment

PROPARCO
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151 rue Saint-Honoré, 75001 Paris - France
Tél. (+33) 1 53 44 31 07
E-mail: revue_spd@afd.fr
Website: www.proparco.fr
Blog: blog.private-sector-and-development.com

Publications director
Grégory Clemente

Founder
Julien Lefilleur

Editorial director and editor in chief
Anne-Gaël Chapuis

Deputy editor
Romain De Oliveira

Editorial assistant
Véronique Lefebvre

Graphic design and creation
LUCIOLE

Photo credit (front cover)
Antoine Raab/melonrouge.asia

Translations
Jean-Marc Agostini
Neil O'Brien/Nollez Ink
Sam O'Connell

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SUMMARY

Thomas Eloy

Head of Debt Department
Proparco

Agro-industry's contribution to sustainable development

If the predictions forecast by the World Bank or FAO are true, global agricultural production would need to increase by 50 to 70 % by 2050 in order to accommodate the expected population growth. Agriculture and agro-industry will remain the obvious contributors to allow food security and poverty alleviation, particularly in rural areas. But the sector is also a key driver to foster a more sustainable approach to development.

Addressing these challenges requires significant investment. The AFD Group through Proparco (its subsidiary dedicated to private-sector financing), has thus taken the initiative to actively support private-sector projects in agriculture and agro-industry, across all stages of the value chain. Upstream in the chain, this means, for example, to ensure that small farmers have access to financing or inputs required to conduct their business, enhance yields and improve income security. Downstream in the chain, this involves improving processing and storage activities, but also investing in infrastructure to reduce farm losses and accelerate product distribution in local, regional and international markets.

Supporting agro-industrial value chains requires the strict management and monitoring of associated environmental and social risks. For instance, deforestation remains a critical topic, since it generates greenhouse gas emissions and can lead to the irreversible loss of biodiversity, without forgetting pollution risks and land tenure issues. On a social level, particular attention needs to be paid to working conditions and the creation of shared-value, a prerequisite to reduce poverty.

Motivated by the opportunities and aware of the risks associated with these industries, Proparco encourages its partners to adopt best practices across their entire value chains in order to promote sustainable models in developing countries.

CONTRIBUTORS

Gaëlle Balineau
Development Economist, AFD

Gaëlle Balineau joined AFD in 2014 and conducts research on agri-food product trade, market regulation and the evolution of the productive structure of economies. Before that, she worked as a consultant for the World Bank on trade assistance and trade facilitation projects in Cameroon and Lesotho. Gaëlle Balineau was also President of the network of French-speaking research network on fair trade. She holds a PhD in development economics and is a graduate of the Centre d'études et de recherches sur le développement international (CERDI) at the University of Clermont-Ferrand.

David Bledsoe
Senior Attorney, Resource Equity

David Bledsoe is a Senior Attorney and Land Tenure Specialist with over 20 years of experience working on land and natural resources tenure law and policy issues. He currently focuses on gender and land and land-related investments in the extractive and agricultural sectors. David Bledsoe has extensive experience working with corporations, governments, civil society, and communities. He graduated from the Seattle University School of Law and the University of Washington School of Law.

Alain de Janvry
Economist and Professor,
University of California, Berkeley

Alain de Janvry is an economist working on international economic development, with expertise principally in Latin America, Sub-Saharan Africa, the Middle-East, and the Indian subcontinent. He has worked with many international development agencies, including FAO, IFAD, the World Bank, UNDP, ILO, the CGIAR and the Inter-American Development Bank. Alain lectures in Agriculture and Resource Economics at the University of California at Berkeley and he is a member of the American Agricultural Economics Association and the French *Académie d'agriculture*.

Janske van Eijck
Senior Manager, Palladium

Janske van Eijck focuses mainly on sustainable agriculture interventions and gender. She has evaluated various agricultural interventions on a global programmatic level (e.g. GAFSP by IFC), the national level (SUCCESS programme in Pakistan) and on the local level. She is lead researcher for several projects focusing on access to finance in combination with women entrepreneurship. She holds a PhD degree focused on the socio-economic impacts of bioenergy production in developing countries.

Kola Masha
Managing Director, Babban Gona

Kola Masha is the Managing Director of Babban Gona and holds the same position at Doreo Partners, an agriculture focused African impact investing firm. Prior to founding Doreo and Babban Gona, Kola was the Managing Director and CEO of a major subsidiary in the Notore Group, one of Nigeria's leading agricultural conglomerates. Kola brings significant leadership experience in VC, corporate finance, business development, marketing and operations, across four continents with multiple global companies, including GE and Abiomed. Kola holds an MBA from Harvard and Masters in Mechanical Engineering from Massachusetts Institute of Technology, MIT.

Sylvain Ly
Co-founder, Basic

Sylvain Ly co-founded the Bureau d'analyse sociétale pour une information citoyenne (BASIC) in 2013. Previously, he worked at Max Havelaar France where he supported the responsible purchasing processes of companies involved in fair trade, while participating in the processes of redesigning the specifications of the Fairtrade/ Max Havelaar system. Sylvain Ly graduated from Toulouse Business School and the University Of Economic Sciences Of Montpellier.

Lerionka Tiampati
Group CEO, Kenya Tea Development Agency Holding Ltd (KTDA)

Lerionka Tiampati is the Managing Director & Chief Executive Officer of Kenya Tea Development Agency (KTDA) Holdings Ltd. He holds a postgraduate degree (MSc.) in Marketing and Product Management from the Cranfield Institute of Technology (United Kingdom), a diploma from the Chartered Institute of Marketing (United Kingdom) and undergraduate degree in Business Administration from the University of Nairobi.

Bertrand Vignes
Director of the Natural Rubber Unit, SIFCA Group

Bertrand Vignes, an agricultural engineer, joined Michelin Group in 1981, where he held various technical and operational positions on rubber plantations in Côte d'Ivoire and Nigeria. He took part in the creation of a natural rubber project in Mato Grosso (Brazil) and subsequently managed Michelin plantations in Bahia, then Mato Grosso. From 1999 to 2009, he was Director of Michelin Group's Natural Rubber and Plantations Department. In 2009, he joined SIFCA Group in Côte d'Ivoire. He was initially CEO of Palmci (oil palm), then CEO of SIFCA until 2016. He is currently CEO of SIPH, in charge of SIFCA Group's Natural Rubber Unit.

Jean-Luc Voisin
Founder and Chief Executive Officer,
Les Vergers du Mékong

Jean-Luc Voisin set up Les Vergers du Mékong in 2000, after some twenty years of experience in the agri-food industry. He previously worked at Nestlé in Europe and in Africa, and subsequently managed a company specialized in the study, installation and marketing of soya and fruit processing equipment in emerging countries. He has also worked as a consultant for FAO and the European Union.

Jean-Christophe Debar
Director, Foundation for World Agriculture and Rural Life (FARM)

Jean-Christophe Debar is Director of FARM Foundation. After training as an agricultural engineer, he began his career as an agricultural economist at the US Embassy in Paris before becoming a consultant in international agriculture and related policies. Since 2011, he has run the FARM Foundation based in Montrouge near Paris which is tasked with promoting productive, sustainable agriculture and agri-businesses in Southern countries.

Elisabeth Sadoulet
Professor at UC Berkeley and Ferdi

Elisabeth Sadoulet is a Professor of Agricultural and Resource Economics at UC Berkeley and Senior Fellow at the Ferdi. Her research interests focus on agricultural technologies, microcredit and property rights. She has also consulted for several international agencies and foreign governments, including the FAO, the Government of Mexico, and the World Bank.

Edouard Buffière
Environmental and Social Specialist (E&S), Proparco

Environmental and Social (E&S) expert within Proparco's Environment, Social, Impact and Governance division for the past 5 years, Edouard Buffière assesses E&S risks and opportunities on projects, particularly in the agro-industrial and manufacturing sectors. He previously worked for 12 years as an environmental consultant in international firms.

Marie Garcin
Senior Investment Officer, Proparco

As an Investment Officer in Proparco's Manufacturing, Agro-industry and Services (MAS) division, Marie Garcin is more particularly in charge of agricultural and agro-industrial projects. She has also worked in Johannesburg and in the structured finance division for the Agence Française de Développement (AFD). Marie Garcin is a graduate of ESSEC Business School, and she previously worked in internal audit and consulting before joining the AFD Group.

François Giraudy
Project Team Manager, AFD

As an agricultural engineer, François Giraudy spent most of his career in Africa, initially in research with CIRAD in Senegal, Côte d'Ivoire and Gabon, then several years in the cotton sectors in Guinea and Mali. He then spent about ten years at CFDT-Dagris headquarters with several missions on all aspects of development, then at Eco-Carbone, as general manager of two sectors in Burkina Faso and Mali. For slightly less than 3 years at AFD, he has been in charge of projects on rural sectors and infrastructures.

Ludovic Joncheray
Senior Investment Officer, Proparco

Ludovic Joncheray joined Proparco in 2011 and joined the Agro-industry and Manufacturing division in January 2018 as a Senior Investment Officer. Prior to that, he was head of the Proparco Douala regional office for Central Africa until August 2015, and then Senior Investment Officer in the Portfolio Division of Proparco. For fifteen years, half of which were spent in Africa, he held various positions within the Geocoton group (formerly Dagris). He is a graduate of the IAE of Poitiers and the University of Angers.

Jean-Baptiste Jouve
Investment Officer, Proparco

Jean-Baptiste Jouve is an investment officer in the Manufacturing, Agro-Industry and Services (MAS) division of Proparco, with a particular focus on agricultural and agro-industrial projects. Prior to that, he worked for Proparco in the Middle East but also for KPMG in the audit and advisory departments. Jean-Baptiste is a graduate of Emylon Business School.

Pascale Scapecchi
Impact Measurement Officer, Proparco

Within the A2D department, Pascale Scapecchi evaluates the impacts of projects on the economic, social and environmental development of the countries of intervention. She holds a PhD in Economics and previously worked for about ten years in public policy evaluation and analysis at the OECD and the Directorate General of the Treasury, particularly on climate and energy.

The role of agro-industry in development: a long-standing debate

Gaëlle Balineau, *Development Economist, AFD*

Agro-industry and its role in economic development has given rise to much debate. Although it is frequently perceived in terms of negative externalities, it remains a solid vector for creating jobs and reducing poverty. However, agro-industry needs to resolve issues relating to the inclusion of smallholders, respect for the environment, product quality and price competitiveness.

FOCUS
AFD

AFD is a public and solidarity-based development bank and the central actor in France's development policy. It supports projects that improve the everyday lives of people in developing and emerging economies and in French overseas territories. It operates across many sectors (energy, health, biodiversity, water, the digital economy, training) to partner the transition to a safer, fairer and more sustainable world for everyone. Its action is focused firmly on achieving the UN's sustainable development goals (SDGs). Through its network of 85 agencies, AFD operates in 109 countries, where it is currently financing, monitoring and supporting over 3,500 development projects. In 2017, it provided €10.4 billion in funding for these projects.

The role of agro-industry in economic, social and environmental development is a hot topic and the origins of certain debates can be traced as far back as the eighteenth or nineteenth centuries. Indeed, the work of Adam Smith and later David Ricardo linked the wealth of nations to the production structures of economies and to their specialisation in terms of their comparative advantages.

Between 1940 and 1960, research in what would later become development economics empirically demonstrated that economic growth is accompanied by a continual decline in the primary sector (especially agriculture) in favour of the industrial sector (particularly manufacturing), which subsequently loses ground to the services sector. The reasons for this phenomenon are debated as the resulting conclusions have a major bearing on public policy options. It is therefore important to know whether this "structural transformation" flows "naturally" from processes of growth and opening up trade for example, or whether proactive industrialisation policies[1] are actually needed to boost development. Such policies are often advanced as an explanation for the "Asian miracle" of the 1990s and they currently inspire numerous growth strategies, especially given that the manufacturing sector, particularly textiles, supposedly has the most potential for reducing poverty and generating employment (Cadot *et al.*, 2015). Nevertheless, around the early 2000s, certain African and Latin American countries began deindustrialising without having achieved the industrial development and growth peaks that tended to usher in a growth in services in developing countries. Economists continue to argue in the wake of this "premature deindustrialisation" (Rodrik, 2016): will the textile industry fuel Africa's economic growth? Or should we bet on services? And what about agro-industry which impacts all three sectors?

1 ▸ See Vergne and Ausseur (2015) for an overview of the different debates.

THE AGRO-INDUSTRY SECTOR: CREATING JOBS AND CAPABLE OF REDUCING POVERTY

In this issue, we will use the term agro-industry in a broad sense. It includes processing agricultural commodities, packaging and distributing them as marketable products as well as the related services (supplying fertiliser, seed and equipment) and, by extension, all agricultural production systems. While the agro-industry sector *sensu stricto* only includes food processing and supplying inputs, in practice, the contractual, institutional, functional and dependency ties between processing and production mean that we cannot really think of them separately and they are very often integrated (Barrett *et al.*, 2001).

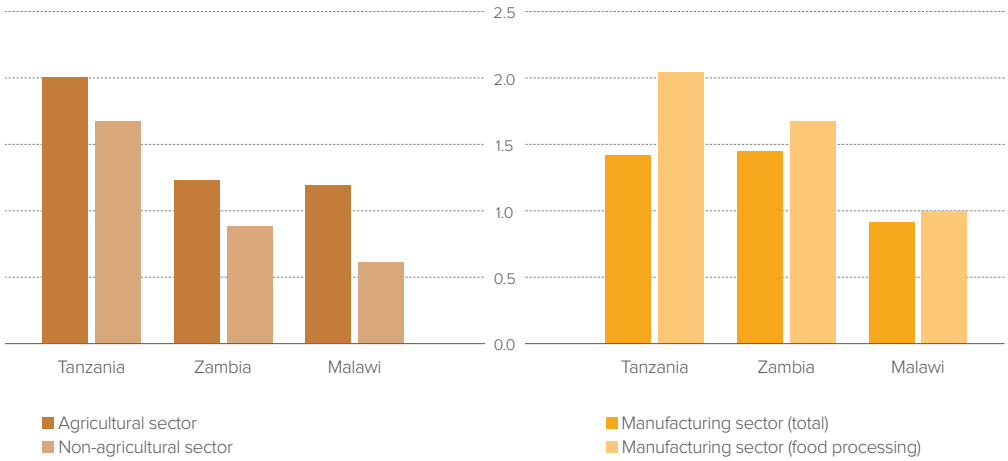
In its 2008 World development report, the World Bank insisted on the need to invest in agriculture and agro-industry to boost growth and reduce poverty. Ten years later, a number of researchers are revisiting these findings and emphasising the role of agro-industry in economic development.

As regards the upstream components of the value chain, two observations should be made: while historically, structural economic transformation processes are characterised by a decline in the share of agriculture in the economy, they also features enhanced productivity. This means that even an exclusively industrial development policy does not mean having to abandon investments in the agricultural sector. Indeed, in view of its positive impact on non-GDP indicators, agriculture would appear to have an even stronger role in development. Christiaensen et al (2011) have demonstrated that growth in the agricultural sector has a very powerful poverty reduction impact (i.e., on the number of people living on less than 1$ a day).

> “A number of indicators appear to show that agricultural processing could become a key sector for developing economies, especially African ones.”

At the other end of the value chain, a number of indicators appear to show that agricultural processing could become a key sector for developing economies, especially African ones: according to the World Bank, thanks to the combined effects of demographic and urban expansion and growth in incomes, agri-food already represents a substantial market that should top the US$ 1,000 billion mark by 2030. Indeed, the agro-industry is already a growth vector in a number of respects: in West Africa, the agro-food industry provides 66% of all jobs and 40% of total value added in the sector is attributable solely to agro-industry (excluding agriculture) (Allen and Heinrigs, 2016). Food processing represents 60% of total manufacturing employment in Niger and Nigeria, and between 30% and 40% in Ghana, Burkina Faso and Mali (Allen *et al.*, 2018, data 2012-2015). In five East African countries, agro-industry represents between 27% and 64% of the manufacturing sector’s contribution to GDP. →

Elasticity of poverty-reduction to growth in each sector (US$1.25 poverty line, in %)*



*How to read the graphs
- in Tanzania, when the agriculture sector grows by 1%, poverty declines by 2%
- in Tanzania, when the food processing sub-sector grows by 1%, poverty declines by 2%

Source: Based on Dorosh and Thurlow, 2018, table 2

In the same five countries, Dorosh and Thurlow (2018) have shown that the reduction in poverty is always greater when growth is driven by agriculture rather than by any other sector. And, still more interestingly, in those cases where the manufacturing sector's ability to reduce poverty **(figure ↑ above)**[2] rivals that of agriculture (i.e., in Malawi, Tanzania and Zambia), this is because manufacturing comprises a significant agro-industrial component. Indeed, food processing has very strong knock-on benefits for the economy[3] as well as a capacity for creating value added throughout a territory. Unlike the textile sector which often depends on imported raw materials for use in simple manufacturing processes and export outlets, agro-industry in Zambia for example uses local raw materials, the bulk of which are processed for the local market. The growth of secondary cities in Africa has generated local agri-food demand with the related possibility of gradually moving the offering upmarket, a possibility not offered by the textile industry which targets international markets with very high entry costs. And certain researchers have pointed out that increasing automation in the textile industry means that it is no longer capable of absorbing the millions of people who will arrive onto the labour market (Artuc *et al.*, 2018).

Consequently, a number of emerging country governments (e.g., Cameroon, Ethiopia, Nigeria…) have factored agro-industry into their industrialisation strategies. However, if it is to play its role to the full, a number of environmental and social pitfalls need to be avoided.

2 ▸ Whose intensity may be measured by the elasticity of poverty to growth in the sector (poverty declines significantly when the sector grows by 1%).
3 ▸ "backward linkages".

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AGRIBUSINESS, ENVIRONMENT, EQUITY: THE PITFALLS TO BE AVOIDED

The reason why agro-industry is often seen as the antithesis of sustainable development is because of its perceived negative externalities both for the environment (Barrett *et al.*, 2001) and for small producers (Reardon *et al.*, 2009).

Revisiting the last few decades of the twentieth century, Reardon, Barrett et al recall that deregulated globalisation, lower tariff barriers and transport costs, price wars and technical progress have all shaped agro-industrialisation, i.e., the tendency toward vertical integration, the scramble for higher yields, use of intensive chemical inputs and downward pressure on producers' prices, etc. While the externalities from this wave of agro-industrialisation are not systematically negative, when they are, the price paid tends to be very high both for the environment (deforestation, GHG emissions, biodiversity loss, soil depletion and pollution of aquatic environments) and in terms of equity (exclusion of smallholders from the market or even from their own land if traditional land rights are not protected, inequitable distribution of value within channels controlled by dominant firms (BASIC 2014), poor working conditions, etc.).

On the other hand, technical progress makes it possible to develop crop varieties that consume less water and international export outlets can help secure long-term agricultural employment and avoid land artificialisation (Barrett *et al.*, 2009). The record is therefore a mixed one.

In reality, the conditions under which agro-industrialisation takes place play a determining role: national regulations can provide a framework for preventing, reducing or offsetting negative externalities insofar as its development is actually being controlled – which is not necessarily the case in countries with insufficient technical, financial and human resources. Voluntary CSR-type initiatives or certified standards can also be favourable factors. Lastly, stronger demand for higher-quality, eco-friendly products and fairer trading practices can enhance environmental and social performances.

In other words, agro-industrialisation that complies with sustainable development principles is possible if it manages to include small producers, respect the environment and remain competitive from both a price and a quality perspective, even in the face of fierce international competition. This issue of our magazine will primarily focus on providing at least some answers to these questions which are crucial to several of the UN's sustainable development goals (SDGs) (i.e., hunger, poverty, employment and sustainable production and consumption methods). ■

> “Agro-industrialisation that complies with sustainable development principles is possible if it manages to include small producers, respect the environment and remain competitive from both a price and a quality perspective, even in the face of fierce international competition.”

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Using the Theory of Change to optimize the investment impact

Janske van Eijck, *Senior Manager, Palladium*
With contributions from: Cathelijne van Melle, and Marlou Rijk

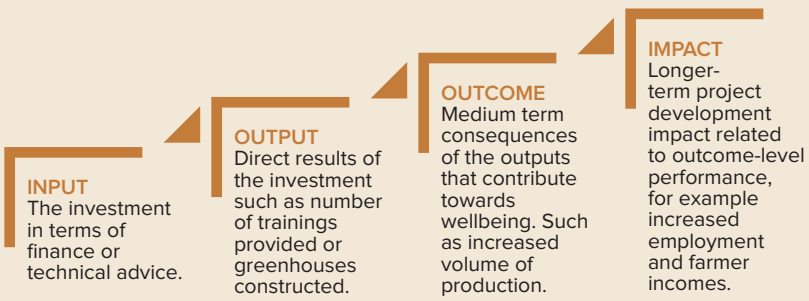
Agricultural programmes are an instrument to achieve positive impact on local communities. Today's development financial institutions (DFIs), including Proparco, are looking for financial results but also aim to achieve economic, social and environmental impacts. It is in this context that the theory of change (ToC) comes into play to help designing more effective programs.

The agriculture sector is the key source of income for many developing economies. Agricultural (investment) programmes are a preferred instrument to achieve positive impact on local communities. DFIs, including Proparco, offer financial services for agricultural clients using a high-level investment strategy with multi-faceted goals.

WHY A THEORY OF CHANGE?

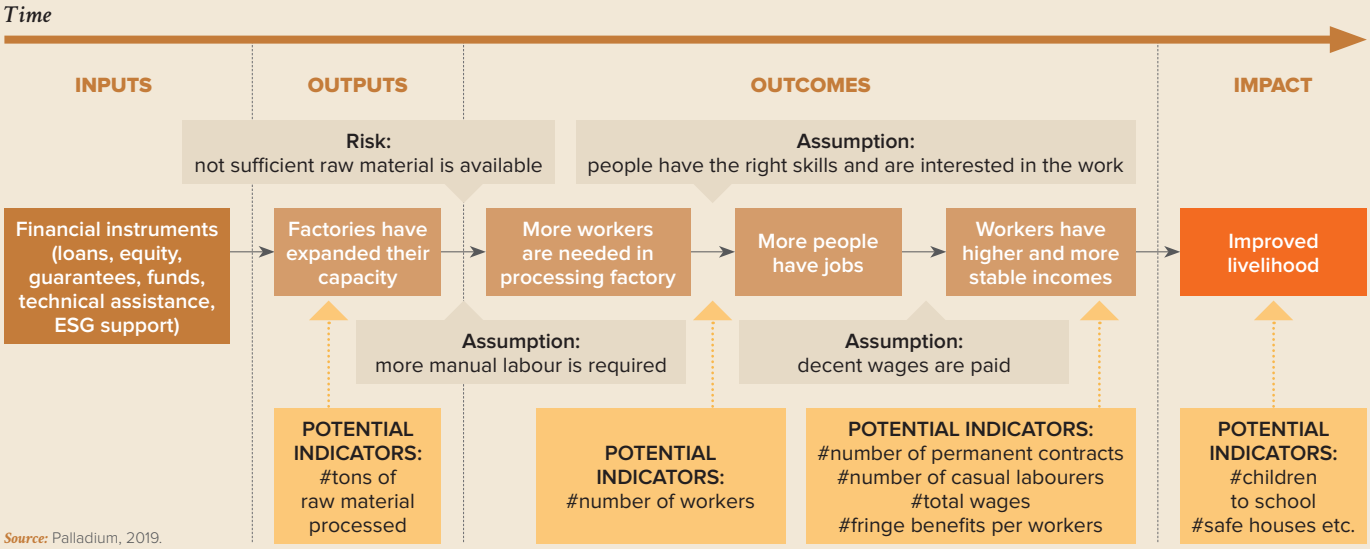
Today's DFIs are not just looking for financial results, but also aim to achieve economic, social and environmental impact. Recently, Palladium has performed multiple agriculture portfolio evaluations for development financiers such as Proparco, BIO and WBG's GAFSP program. We found that, across the board, many investments tend to be clear on the aspired goals at the "finish line" but often do not develop a roadmap of how to get there. As a result, they are missing out on the opportunity to leverage correlations, mitigate risks and optimize impact, and to quantify all impact realized. In these occasions, developing a "theory of change" could provide many benefits. Having a realistic and thought-through theory of change with a clear intervention strategy will help to design programs that are more effective and achieve systemic change. It structures the thinking of an organisation and indicators can more easily be attached to it, to allow for close monitoring of intentional impacts (besides reporting on indicators).

Figure 1 - Four result levels



Source: Palladium, 2019.

Figure 2 - The theory of change of Proparco's interventions in the agro-industrial sector



Source: Palladium, 2019.

WHAT IS A THEORY OF CHANGE?

A theory of change visualizes the intervention logic, and clearly shows how the intended results (impact, outcomes) can be achieved through the investment (inputs). In other words, it describes the channels through which the impact of the intervention is transmitted throughout the economy. It includes an overview of assumptions made by the DFI underlying the intervention logic. A theory of change is complemented with SMART[1] indicators for every result level in the intervention logic (input, output, outcome and impact level) **(figure 1 opposite)**. Impact is normally only achieved after several years. The ToC outlines the plausibility that impact is achieved through outputs and outcomes. Indicators on those levels can be used to monitor progress towards impact and allow for timely adjustments in the intervention.

Figure 2 reconstructs the theory of change of Proparco's interventions in the agro-industrial sector from inputs to impacts. The input provided by Proparco will help the company on the one hand, to achieve its "project" (e.g. increasing production capacity, improving product quality or processing technology), and, on the other hand, to increase its awareness on environmental and social (E&S) risks associated with its activity, which both represent the outputs of the project. Once the project has been deployed, it will result in a certain number of positive outcomes directly related to the project's objective, such as increased production, increased turn over, direct job creation (at the level of the company), compliance with international E&S standards, E&S certification or increased revenues for direct employees. In addition, the implementation of the project in the company will affect its whole value chain through increased production, indirect job creation, increased turn over and increased revenues at the level of the providers and suppliers of Proparco's client. In the end, the expected impacts from Proparco's agro-industrial projects, at the macroeconomic or value-chain level, include economic growth (from job creation and increased revenues for companies and their employees), positive environmental effects (from the adoption of stringent E&S standards) and social development (through the implementation of satisfactory global working conditions at the level of Proparco's clients and of their own clients). ■

FOCUS
PALLADIUM

Palladium is an advisory company, providing integrated capacity and capital advisory solutions. It offers agriculture value chains and finance services, such as value chain analysis, sustainable value chain development, agriculture and value chain finance, or rural advisory and extension.

1 ▸ Specific, measurable, achievable, relevant, and time-based

Strengthening value chains in Africa: conditions for sustainable contractual arrangements

Jean-Christophe Debar, *Director, Foundation for World Agriculture and Rural Life (FARM)*

Africa continues to suffer from extreme poverty and malnutrition and the agri-food sector faces numerous challenges. Contract farming can boost value chain efficiency by enhancing coordination between stakeholders but a number of conditions must be met before it can drive sustainable development.

FOCUS
FARM FOUNDATION

The FARM Foundation is a think-tank and supports pilot projects in Africa by deploying an entrepreneurial approach to agriculture that fosters small- and medium-sized holdings capable of supplying local markets.

Sub-Saharan countries face daunting challenges: eradicating the extreme poverty in which 40% of its people still live, feeding a population that is set to double over the next 25 years (as nearly a quarter of people continue to suffer from food insecurity and yields remain under constant threat from climate change), and finding jobs for the millions of young people arriving on the jobs market. Agro-industry can play a decisive role in meeting these challenges and achieving the UN's Sustainable Development Goals (SDGs). Indeed, most of Africa's poorest people live in rural areas and depend either directly or indirectly on agriculture. There is massive potential for boosting agricultural productivity which is considerably below that observed in other parts of the world. Lastly, agri-related upstream and downstream industries and services constitute largely untapped sources of jobs.

MASSIVE OPPORTUNITIES

Given this context, contract farming – which aims to enhance coordination between stakeholders in the sector – provides massive potential opportunities. It can boost value chain efficiency by reducing transaction costs, ensuring a better fit between supply and demand on agricultural markets (in terms of quantity, quality and flows of goods), reducing post-harvest losses and improving food safety management. The related arrangements are many and varied **(box ⊕ opposite)**.

Contracts give farmers better access to inputs (which are generally paid for in kind), mechanised processes and credit as well as better market access, thus alleviating the structural deficiencies of African economies. They also enable agro-industrial companies (AICs) to secure their supplies so that they can meet the burgeoning demand from cities more effectively. Therefore, because it also includes more effective arrangements for managing price risk[1], contractualisation helps to grow incomes, investment, competitiveness and jobs. Stakeholders become more inter-dependent and they are encouraged to leave the informal economy and open bank accounts. While these are all considerable advantages, we need to distinguish between theory and practice and the situation on the ground is a little more complex.

> “Contractualisation helps to grow incomes, investment, competitiveness and jobs.”

THE LIMITS OF CONTRACTS

Despite all of its benefits, with the exception of traditional exports (i.e., cotton, coffee, coco, etc.), contractual farming is still not very widespread in Africa. It has struggled to make inroads into the internal market (barely 10% of rice production in the Senegal River Valley) and this raises a number of issues. First, although economic research credits it with boosting farming incomes considerably, this is not always borne out in practice. A recent study in Ghana reveals that corn growers under contract are failing to offset the increase in production costs caused by greater use of external inputs. In brief, the advantages of contractual arrangements vary greatly depending on what is being produced and the different contexts[2]. Also, contract farming is fraught with risk: smallholders may be excluded because of the extra transaction costs →

The diversity of contractual arrangements

Contractualisation is an intermediate solution for coordinating the market that lies somewhere between spot transactions and vertically integrating stakeholders in the sector. Based on Rehber's 2007 definition, a contract is a contractual arrangement between farmers and other firms, whether oral or written, specifying one or more conditions of production, and one or more conditions of marketing, for an agricultural product, which is non-transferable. Based on this definition, a contract does not necessarily involve setting a price. Typically, we distinguish between marketing and production contracts. *Marketing contracts* cover quantity, quality, delivery date and possibly production price. *Production contracts* cover the supply by the buyer of inputs (seeds, fertiliser, etc.) and possibly services (technical assistance, insurance, etc.). Production belongs to the company and the farmer is paid a fixed fee plus a quality premium. In practice, contracts come in many different forms and can be hybrids of these two types.

1 ▸ The different types of contract handle price risk in different ways (see insert).
2 ▸ A detailed analysis of contract farming impact assessments shows that they lead to numerous distortions that frequently make it very hard to distinguish between correlation and causality. See Bellemare, M.F., and J.R. Bloem, 2018, Contract Farming: A Review, Working Paper, University of Minnesota.

they generate for AICs. Indeed, these AICs wield greater market power and are often able to force farmers to accept unfavourable purchase terms. Lastly, contractual arrangements may entrench unsustainable production methods if buyers insist on conditions that potentially impair soil fertility, human health or the environment, or if they fail to oversee adequate use of inputs by producers. Conversely, contract-based production may encourage farmers to improve their processes if businesses vaunt such practices when communicating with receptive consumers or if stricter standards force them to.

So we really need to ask what conditions are needed to make contract farming work properly. A recent report from the FARM Foundation[3] stresses the need to build trust between farmers and AICs and this means proactive two-way communication between stakeholders. But this is not enough on its own and other avenues described below also need to be explored.

ENHANCING CONTRACTS WITH SERVICES

Obviously, complying with the terms of the contract is an essential pre-condition: businesses vis-à-vis farmers and vice-versa (i.e., supplying quality inputs – if such an arrangement exists – on a timely basis and prompt and exact payment on the part of farmers). When market prices rise beyond the pre-agreed price, producers often decide to sell to another buyer. Businesses could choose to sue the farmer but the court case would probably be long and costly and would not be an optimal solution. To foster loyalty among farmers, it is better to include payment of a bonus or access to a wide range of services (i.e., inputs, technical assistance, climate insurance, etc.) as part of the contract. For sure, these options come at a cost and are not accessible to all AICs.

CREATING AND SHARING VALUE

Certification (of quality, production methods, fair prices for producers, etc.) is one of the preferred ways of creating and sharing value within a given sector. It provides farmers with better pay and access to higher value markets, and consumers with a guarantee that more rigorous environmental and social standards are being complied with. Moreover, the involvement of competent producer organisations capable of wielding market power is likely to improve contractual terms in favour of farmers simply because aggregating productions and organizing farmers into a single point of contact actually provides a service to AICs.

3 ▸ *Contractualiser avec les agriculteurs en Afrique*, June 2018, available at www.fondation-farm.org.

GIVING PRIORITY TO FLEXIBILITY

Most farmers and AICs wish to keep some room for manoeuvre in their selling and supply strategies due in particular to the volatility of agricultural prices so they generally combine spot market transactions with contractual arrangements. Similarly, certain contracts deliberately exclude setting prices. For example, in Benin, Tolaro Global only requires cashew growers to make them a first offer. Contract flexibility also makes it possible to share value more effectively with farmers and to foster their loyalty by offering them price supplements when prices rise. In this as in many other areas, digital solutions such as the N'kalô[4] service proposed by Nitidae prove to be very useful.

THE ROLE OF PUBLIC POLICY

Governments and DFIs have a crucial role to play in helping to deploy contractual arrangements and making them more effective and inclusive. First, farmers will be less dependent on the contracting companies to obtain their inputs and sell their production if governments can ensure market effectiveness and transparency (notably through a robust competition policy) and provide the goods and services (i.e., infrastructure, social security, etc.) not provided by these companies – or not provided to all farmers.

Second, public intervention is needed, especially to create a regulatory framework suited to contractual arrangements and resolving litigation, guaranteeing farmers' land rights and implementing the social, health and environmental standards needed to drive sustainable development. The major constraint of poor access to credit for farmers and SMEs needs to be alleviated by public guarantees and help with developing risk management solutions (i.e., futures markets, climate insurance, etc.). Emerging value chain frequently require carefully targeted protection against low price imports.

> "The major constraint of poor access to credit for farmers and SMEs needs to be alleviated by public guarantees and help with developing risk management solutions [...]. Emerging value chain frequently require carefully targeted protection against cut price imports."

Finally, in the interests of economic efficiency and social inclusion, the professionnalisation of farmers organisations needs to be encouraged through training and consultation bodies such as inter-branch organisations. As we can see, a lot of different actions need to be taken before contractual arrangements can realise their full potential. ■

4 ▸ N'kalô, a service offered by the Nitidae association, provides subscribers with market information on different crops. A complementary service called n'kalô Partage helps secure contracts in a fully transparent manner and adjust prices paid to producers based on price variations. Basically, the producer uses a digital app to commit to selling part of their harvest to a given processing company on a given date. In exchange, after the end of the campaign, the buyer undertakes to pay over to the producer the difference between the price actually paid and the best price achieved during the campaign, for half of the quantities delivered

Agriculture: Nigeria's job creation engine

Kola Masha, *Managing Director, Babban Gona*

Unemployed youth in Nigeria is estimated at over 60%. As this figure increases, so does the risk of insurgencies. The solution could come from agriculture; yet young smallholders face the problem of not having the economies of scale to be profitable. The Babban Gona model of grassroots mini farmer cooperatives aims to address this problem by bringing professional management and investment to scale, enabling the sector to fulfill its potential.

Today, youth unemployment in Nigeria is estimated at over 60%, raising the risk of insurgencies. Nigeria has seen a dramatic rise in these in the last two decades. With a population of over 180 million and a median age of 18, over four times more youths than previously are expected to enter the workforce in the next 20 years, highlighting the need to create jobs.

The solution could come from agriculture, due to its size (22% of GDP), growth potential, high labor requirement and low level of skill required. While agriculture is a major employer, smallholders are stuck in a cycle of poverty, as they do not have the economies of scale to be profitable commercial farmers.

CYCLE OF POVERTY, A STRUCTURAL PROBLEM

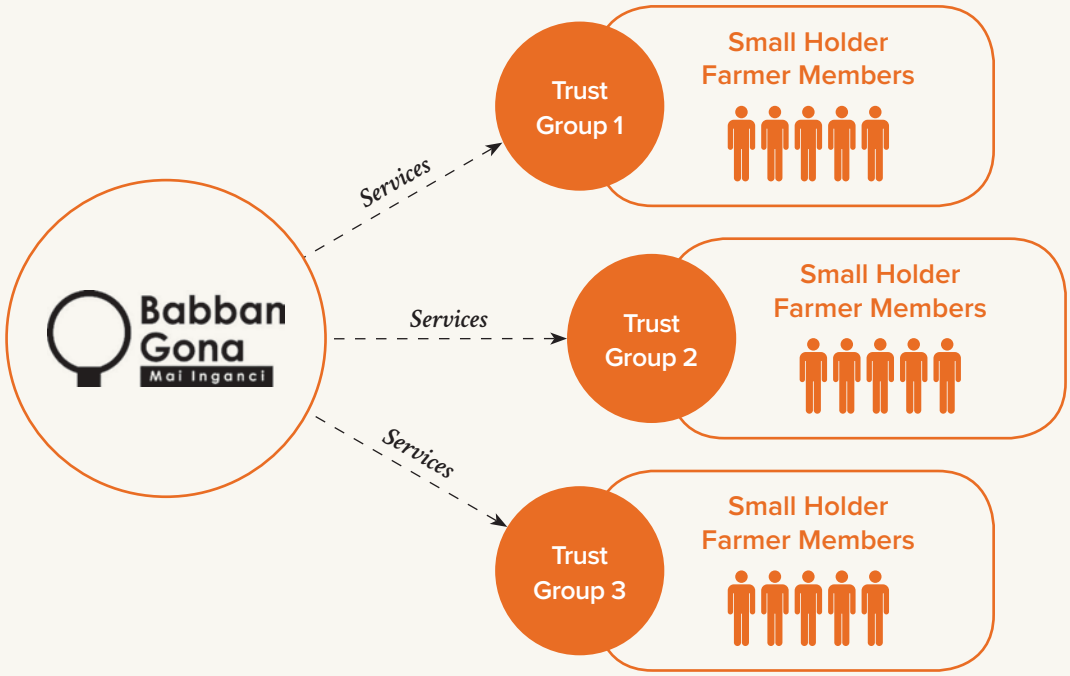
Low economies of scale represent a structural problem driving smallholder farmers' low yields and profitability. They inhibit access to credit for purchasing the inputs needed at an affordable price as well as access to market information on optimizing yields and delaying the sale of their produce at a higher price, as product value appreciates post-harvest.

Compared with their older compatriots, young smallholder farmers face challenges that reduce their profitability. First, their farms are smaller due to succession and inheritance, forcing them to attain very high yields in order to generate enough net income to support their families. Second, older farmers have teenage children who help out on the farm and subsidize their labor costs. To compete, they have to employ labor-saving technologies or hire labor. Third, they have fewer savings and fewer assets, so they have less to invest in inputs or to offer as collateral for loans.

FOCUS
BABBAN GONA

Babban Gona is an investor-owned social enterprise serving small networks of smallholder farmers with a model created specifically to attract the youth. The members receive development and training, credit, agricultural inputs, marketing support, and other key services. Besides increasing each farmer's yield and income to 2.3 times the national average, the Babban Gona franchise demonstrates a viable model for investment in the smallholder segment, and attracts new capital to the sector.

Babban Gona's franchise model



- Average farm size of 0.6-0.8Ha
- Categories of services: Training & Development; Agricultural Input Services; Harvesting and marketing Services; Financial Service

Source: Babban Gona, 2019.

THE SOLUTION: FARM COOPERATIVES

Smallholders in other countries have met the challenge of low economies of scale by forming farmer organizations that have enabled them to attain high economies of scale. The success of farmer organizations in developed countries has hinged on committed leadership, with true accountability to fellow members; professional management; and investment to scale, to capture additional economies of scale.

Nigeria's grassroots farmer cooperatives lack professional management and investment to scale, due to the lack of formal education of their leaders. Babban Gona's model **(figure above)** aims to bring the missing professional management and investment to scale to the grassroots mini farmer cooperatives, called Trust-Groups.

> "Low economies of scale represent a structural problem driving smallholder farmers' low yields and profitability."

> "Given the smallholder farmers' low purchasing power and their fragmentation, the main challenge is to make the model profitable and sustainable."

A FRANCHISE NETWORK OF MINI FARM COOPERATIVES

Babban-Gona (the franchisor) franchises a model for running a Trust-Group (the franchisee), comprising an average of four members, typically farming 0.7ha each. The Trust-Group receives and passes on to its members a standard set of products and services to increase their net income. Members produce key staple crops: maize, rice.

To start, Babban-Gona launched a grass-roots marketing effort to encourage prospective leaders to apply. Application involves going to a testing center and interviews to assess the personality characteristics and aptitude for success as a Trust-Group leader.

Once established, members of the Trust-Group are trained using the Babban Gona Farm University platform (agronomy, financial literacy, business skills and leadership). In parallel, a farm analysis is conducted on their fields to ensure that they receive a tailored agronomic program geared towards attaining optimal productivity and return on investment, while minimizing environmental impacts. The agronomic program is provided on a payment plan. Leveraging economies of scale and supply-chain efficiencies, BG ensures products and services are provided at highly competitive prices. Then, effective market access for the Trust-Groups is provided by the Enhanced Warehouse Receipt Model: a transport contactor picks up the member's maize product from their farm and brings it to a collection center where it is graded and weighed; the member is then provided with a warehouse receipt for the quantity and grade of product delivered and the product is collateralized, enabling the farmers to get an harvest advance loan. Finally, Babban Gona sells products on behalf of farmers to premium markets.

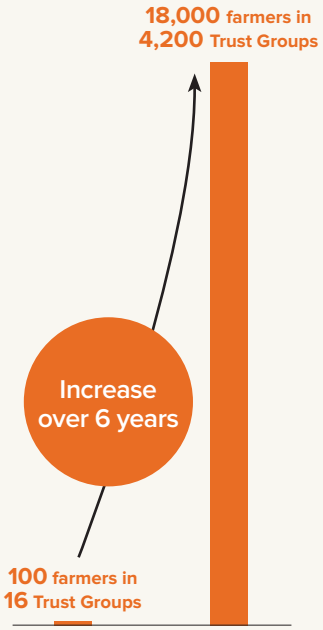
Babban Gona has developed and scaled the model alongside prominent partners, which include private companies; foundations; and DFIs, including FMO, which supports Babban Gona with a USD 4 million term facility for its Farmer Finance program. "Babban Gona has proven to be an innovative and scalable service delivery model that addresses the key challenges faced by many smallholders in a holistic manner. Through its model it provides its members with access to inputs, finance, post-harvest services, and markets. Besides increasing farmers' yields and income, the Babban Gona franchise demonstrates that the smallholder segment is a viable space for investment. In addition to its tailored agronomic program, Babban Gona has also developed a last mile initiative that utilizes its rural network to deliver goods and services to communities in remote and rural areas."

Maurice Scheepens, Investment Officer of the Agribusiness, Food & Water department at FMO

KEY CHALLENGES: A PROFITABLE AND SUSTAINABLE MODEL

Given the smallholder farmers' low purchasing power and their fragmentation, the main challenge is to make the model profitable and sustainable: enable members to achieve optimal levels of productivity, while minimizing negative impacts on the environment. Babban Gona's core business, agro input credit and marketing services to members, allows for efficient credit delivery, aggregation and distribution of products. Over the last few years, Babban Gona has piloted several business line extensions to create a Shared Channel Distribution Model, which utilizes the rural network to deliver goods and services to communities in remote and rural areas (last mile aggregator, distributor, and retailer). These have the benefit of increasing the financial sustainability of the model as well as the members' net incomes.

In the last six years, Babban Gona has scaled from 100 farmers in 16 Trust Groups to 18,000 in 4,200 Trust Groups across three northern Nigerian states (Kaduna, Katsina and Kano State). The yields and net incomes of members have been increased by two and three times respectively compared with the average Nigerian farmer. Babban Gona wants to go further and reach nearly 80,000 small farmers by 2020. The model has already been replicated in four hubs servicing three states, keeping us on track to achieve this goal. ■



Last-mile Trade Channel

- **Last-mile Distributor:** offering an additional business opportunity that focuses on cross-selling farming products (e.g. fertilizer) in the local communities to top-performing trust group leaders in strategic high-potential communities
- **Last-mile Retailer:** enabling recommended female relatives of BG member farmers to become retailers of fast-moving consumer goods (FMCG), e.g. bouillon cubes and other products
- **Last-mile Aggregator:** increasing the incomes of member farmers by offering them an additional business opportunity that entails diversifying their income sources by aggregating other crops, e.g. soybean, cowpea.

Promoting local agricultural production in an emerging country: the example of Les Vergers du Mékong

Jean-Luc Voisin, *Founder and Chief Executive Officer, Les Vergers du Mékong*

By promoting the fruit, coffee and tea production of smallholders in Vietnam, which is subsequently processed locally into products with high added value, Les Vergers du Mékong ensures profitability while allowing local producers to stabilize family incomes and avoid rural exodus.

FOCUS
LES VERGERS DU MÉKONG

Les Vergers du Mékong, which was set up in Vietnam in 2000, works with small local fruit, coffee and tea producers. The company sells its products, in partnership with the Savoyard roaster Cafés Folliet, in Vietnam or for export, to local and international players in the hotel, catering and distribution sectors.

The agri-food sector in the context of developing countries is often faced with inappropriate projects doomed to failure, unnecessary public spending, and products that do not match the needs of the consumer or leave out an entire segment of the population – especially people living in rural areas.

It is therefore essential to come up with other ways of conducting activities, combining both development aid and business. A private agribusiness with a commercial and profit-making purpose needs to be able to meet the expectations of consumers as closely as possible, while marketing healthy products, respecting the environment and local communities.

This is the ambition behind the creation in Vietnam in 2000 of Les Vergers du Mékong, which is specialized in processing local fruit, coffee and agricultural products.

“A private agribusiness with a commercial and profit-making purpose needs to be able to meet the expectations of consumers as closely as possible, while marketing healthy products, respecting the environment and local communities.”

> A smallholder farms an average of three hectares – which he was given in the early 1990s with the new openness policy and the end of collectivism.

AN OBSERVATION AND AN OPPORTUNITY SEIZED

In 1998, Vietnam had just opened up to foreign investments. The country gave out tremendous energy, especially at that time, while its agricultural potential and the know-how of populations are widely recognized.

A coffee production program had been launched in Vietnam's highlands back in 1995, which had drawn the attention of Cafés Folliet, a French coffee roaster. The feasibility study for the creation of a fruit processing company was conducted in 1998. As the two productions – coffee and fruit – are commercially complementary in this context, Cafés Folliet became the main partner of Les Vergers du Mékong, which was officially set up in 2000. By the end of the same year, the small factory was producing the first fruit juices, roasted coffees and artisanal jams for the local market.

A COUNTRY SUITED TO AGRI-FOOD PRODUCTION

The Mekong Delta is a highly fertile and densely populated geographical area: it has 18 million inhabitants for 40,000 km^2. A smallholder farms an average of three hectares – which he was given in the early 1990s with the new openness policy and the end of collectivism. These smallholdings remain a model of integrated development, with a very diversified and ecological production. In this huge tropical garden, the farmer plants a few fruit trees all around his rice paddies. This "fruit industry", which came about in less than twenty years, has become the best financial support for smallholdings. Over five million tons of fruit, from many different varieties, are now produced in the country throughout the year – half of which are in the Mekong Delta.

Thanks to an income per hectare that is often doubled or tripled compared to rice, the fruit producer can avoid rural exodus, stay on his farm and feed his family. It is in this context that Les Vergers du Mékong started working locally with a community of farmers. Between 2000 and 2018, the partnership gradually increased from a few loyal partners and collectors to over 2,000 partner family farms, for a volume of several thousand tons of fruit processed a year and over 25 different fruits and vegetables.

SHORT CIRCUITS AND CIRCULAR ECONOMY

As soon as it was launched, the company targeted the hotel and catering segments with its juices and jams marketed under the brand "Le Fruit", before extending its range to coffees and later to tea, under the brand "Folliet". To fight against imported products and faced with no distribution system in the country, the management opted for the "farm to fork" principle, in order to eliminate intermediaries and be close to the client.

> "Vietnam's geographical situation gives rise to a major issue of logistics – the country is 2,000 km long and bordered by the North Sea in the South. Consequently, it was necessary to structure a multimodal collection and refrigerated transport system."

The company's agricultural department, which is composed of agronomists and technicians, is working on three main areas to ensure the quality and availability of products for its processing plant. Firstly, contracting, with the identification of small producers and the formalization of long-term relations to guarantee year-round stable prices significantly higher than world prices. All forms of partnership are possible between the company and the fruit producers (purchase of all or part of the production, rental of orchards where the company handles all the production and the farmer is simply responsible for security, etc.). But the duration of the contract first and foremost relates to the confidence established between the two parties (some producers have been loyal since 2000). Secondly, the deployment of the highest agricultural standards, with the implementation of measures to support producers to ensure the use of the best seeds, inputs, and recycle waste to create compost which replaces chemical fertilizers. The implementation of these requirements gradually allows the deployment of Global Gap standards (The Worldwide Standard for Good Agricultural Practices), while the digitization of production processes – with the use of smartphone applications to record agricultural data – makes controls particularly effective. Thirdly, the logistical organization, as Vietnam's geographical situation gives rise to a major issue of logistics – the country is 2,000 km long and bordered by the North Sea in the South. Consequently, it was necessary to structure a multimodal collection and refrigerated transport system (boats, trucks), in a local context where the transport of fruit traditionally causes over 30% of losses. To increase control over the value chain, the company has set up its own marketing network, with agencies at each strategic point (five in Vietnam and one in Cambodia). Thanks to this integrated organization, Les Vergers du Mékong has recorded continuous and sustained growth since 2004. It has now ended up tackling the "distribution" segment and serving Vietnam's large number of hypermarkets and local shops.

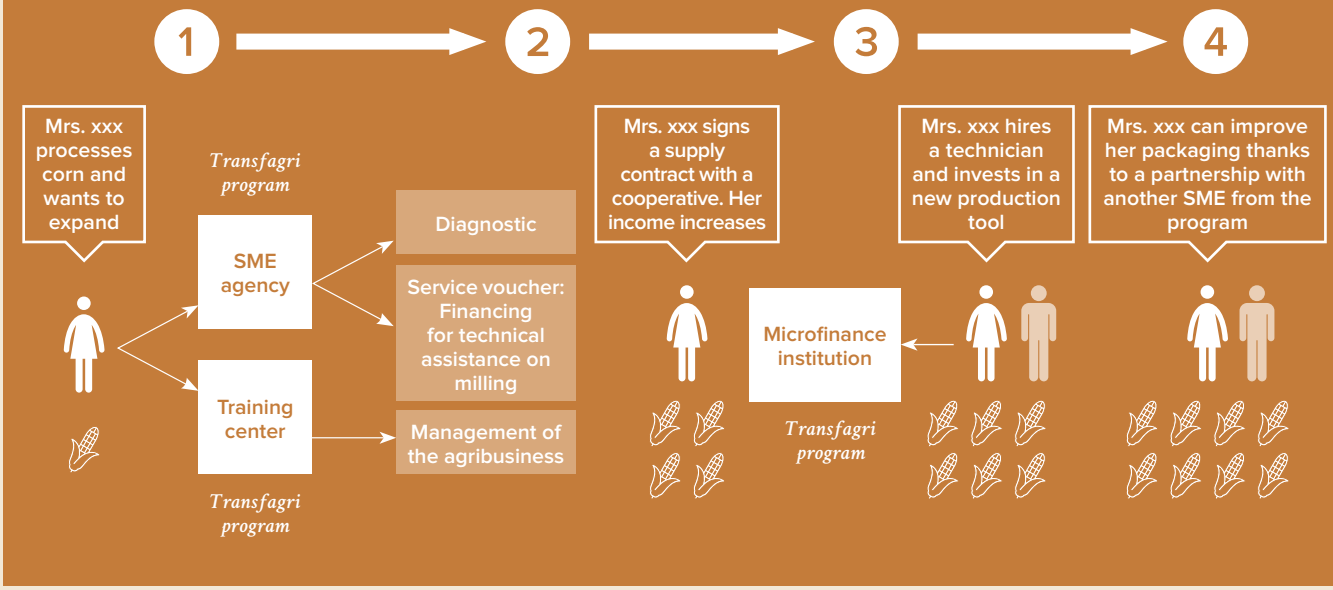
RESULTS AND PROJECTS

In 18 years, Les Vergers du Mékong has become the leader in its sector on the local market with its own brands, which are particularly reputed for their quality. The company's longstanding clients – hotel chains – have naturally led it towards exports: distributors act as intermediaries for the brands in Dubai, Singapore, Kuala Lumpur, Seoul, etc. The consumption of the company's products in the most prestigious hotels in the region is real recognition for the 170 employees of Les Vergers du Mékong, while the authorities are delighted by the image of Vietnam that the company conveys at international level.

Faced with the threats of climate change, which can especially concern the Mekong Delta, the company has already started setting up a fruit activity upstream from the river, in Cambodia, initially with the creation of an experimental farm. At the same time, an "organic" division has been set up to always focus on consumers' concerns. Les Vergers du Mékong is pursuing its growth by continuing to innovate. ■

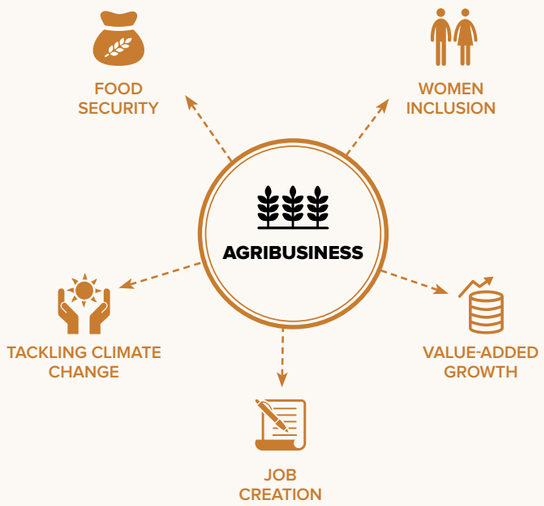
Transfagri: an ecosystem for SMEs processing agricultural products

The rural sector and agricultural product processing are central to Cameroon's development strategy. The country has adopted a number of instruments to promote the emergence of competitive agricultural SMEs, like the Transfagri project funded by the French Agency for Development (AFD). Transfagri creates a conducive environment (an "ecosystem") allowing a number of initiatives in Cameroon's rural sector to become more professional and expand: non-financial services (diagnostic, business plan, preparation for financing, organisation, quality), training and assistance for their financing (strengthening of microfinance institution networks, innovative financial products). Over 1,000 SMEs in six regions of Cameroon will be beneficiaries of this program coordinated by the Ministry of the Economy. A significant impact is expected on employment and incomes in the rural sector. The program's objective can be illustrated by a theoretical example:



Agro-industry - at the core of key challenges

Why financing agribusiness?



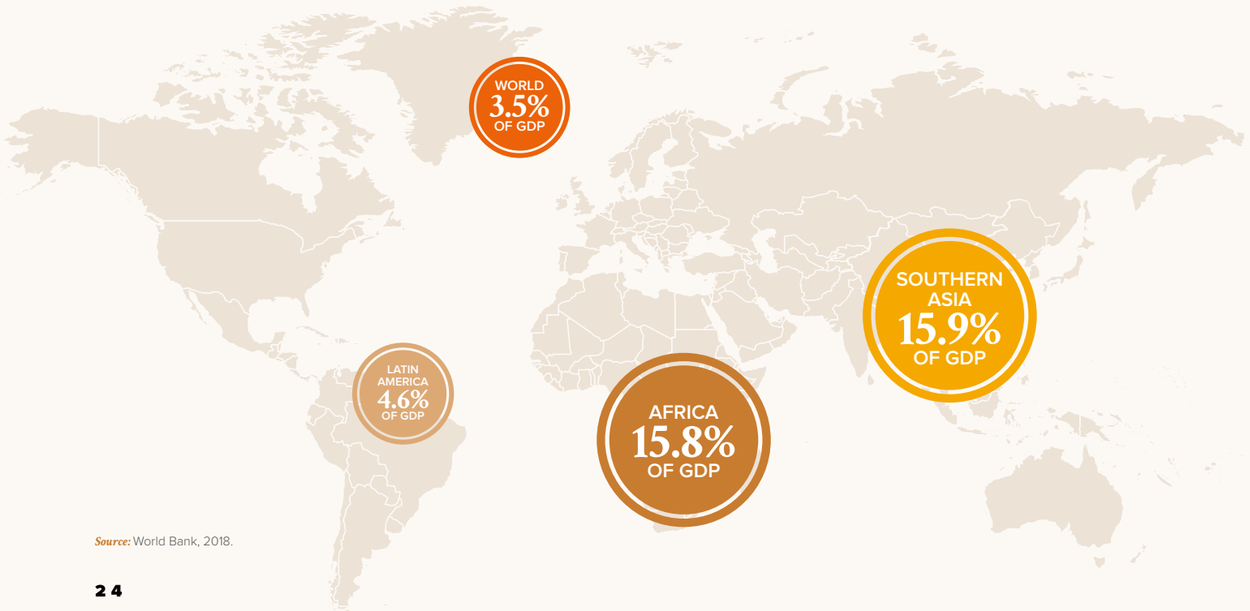
The vast majority of farms throughout the word are small family holdings

According to the FAO, 9 out of 10 farms throughout the world are run by families, i.e., nearly 500 million in total. This illustrates the predominance of family farming and the role it plays in global food security.

Source: Food and Agriculture Organization of the United Nations (FAO).

Agribusiness and value added

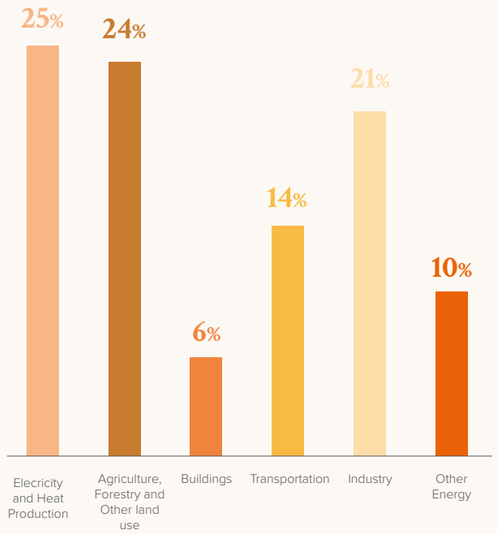
In 2016, agribusiness in the broadest sense (i.e., including forestry and fishing), represented 3.5% of global GDP. In Southern Asia the figure was 15.9%, compared with 15.8% and 4.6%, respectively, in Africa and Latin America.



Source: World Bank, 2018.

Agriculture and greenhouse gases: work still needs to be done

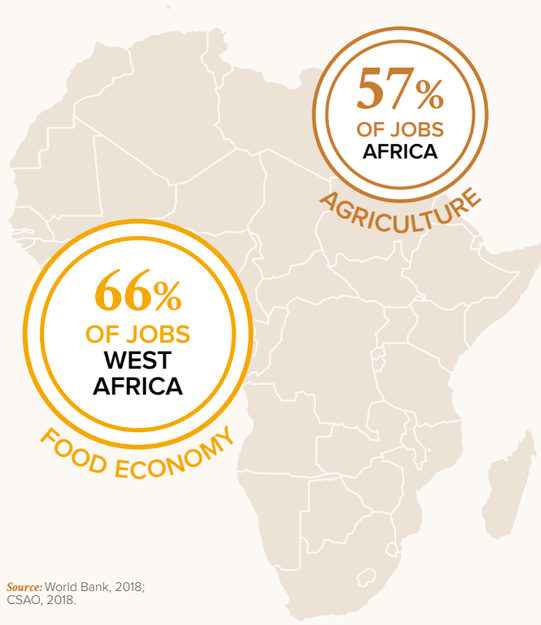
Agriculture is one of the World's biggest GHG emitters (24%). The main culprits? Farming and deforestation.



Source: IPCC, 2014

Agriculture is the main source of employment in Sub-Saharan Africa

For the Continent as a whole, 57% of jobs are concentrated in agriculture and in West Africa the figure is 66% (including all stages along the value chain i.e. production, processing, packaging, transport, distribution and retailing).



Source: World Bank, 2018; CSAO, 2018.

Agro-industry, a crucial sector

According to the World Bank, the food and agri-food sector absorbs almost US$ 5000 billion, or nearly 10% of global consumption. For Africa alone, the sector could grow to US$ 1,000 billion by 2030 (US$ 300 billion at present).

IMPORTANCE OF THE FOOD AND AGRIBUSINESS SECTOR THROUGHOUT THE WORLD

5,000 BD$

10% OF GLOBAL EXPENDITURE

IMPORTANCE OF THE FOOD AND AGRIBUSINESS SECTOR IN AFRICA

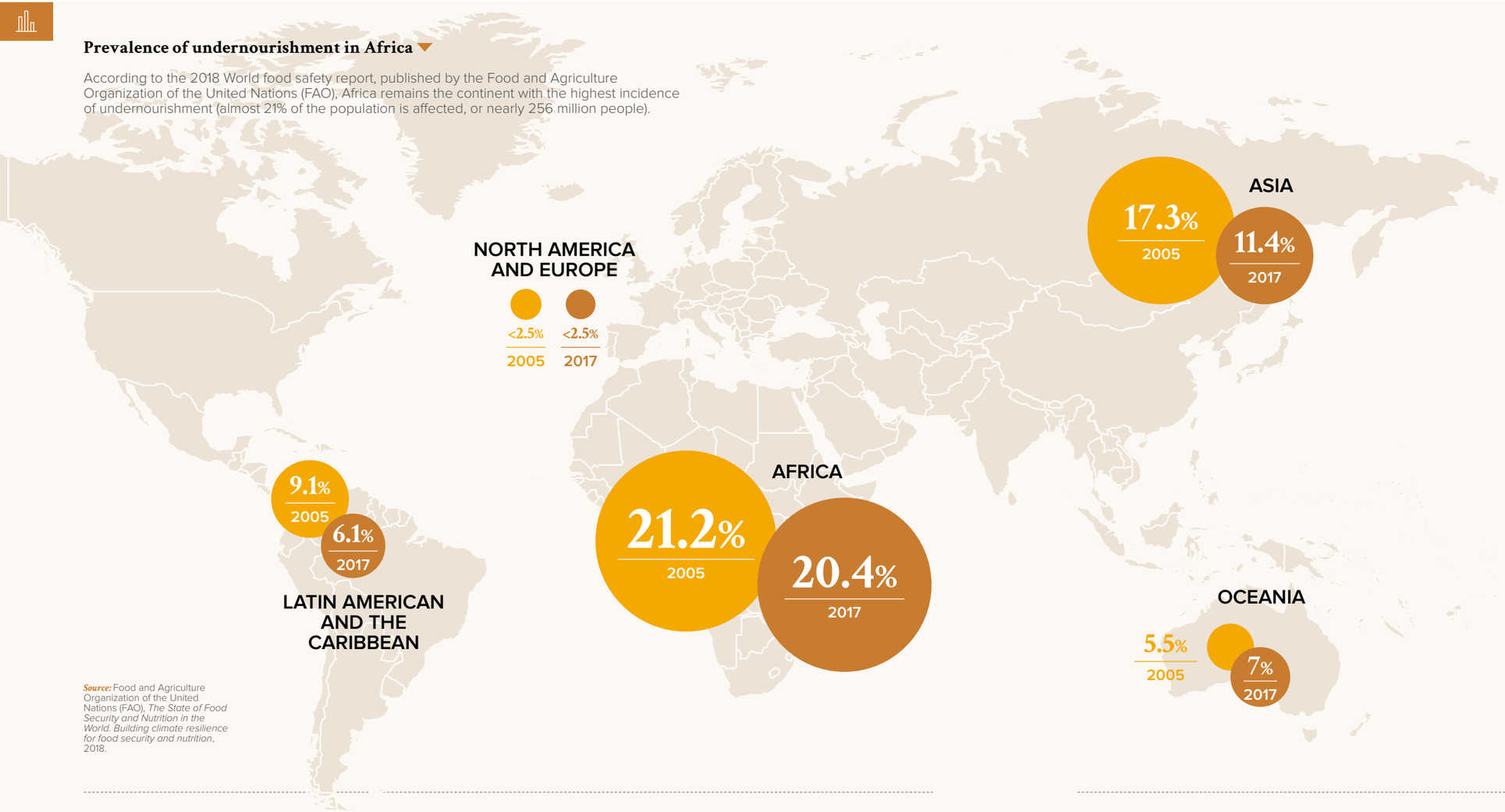
300 BD$
AT PRESENT

1,000 BD$
BY 2030

Source: World Bank, 2017.

Prevalence of undernourishment in Africa

According to the 2018 World food safety report, published by the Food and Agriculture Organization of the United Nations (FAO), Africa remains the continent with the highest incidence of undernourishment (almost 21% of the population is affected, or nearly 256 million people).

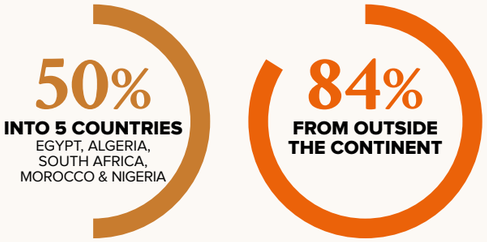


Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Security and Nutrition in the World. Building climate resilience for food security and nutrition*, 2018.

Africa, still dependent on agricultural imports

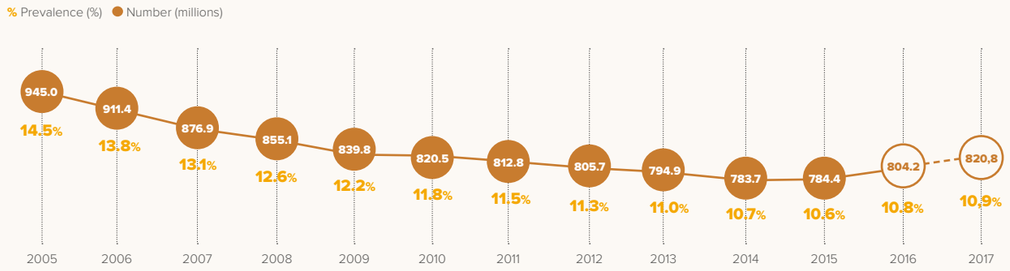
In 2016, according to the Trade Law Centre for Southern Africa (TRALAC), the Continent imported more than US$ 65 billion worth of food. This amount could rise to US$ 110 billion by 2025. Five countries (Egypt, Algeria, South Africa, Morocco and Nigeria) took in 50% of these foreign imports and 84% came from outside the Continent. The African private agri-food sector therefore still has to contend with stiff international competition.

FOOD IMPORTS INTO AFRICA



Source: Trade Law Centre (Tralac), *Africa'sfood trade*, 2017.

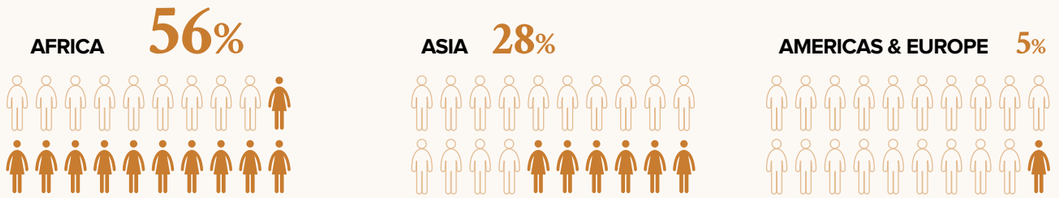
A recent increase in undernourishment



Source: Food and Agriculture Organization of the United Nations (FAO), *The State of Food Security and Nutrition in the World. Building climate resilience for food security and nutrition*, 2018.

What role for women?

According to FAO data, Africa has the highest proportion of women working in the agriculture sector: nearly 56% in 2017, versus 28% in Asia and 5% in the Americas and in Europe.



Source: Food and Agriculture Organization of the United Nations (FAO), *World food and agriculture - Statistical pocketbook*, 2018.

INTERVIEW WITH

"Investment in agriculture as a key poverty reduction lever"

Alain de Janvry, *Economist and Professor, University of California, Berkeley*
Elisabeth Sadoulet, *Professor at UC Berkeley and Ferdi*

The World Bank's World development report was first published in 2008. It was co-written by Alain de Janvry and Elisabeth Sadoulet among others and it highlighted agriculture as *"an essential development vector for achieving the Millennium Development Goals"* designed to halve the percentage of people suffering from extreme poverty and hunger throughout the World by 2015. Now, ten years later, the two co-authors revisit the lessons of this report.

PROPARCO: WHAT HAS CHANGED IN THE 10 YEARS SINCE THE *WORLD DEVELOPMENT REPORT* ON AGRICULTURE?

A. de Janvry & E. Saduolet: The report's key finding was that agricultural countries in which the bulk of the poverty is concentrated in the rural sector – which is generally the case in African countries – need to invest more in agriculture and in agro-industry in order to harness all of that sector's potential to reduce poverty. In 2007, only 3 African countries were investing over 10% of their public expenditure in agriculture (the minimum recommended by the CAADP[1]). This figure had risen to 10 in 2009 just after the world food crisis, but today it has dropped to 2.

> "The challenge is to invest more in agriculture but to do so more effectively than in the past to get governments interested."

And yet, investing in agriculture can be highly profitable and constitute a key lever for reducing poverty which remains overwhelmingly rural and agriculture-related. This observation is reinforced by the poor prospects for low-skilled, labour-intensive industrialisation which is being thwarted by robotisation and the repatriation of high-tech industries to countries with the requisite technological capacity. The challenge is to invest more in agriculture but to do so more effectively than in the past to get governments interested.

1 ▸ The Comprehensive Africa Agriculture Development Programme (CAADP) is Africa's policy framework for agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity.

WHAT ARE THE RECOMMENDATIONS FOR BOOSTING SMALLHOLDER COMPETITIVENESS?

One potentially convincing way of investing more effectively in agriculture is to ensure the competitiveness of smallholders within value chains both in the domestic and international markets. This "competitiveness" approach is considering the end market (the effective demand) as a starting point, before moving upsteam and build a profitable value chain that will generate technological or practice change at the farmers level. In doing so, it replaces or rounds out the traditional approach based around promoting technical change by tackling the constraints that hamper adoption – instead of creating demand-based adoption incentives – and which has displayed its limits given the stagnation in food crop yields and the use of chemical fertilizers in Sub-Saharan Africa.

This approach has demonstrated its ability to promote smallholder competitiveness and boost incomes but remains under-utilised, notably due to insufficient expertise. Indeed, it requires a concerted effort between public bodies (notably to provide infrastructure and the legal system), private sector (to ensure the setup of contracts securing access to inputs, credit, insurance and technical assistance) and civil society (to transmit the necessary capacity and discipline for contractual relations to producer organizations).

> “Development finance institutions may intervene at different levels using their full range of solutions, i.e., financing dominant private operators within a value chain [...] or helping to boost the organisational capacity of smallholders and their access to capital, especially human capital.”

WHAT MUST TECHNICAL AND FINANCIAL STAKEHOLDERS LIKE DEVELOPMENT FINANCE INSTITUTIONS DO TO MAKE THIS HAPPEN?

There are many ways in which smallholders can participate in the value chain and in contractual arrangements. Effective coordination between stakeholders is absolutely essential for an efficient and inclusive value chain. Development finance institutions may intervene at different levels using their full range of solutions, i.e., financing dominant private operators within a value chain who have an interest in taking on a coordinating role given the potential social benefits, or helping to boost the organisational capacity of smallholders and their access to capital, especially human capital.

Because success is difficult to achieve and sustain and big question marks remain over the best way of tackling the problem for different products and specific contexts, more research is essential. We need to experiment more than ever with alternative management models in a way that is useful for both decision-making and action. It is the findings of such research that could convince governments that investing in agriculture has genuine economic and societal benefits. ■

Complementarity between agro-industry and smallholders in Sub-Saharan Africa

Bertrand Vignes, *Director of the Natural Rubber Unit, SIFCA Group*

By providing jobs, technical assistance and developing projects for village communities, agro-industrial groups strengthen their economic and social well-being – and can complete their production with that of smallholders. This complementarity is rooted in the Ivorian model, initiated by national companies and then embraced by SIFCA, and should be supported by lenders and governments, in particular through loans and tax measures.

The agricultural model adopted in Côte d'Ivoire for rubber, oil palm and sugar cane growing is based on the balance between industrial plantations and outgrowers.

Industrial plantations launch the activity, by providing in-house expertise, and capacity building. With the help of research centers, they define the plant material and the plantation and farming techniques most suited to the context.

> "Industrial groups generally also need the production of village growers to reach the critical size to allow them to justify or optimise processing plants."

However, industrial groups generally also need the production of outgrowers to reach the critical size to allow them to justify or optimise processing plants. Consequently, they directly and actively support private growers: they train them, supply them with plant material and provide them with the necessary technical assistance. They sometimes rely on the government to facilitate the contractual relationship they establish with the growers (in Ghana, for example), or to formalise the technical assistance (as is the case with FIRCA in Côte d'Ivoire). Village and industrial plantations are therefore complementary.

THE CHALLENGE OF ACCESS TO FINANCING AND REGULATORY MECHANISMS

Development financial institutions (DFIs) have historically had a major impact on the creation of certain value chains by supporting, the first plantation projects, alongside agro-industrial groups. Individual initiatives have mushroomed through a knock-on effect. This is particularly the case in Côte d'Ivoire for rubber, where the projects initially financed in the 1980s accounted for a few thousand hectares, while those which were subsequently directly handled by growers account for several hundreds of thousands of hectares.

With no access to financing, the very small growers cannot develop new surface areas or increase their yields.[1] Agro-industrial companies cannot single-handedly provide this financing, especially in a context of growing competition and with no state supervision or regulation. Industrial groups cannot supply advances in kind (inputs, plant material) with future repayment by taking part of the production, if there is a risk that the latter will finally be delivered to a third party. DFIs, for their part, do not wish to bear the credit risk. In addition, as land titles are scarce in West Africa, the borrower is unable to provide a guarantee.

Today, while agro-industrial group need financing facilities from DFIs, it also needs regulatory and fiscal support from governments. For example, without strong fiscal incentives in Côte d'Ivoire, there will continue to be an insufficient number of industrial rubber processing facilities and the raw material will be exported to Asia – depriving the country of highly precious added value. Land reforms, such as those carried out in Côte d'Ivoire, are crucial for the development of village plantations: for example, by regularising informal situations, land can be used as collateral, in the event of borrowing.

FOCUS
SIFCA

SIFCA was set up in 1964 and is one of the leading integrated agro-industrial groups in West Africa. The company is based in Côte d'Ivoire and works on the production, processing and distribution of cane sugar, palm oil and natural rubber. SIFCA employs over 33,000 people in Côte d'Ivoire, Ghana, Nigeria, Liberia and Senegal. It sources its raw materials from over 110,000 smallholders.

CREATING AREAS OF SUSTAINABLE PROSPERITY

Industrial plantations – "areas of sustainable prosperity" – must bring about economic and social development for neighbouring communities. In return, having extensive crop areas requires helping the communities to also have access to sustainable prosperity.

SIFCA Group addresses all the subjects which incorporate decisively sustainable development, respecting the rights of communities: working and employment conditions in general, child labour in particular, resource efficiency and agrochemical inputs, respect of land rights, stakeholder engagement, etc. →

> "Today, while agro-industrial group need financing facilities from lenders, it also needs regulatory and fiscal support from governments."

1 ▸ For example, the 150,000 hectares of oil palm village plantations in Côte d'Ivoire could undoubtedly double their yield if loans were available for growers.

For communities, the creation of direct and indirect jobs undeniably generates immediate social and economic benefits. However, in an African rural context, these benefits are not sufficient. They need to be combined with other positive impacts. Consequently, community development programmes relating to Corporate Social Responsibility (CSR) policies are essential. They make a significant contribution to improving access to education, health, or creating local infrastructure. These programmes cannot, of course, singlehandedly guarantee the economic self-sufficiency of communities. Agro-industry must therefore contribute to local sustainable development by promoting smallholder production and offering it outlets – for example, by providing it with access to processing plants.

> “Moving towards food self-sufficiency is a tremendous challenge and notably within a context of rapid population growth.”

Finally, agro-industry is often wrongly accused of only producing export crops. Whereas, in the case of SIFCA Group, one of its three activities is effectively based on a product intended for export (rubber for industry), whilst the other two (palm oil and sugar) are exclusively intended for the local food market. Moving towards food self-sufficiency is a tremendous challenge, notably within a context of rapid population growth.

RESPECTING ENVIRONMENTAL PRINCIPLES

Deforestation has become a major challenge for agro-industries and their inter-branch organisations. SIFCA has made a public commitment to “Zero Deforestation” but this engagement cannot be confined solely to the group’s concessions. It is also essential to ensure that smallholders do not clear forests. For example, PALMCI and SAPH in Côte d’Ivoire and GREL in Ghana conduct communication and monitoring actions among growers. Michelin, which is concerned about the origin of its raw materials, has developed a barometer named “Rubberway” to assess compliance with the key principles of CSR in its supply chain. SAPH and GREL have adopted this system. But the surface areas that need to be covered and the number of stakeholders are considerable. While the increasing development of technological tools (geomatics,[2] in particular) allows this requirement to be addressed more effectively, supporting and supervising growers in this field is a major challenge for the agro-industry.

When there is no deforestation, the carbon footprint of perennial village crops (rubber, oil palm, cocoa) in humid tropical areas becomes positive. In the case of rubber, it is recognised that a hectare captures an average of eight tons of CO_2 a year. Furthermore, if we consider that natural rubber avoids the use of synthetic rubber from fossil fuels, the use of a ton of natural rubber generates a total gain of 17 tons of CO_2. Consequently, for a hectare of rubber planted on fallow land producing 1.5 tons per hectare a year, a grower avoids the emission of some 25 tons of CO_2 a year.

2 ▸ Which concerns the collection, processing and dissemination of geographical data.

Solutions are under preparation to reclaim the biomass generated at the end of the plantation cycle. SIFCA Group owns a palm oil refinery (SANIA in Côte d'Ivoire) which is energy self-sufficient thanks to the rubberwood chips from SAPH. On a larger scale, the BIOKALA project, currently under development by SIFCA and EDF, is based on the construction of a thermal power plant which will be supplied by palm waste (end-of-life palms and trunks). Finally, in the case of rubber, it involves exploiting the end-of-life wood to produce construction lumber, replacing forestry resources. These development options are also opportunities for growers (the biomass or construction lumber is bought from them), which will, for example, allow an old plot to be renewed.

EXPORTING THE IVORIAN MODEL

The model based on the complementarity of industrial and village plantations, has worked in Côte d'Ivoire, and could be exported within the subregion. The development of rubber outgrowing in Ghana is the result of coordination between three key players: the government, the industrial company (GREL) and the DFI (AFD). If the approach has been a success, it is also due to the fact that there have been no competing processors in the area: the delivery of the village production and the repayment of loans was guaranteed. Today, this model is undermined by the export of raw materials to Asia, which the government has not yet regulated.

The performance of agro-industry becomes even more effective (and therefore so does the regional impact) when it is on a larger-scale. The scale effect is essential. Processing plants need to be large enough to ensure a reliable and competitive industrial process, compatible with market requirements. Furthermore, there is a critical size which allows new production areas to be created by using the existing internal resources and expertise. This is, for example, the case with SIFCA Group, which uses its structures in Côte d'Ivoire to gradually develop oil palm and rubber plantations in Liberia. But beyond Liberia, a number of other African countries have major development potential. It is therefore possible to apply the Ivorian model to a number of contexts.

“The model based on the complementarity of industrial and village plantations, has worked in Côte d'Ivoire, and could be exported within the subregion.”

Various examples show that responsible agro-industry provides and promotes extensive agricultural smallholders' development. We are thus convinced that in order to improve the standard of living in the Sub-Saharan region, as well as curb rural exodus and migrations, one must support agro-industrial development. ■

INTERVIEW WITH

"As you are encouraging the farmers to grow tea, you must be able to give them extension services"

Lerionka Tiampati, *Group CEO, Kenya Tea Development Agency Holding Ltd (KTDA)*

At the head of the Kenya Tea Development Agency (KTDA), Kenya's leading tea producer and exporter, Lerionka Tiampati discusses, for the *Private Sector & Development* review, the successes and challenges posed by its cooperative economic model. This is an excerpt from the interview he gave us. The entire interview will be published on the *Private Sector & Development* blog.

FOCUS
KTDA

The Kenya Tea Development Agency (KTDA) is the leading tea exporter in Kenya. Founded on a cooperative model, the KTDA model is unique in the world: over 600,000 small planters own 54 Tea Companies, which provide 60% of the country's total production. The Tea Companies are in turn direct shareholders and owners of KTDA Holding, a service provider which operates throughout the value chain with various subsidiaries responsible for logistics, sales and distribution, technical assistance to planters or micro-credit services.

PROPARCO: KTDA IS PARTICULARLY KNOWN FOR ITS COOPERATIVE BUSINESS MODEL. CAN YOU TELL US MORE ABOUT ITS ORGANISATION?

Lerionka Tiampati: KTDA was set up before Independence, in the 1960s. Around this time, there were very few indigenous people growing tea so we had to develop land, growing from 2,000 hectares to the 140,000 ha we have today. It has been our work to go in and encourage farmers to start growing tea. Currently, we have 600,000 tea producers, all of whom own their parcels of land. They grow the tea on their farms, and they deliver their tea to one of the 3,200 buying centres. Each buying centre receives a certain number of farmers, who bring their leaves to be graded, weighed and then transported to the factory, where processing takes place.

Farmers are members of the buying centres and the factories, and the vast majority of them are also owners of the tea factory. At the buying centre, they elect a team of five people – a chairman, a secretary, a treasurer and two members – to manage the farmers' issues. The factory's catchment zone is divided into six electoral areas and the farmers of each area elect one of their own to be the director of the KTDA tea factory. Thus you have six directors elected by the farmers from each area. That's why you find several farmers of the buying centres sitting on the factory board.

KTDA PROVIDES A RANGE OF SERVICES TO TEA PRODUCERS. COULD YOU TELL US MORE ABOUT THESE SERVICES AND KTDA'S MOTIVATIONS IN MAKING THEM AVAILABLE TO PRODUCERS?

As you are encouraging the farmers to grow tea, you must be able to give them extension services. For example, who would otherwise go to the farmer to explain about tea husbandry, about land preparation, layout or tea nursery? And then afterwards, who would explain how to plant, how to grow tea, how to use fertiliser and finally how to pick quality tea leaves? KTDA also provides tea collection services for its producers. Each factory has about 8 or 10 trucks, which go out every morning to different catchment areas to collect the green tea leaves. When you provide your own leaf collection services it also reduces the cost and gives you the convenience of being able to control the quality and the speed at which it is delivered to the factory.

Once the tea is processed and sold, the farmer is then paid for the green leaf tea delivered into his/her nominated bank account through the KTDA system. In parallel, we are also now able to extend credit to the farmers through our subsidiary, Greenland Fedha, should they require access to finance for school fees, medical or other needs.

TO WHAT EXTENT DOES THE KTDA MODEL CREATE SHARED VALUE ALONG ITS SUPPLY CHAIN?

In most years, the farmer is paid around 75% of the actual price realisation, with 25% attributable to the cost of production/manufacturing. From this 75%, the farmers will deduct their farming costs, primarily fertiliser and labour, leaving between 30-50% as a net return.

In order to reduce the cost of production and enhance efficiency, KTDA has invested in various subsidiaries along the tea value chain. These subsidiaries pay a dividend to KTDA Holding when they declare a profit.

When KTDA declares a profit, it then pays dividends to its shareholders, who are the tea factories. Tea factories will then declare their profits and pay dividends/bonuses to their farmers for their green leaf. This is thus the part of the value chain that goes back to the farmer.

The factories use a lot of energy in their operations. In order to reduce energy costs for the factories, KTDA has invested in an energy power subsidiary which helps the tea factories set up mini-hydro projects. The projects are funded through equity and debt and once the loans are paid back within five to seven years, the price of electricity will be decreased. This saving will then reflect in the cost of production of the plants and this benefit will then accrue to the farmers.

As I mentioned above, we also have a micro-finance company, Greenland Fedha. We lend farmers money, with the goal to ensure that they have easy access to credit. One of the biggest problems that we see today is that many farmers do not have the necessary collateral needed to access credit to pay their school fees or medical costs, for example. Again, when the microfinance company makes a profit, in the same way, this comes back to KTDA, and then from KTDA to the tea factories, and from tea factories to the tea farmers. Each of our subsidiaries contributes, across the value chain, to the profitability and the final welfare of the tea farmers.

> “In most years, the farmer is paid around 75% of the price realisation, with 25% attributable to the cost of production/manufacturing.”

WHAT ARE THE DIFFICULTIES ASSOCIATED WITH YOUR MODEL?

When you are dealing with 600,000 farmers and close to 3 million household members across the country, governance issues can become a real challenge: How do you organise such a large number of people and ensure that farmers elect the right people as factory directors? Governance is a very important aspect for us, in other words, making sure that the right kind of people are elected, that they are accountable to the farmers, and are doing the right thing, while upholding the laws of the land.

The other key issue is communication, ensuring that you disseminate useful information to all the tea producers. When tea prices crash, like they have done this year, how do you communicate this information so that the farmers understand that market forces and environmental factors influence their returns? ■

Under what conditions do labels support development? The example of coffee

Sylvain Ly, *Co-founder, Basic*

The coffee sector, a source of income for 25 million producers around the world, is faced with social and environmental challenges which have led to it being a focus of attention for certifications and labels related to societal improvements. It is therefore an ideal area for addressing the issue of the impacts that these initiatives have on producers' living conditions and the environment.

FOCUS
BASIC

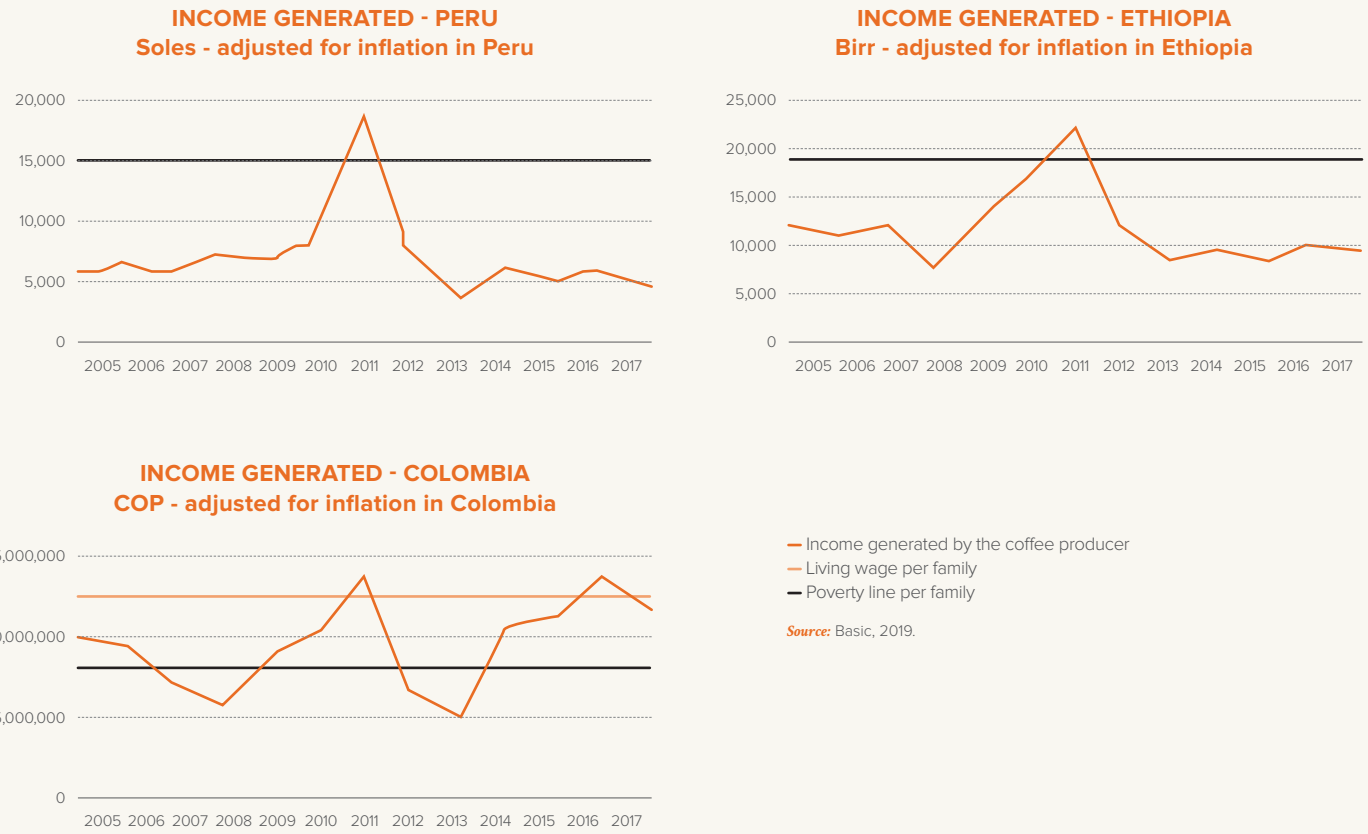
The Bureau for Appraisal of Social Impacts for Citizen information (BASIC), which was set up in 2013, appraises and analyzes the impacts and societal costs generated by economic activities. Its action has several aims: strengthen the expertise of civil society players working for social and ecological transition; contribute to making information in these areas accessible and transparent; participate in and/or develop multi-stakeholder platforms on sustainability issues in business sectors and industries.

At the start of the 21st century, the history of coffee is first and foremost the history of a global marketing success story: over two billion cups of coffee are consumed every day, generating a turnover close to USD 200bn a year. Over the past 20 years, the success of pods and capsules has enabled established sector leaders to significantly increase their sales: for example, the added value created in France by roasters and supermarkets more than doubled between 1994 and 2017 to EUR 2.6bn.

> "The added value created in France by roasters and supermarkets more than doubled between 1994 and 2017 to EUR 2.6bn."

This additional wealth creation primarily benefits the 3 multinational companies (Nestlé, JDE and Lavazza) which now account for 81% of sales – a percentage that "only" stood at 70% ten years ago. The downstream industry is thus characterized by a growing concentration, which also concerns traders: in 2013, the five main traders managed some 40% of global trade. This results in an ever-increasing power asymmetry which benefits roasters and traders and weakens the bargaining power of producers. It also partly accounts for the fact that there is no trickle down of economic value throughout the value chain. In 20 years, roasters and distributors have gained an additional EUR 1.2bn from their annual coffee sales in France, against an additional EUR 64m for producers and traders. Over the same period, the income earned by producing countries has fallen from 24% of the retail price of a packet of coffee to 16%.

Changes in income of Peruvian, Ethiopian and Colombian coffee farmers and comparison with the poverty line



Source: Basic, 2019.

GROWING SOCIETAL IMPACTS EXACERBATED BY CLIMATE CHANGE

Yet most coffee growers are currently experiencing a deterioration in their living and working conditions. They are faced with regular declines in world coffee prices and an increase in production costs related to labor and input costs, are dependent on their buyers, and also suffer from a critical lack of cash flow. For example, in 2017, Peruvian and Ethiopian producers earned an income 20% lower than 12 years earlier once adjusted for inflation, keeping them below the poverty line **(figure ↑ above)**. The result: problems of malnutrition, illiteracy and even child labor are seen among families who grow coffee, with their impoverishment fueling migration and drug trafficking on a wider scale.

Other alarming trends include the increase in environmental pollution related to the use of chemical inputs, and the deforestation resulting from the expansion of coffee growing and the intensification of agricultural practices. These trends are taking place in a context of the growing impacts of climate change on coffee production, especially for Arabica: the yields and quality of harvests are regularly affected, with an increase in production costs and a reduction in producers' incomes. →

A NUMBER OF ALTERNATIVES... WITH MIXED RESULTS

The sustainability of the coffee sector is consequently called into question. Although it was one of the first sectors to be subject to labelling processes (to ensure better living and working conditions for producers or compliance with environmental criteria), only 10% of the coffee produced is currently certified and there are mixed results in the field.[1] In the coffee sector, the main social and/or environmental specifications are for organic farming, fair trade (Fairtrade International, "Símbolo de los Pequeños Productores", Fair For Life, etc.), and "sustainable" labels developed by Rainforest Alliance and UTZ Certified (which merged in 2018). There are also internal private standards set by companies, such as 4C's code of conduct, Nespresso's AAA program and Starbucks' C.A.F.E. practices.

The principles and guarantees related to these initiatives vary enormously: reduction in environmental impacts and compliance with International Labour Organization (ILO) conventions for "sustainable" labels and internal standards; minimum price guarantee, collective bonus and democratic organizational principles in addition to the previous requirements in the case of fair trade, a ban on pesticides for organic farming, etc.

On the production side, while it is difficult to objectify the impacts of the processes mentioned, there are impact studies on organic farming and fair trade which show an improvement in producers' incomes and bargaining conditions, as well as a mitigation of impacts on the environment.

"Sustainable" labels and internal specifications suffer from a lack of independent evaluation of their impacts (beyond specifications), making it impossible to determine the tangible benefits which can be attributed to them.

On the consumer side, the vast number of labels tends to complicate responsible purchasing approaches.

"There are impact studies on organic farming and fair trade which show an improvement in producers' incomes and bargaining conditions, as well as a mitigation of impacts on the environment."

1 ▸ Fair trade and sustainable labels certified by an independent third party. Internal private standards are not taken into account in this total.

WHAT DRIVERS TO IMPROVE IMPACTS?

Research works identified the drivers that could optimize the positive impacts of certifications and labels enabling sustainable development in rural areas.

Firstly, producers' incomes and the distribution of value is a key issue. Indeed, under-remuneration causes many of the social impacts (malnutrition, illiteracy, rural exodus, etc.) and environmental impacts (use of inputs to maintain/increase production and compensate for low prices) observed. The minimum price set by fair trade shows that industry players can extricate themselves from the international price-setting approach. Fair trade is, however, currently failing to influence the distribution of value. In the case of coffee, a better distribution of value would allow most producers to rise above the poverty line they remain trapped under.

Another issue is the capacity of the producers in question to sell their entire certified production under the corresponding trade conditions, which is often not the case due to the lack of sufficient demand – for example, in the case of fair trade, two-thirds of certified coffee are sold as "conventional" coffee. In addition to the increase in volumes sold *via* actions to raise awareness among consumers and economic actors, certification systems need to systematically include: the collective organization (cooperative, association, etc.), which provides the conditions for solidarity between producers and ultimately benefits the entire community; the issue of access to (pre)financing at certain periods of the year to ensure harvests and the maintenance of plots.

> "Producers' incomes and the distribution of value is a key issue. Indeed, under-remuneration causes many of the social impacts observed."

Certifications and labels would also benefit from considering how they are coordinated with public regulation policies, in producing countries and consumption countries, rather than positioning themselves as autonomous systems intended to make up for the current shortcomings of national institutions, as stated by certain labels. For example, the role of the Colombian State, via the "Federacion National de Cafeteros" (FNC), in maintaining the incomes of coffee growers demonstrates the potential leverage effects for public authorities on which the alternatives could capitalize in order to scale up their impacts.

Some associations between certifications would appear to strengthen the impacts of each system: fair trade, combined with organic farming, achieves greater impacts on incomes and the environment. This is, for example, what has been seen in Peru, via the preservation of the agroforestry model. These complementarities should be integrated more into development strategies of responsible initiatives.

Finally, a major challenge for social and environmental certifications and labels lies in creating the conditions for complete transparency in their results and an independent monitoring of the impacts of their processes. This would strengthen the support of all stakeholders (consumers, economic actors, producers, institutions). ■

Management of land and gender related challenges: harbingers of change

David Bledsoe, *Senior Attorney, Resource Equity*

Developing agroindustry entails changes in land use and ownership. Best land-related practices can help investors avoid harmful impacts on individuals (both women and men), households and communities. Best practices can give a voice to those often precluded – especially women – from being heard and participating meaningfully in land deals. Plus, when investors need land expertise to implement best practices, civil society can often collaboratively offer the needed talent and local knowledge.

Agro industrial development can involve transactions on vast tracts of land. Between 2000 and 2016, the Landmatrix database recorded more than 700 land deals in Africa and Asia covering 15 million hectares.[1] In many of these deals, local communities were not included in negotiations, mostly due to a lack of formal titles and because informal and customary rights were either not identified or recognised. Many of these land investments adversely affected communities' livelihoods and cultural landscapes, as well as sometimes igniting violent opposition to projects. The outcomes for investors can include reputational risks, operational problems, and decreasing investment returns.

HEED GUIDANCE, AVOID PITFALLS

Individuals and communities can be harmed when investments are not made according to best practices. Women and girls can bear a disproportionate share of the risks and negative impacts, and tend to be less likely to benefit from the economic and employment opportunities.

The primary household impact is a loss of livelihood caused by displacement from the land, with the displaced population receiving no or insufficient compensation. Plus, investments can also drive changes to household land use when they prompt a shift to cash cropping from subsistence or local market crop production. This can lead to a general decline in household well-being when earnings are not spent, for example, on nutrition, health and education.

FOCUS
RESOURCE EQUITY

Resource Equity was founded in December 2014 as a women-run, women-first non-profit. It focuses on gender issues related to land and resource rights. Resource Equity works with other organisations worldwide to advocate for social, legal, and policy change that enables women to have secure rights to land. Resource Equity also develops the capacity of others to do this work around the world.

1 ▸ https://landmatrix.org/media/filer_public/ab/c8/abc8b563-9d74-4a47-9548-cb59e4809b4e/land_matrix_2016_analytical_report_draft_ii.pdf

GIVING WOMEN A VOICE

Proper assessment and compensation of the social impact of land acquisition for agricultural projects involves identifying all land users and their rights to the land. Some local regulatory frameworks do not reflect traditional and informal rights. Even when customary norms and practices are recognised by national governance frameworks, some rights holders -- especially women – can be excluded when land transactions occur.

Investments that focus on the community or the household when designing compensation for the loss of land and livelihood can wrongly cut women out of the picture. In many cases, they are excluded from owning land, with the rights being allocated to men as the heads of households.

Hearing from women – who often have little role in community governance – usually requires a more concentrated effort than just inviting them to meetings. Consultations on land deals must involve ongoing assessments of how women can access and participate in discussions and decision-making.

> “Investments that focus on the community or the household when designing compensation for the loss of land and livelihood can wrongly cut women out of the picture.”

As women are often unrecognised as rights holders, a critical question should be: “Who uses this land and gains value from it?” Asking the right questions will ensure women’s work on the land and their use of it is made more visible, and therefore makes it more likely that their voices will be heard during decision-making processes.

BEST PRACTICES - THE RISE OF INTERNATIONAL FRAMEWORKS

Yet investors and industry have never before been better positioned to make socially responsible land investments. Best practices for equitable, transparent, mutually beneficial/multilateral benefit-sharing and less- risky deals are now better understood than ever. National governance frameworks and their implementation are improving as well. The FAO Voluntary Guidelines have served as an influential benchmark for over six years. Other international standards (e.g. IFC Performance Standards, UN Guiding Principles on Business and Human Rights), including commodity standards (e.g. RSPO for palm oil) and implementation guides (including those developed by the FAO, AFD & CTFD, the Interlaken Group, and others) are available and highly informative. The guides are remarkably consistent and comprehensive. →

> “Asking the right questions will ensure women’s work on the land and their use of it is made more visible, and therefore makes it more likely that their voices will be heard during decision-making processes.”

> “Investors should identify and recognise statutory, customary, secondary, seasonal, and other uses and rights, with a particular and critical focus on women.”

The standards and guidance describe the best practices needed for socially responsible investment in land. First, consultation and engagement between companies and local men, women, and communities (and government) should focus on including and hearing women's voices when it comes to the use and rights of land and natural resources. Second, investors should identify and recognise statutory, customary, secondary, seasonal, and other uses and rights, with a particular and critical focus on women. Moreover, potential direct and indirect environmental, social, human rights and gender impacts should be assessed and adverse impacts should be avoided or, at a minimum, mitigated. The value of foregone livelihoods and other compensation requirements, including resettlement where necessary, should be assessed, with the goal of providing full, fair and equitable compensation at the individual, household and community level. This entails careful consideration of all land uses and interests and a focus on equitable outcomes for women. A level playing field should be created, with transparent negotiations, and fair agreements between communities (including women, men and households), investors and governments. This means that projects should be designed, implemented, monitored and evaluated to ensure that agreements are implemented and enforced, and that remedies for breach and non-performance are available. Dispute resolution systems provided by the state should be supplemented by investment-specific grievance mechanisms, which should be accessible, certain, sustainable and effective in delivering remedies. These should be accessible to women and should facilitate their ability to articulate complaints and obtain redress. In support of these practices, community and individual capacity should be built to enable women, men and communities, to understand and participate in a meaningful way. An emphasis on women is always required to reach and benefit them.

> “Investors who embrace best practices in agricultural land acquisitions are more likely to earn and maintain their social licence. They can do so by applying the practices in a way that reflects local realities and that makes the most of local talent.”

CIVIL SOCIETY HAS A KEY ROLE TO PLAY

For some businesses and investors, implementing best practices can be challenging. Many national and regional companies are often unaware of them, and national government frameworks may not call for them. Another hurdle is the lack of available expertise and experience – grounded in emerging-market geographic experience – in legal, social and livelihood issues linked to land and gender. Even lenders and companies that have committed to best land practices face challenges in filling the expertise gaps. Such services are rarely offered by traditional corporate service providers (accounting, legal, labour, health and safety, environmental).

One path to obtaining this much-needed expertise is to collaborate with local civil society organisations (CSOs). Their existing missions and programs often make them good candidates to work with both private sector and government to identify and clarify women and men's rights and interests, facilitate their meaningful input to land and resource investments and support increased accountability and parity in negotiations. They can also monitor and enforce the terms and conditions of agreements between businesses, land and natural resource rights holders.

"Another hurdle is the lack of available expertise and experience – grounded in emerging-market geographic experience – in legal, social and livelihood issues linked to land and gender."

Investors who embrace best practices in agricultural land acquisitions are more likely to earn and maintain their social licence. They can do so by applying the practices in a way that reflects local realities and that makes the most of local talent – CSOs can be an important resource. Doing this will call for a significant ESG effort, all whilst maintaining a strong focus on women. ■

By Marie Garcin and Jean-Baptiste Jouve, *Investment Officers at Proparco*

This issue of *Private Sector & Development* aims to demonstrate that the agro-industry, even if it sometimes brings up *"negative externalities affecting the environment and small producers" (p. 9)*, can be a major driver for development

Beyond food security issues (agricultural production needs to increase by 50 to 70% by 2050), agriculture and the agro-industry are essential in reducing poverty, which remains still highly rural, and in accelerating growth. The agro-industry first of all makes it possible to structure value chains, as explained by SIFCA on palm oil in Côte d'Ivoire or rubber in Ghana, and plays a key coordination role in improving the competitiveness and standards of the sector. Furthermore, the food processing industry increases national added value by promoting local products. This is the case with Les Vergers du Mékong, which stabilises small producers' incomes and, indirectly, maintains populations, thereby reducing rural exodus and emigration. In addition, this food processing industry is essential for supplying cities whose development generates a strong local demand for processed food products.

However, very often, agro-industry is not simply limited to the processing of products. This justifies the choice in this publication of a broader definition of the concept, which includes packaging, distribution and related services. Its driving role is thus found right at the beginning of the value chain, with the investment of agro-industrial companies helping small producers access inputs, technical expertise, market information and financing. Agricultural standards are also improved by implementing support measures and training for producers, as well as by supplying high-quality plant material to improve product yields and standards. Further down the value chain, the agro-industry takes action by introducing shared transport and logistics solutions that minimise post-harvest losses (a key issue for the sector), by providing access to more profitable markets for producers and improving food safety.

However, to be a real driver for sustainable development, the agro-industry needs to overcome a number of challenges: equitable sharing of value throughout the chain, inclusion of women and youth, creation and maintenance of decent jobs, respect for the environment (fight against deforestation, greenhouse gas emissions, loss of biodiversity, soil degradation and the pollution of the aquatic environment).

The mechanisms and best practices to overcome them are available, but remain insufficiently harnessed or require support from experts, as Resource Equity explains regarding the issue of land tenure and the inclusion of women. Sometimes, it is the implementation of innovative alternative structures that allow a fair distribution of value: the cooperative scheme of KTDA or the innovative service platform of Babban Gona are very telling examples.

Several authors also mention the need for better coordination between stakeholders to strengthen the positive impact of the agro-industry: (a) public players who are responsible for infrastructure and the implementation of appropriate regulation and legal system, (b) private players who need to establish balanced contracts and

provide appropriate support for small producers, as well as (c) civil society, whose independent expertise ensures that capacity building programmes and evaluation are successful. The coordination of all these actors can, as shown by the Transfagri programme, ensure a favourable multifaceted "ecosystem" that brings together training, financial and non-financial services, with the aim of supporting and growing local food processing actors.

Lastly, as developed by BASIC, certification and labelling processes are a way to improve agricultural practices and reduce the negative externalities of the agro-industry. However, balanced and inclusive development will also require a better distribution of value beyond just setting minimum prices, appropriate public regulatory policies, the combination of several labels, full transparency and independent monitoring.

PS&D

Since 2009, PROPARCO has coordinated the *Private Sector & Development* (PS&D) initiative, examining the role of the private sector in southern countries.

Issued as a quarterly themed magazine and specialist blog, the PS&D initiative presents the ideas and experiences of researchers and actors in the private sector who are bringing true added value to the development of the countries.

The last five issues of the review

Issue 30
Corporate governance: a driver for growth

Special issue
The hotel and tourism industries in Africa: a booming market

Issue 29
Financing start-ups to build tomorrow's African economies

Issue 28
Improving the quality and accessibility of African medicine

Special issue
Private sector and digital innovation: catalysts for development

Recent blog articles

Taking over at the helm of a company: duties, challenges and solutions - **Mossadeck Bally,** *Founder, Chairman and CEO, Azalaï Hotels Group*

An example of commitment to good governance: DFIs and corporate governance support - **Jean-Claude Chesnais,** *Governance project manager at PROPARCO*

Regulating African pharmaceutical markets in order to structure and develop the local economy more effectively - **Alexandre de La Volpilière,** *pharmacist and public health inspector*

Agri-businesses must act in a sustainable manner to develop African agriculture - **Anne Pacquet,** *Vice-Chairman of the Scientific Committee, FARM Foundation*

Access to quality seeds: the example of local seed ventures in Malawi - **Jérôme Bossuet,** *agronomist*

Video

Lynk, a start-up serving informal sector workers in Kenya

BLOG.PRIVATE-SECTOR-AND-DEVELOPMENT.COM

Private Sector & Development

MAGAZINE

Private Sector & Development (PS&D) is a unique quarterly publication that provides analysis and insights into the mechanisms through which the private sector can contribute to the development of countries in the Southern hemisphere. PS&D presents the views of a variety of experts in different fields, from academia to the private sector, development institutions and civil society. Each issue includes six to eight articles on a single theme (e.g., African ports, the African insurance sector, air transport). In the process, *Private Sector & Development* has gradually emerged as a benchmark publication.

BLOG

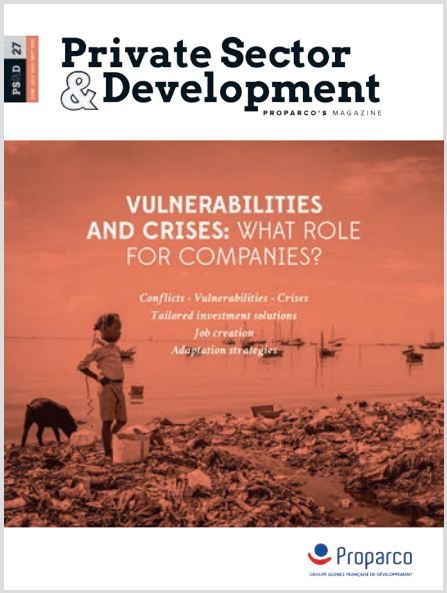
The PS&D blog was launched as an extension of the magazine to provide a wider forum for debate. It includes contributions from people in the private sector who recount their own efforts to overcome the constraints facing developing countries. The themes covered in the blog are in part the focal points of the various issues of the magazine.

AFRICAN PORTS: GATEWAY TO DEVELOPMENT

Between 2007 and 2017, a staggering USD 50 billion were invested in the African port sector. With growth of 7% a year in maritime traffic of all types, Africa is the focus of renewed interest.

FINANCING START-UPS TO BUILD TOMORROW'S AFRICAN ECONOMIES

With some USD 560m raised by over 120 African start-ups in the new technologies sector, 2017 broke a new record for venture capital investments in Africa. This gives us a glimpse of the huge potential for investors; and allows us to see venture capital as an essential driver to meet the development challenges.



VULNERABILITIES AND CRISES: WHAT ROLE FOR COMPANIES?

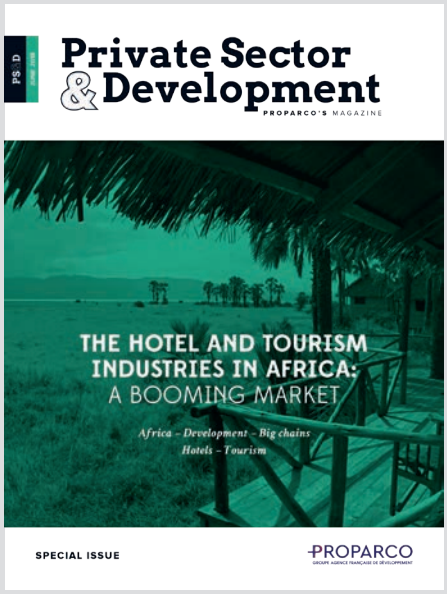
Over two billion people throughout the world are currently living in countries in which development is being stymied by situations that are rife with conflict and violence. Moreover, the future provides no great grounds for optimism.

IMPROVING THE QUALITY AND ACCESSIBILITY OF AFRICAN MEDICINE

Providing access to quality medicines still poses a number of challenges in Africa. Distribution channels are often fragmented, with a large number of intermediaries or parallel channels, which often fuel counterfeiting – a real public health issue.

CORPORATE GOVERNANCE: A DRIVER FOR GROWTH

Good corporate governance guidelines were gradually developed in the 1990s and 2000s by international institutions and governments, but primarily by companies themselves as economic stakeholders gradually realised that organisation and balanced powers, transparency and management accountability were all key factors for securing a company's long-term future and adding value.



THE HOTEL AND TOURISM INDUSTRIES IN AFRICA: A BOOMING MARKET

The tourism and hotel industry, which is often vaunted for its capacity to create jobs and boost regional economic activity in general, has been enjoying a boom in Africa for a few years now.

PS&D 31
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Private Sector & Development

Private Sector & Development (PS&D) is a quarterly publication that provides analyses of the mechanisms through which the private sector can support the development of southern countries. Each issue compares the views of experts in different fields, from academia to the private sector, development institutions and civil society. An extension of the magazine, the PS&D blog offers a wider forum for discussion on private sector and development issues.

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