Madelena holds the remains of her failed crop, Balaka, Malawi, July 2012. Photo: Amy Christian / Oxfam

MORAL HAZARD?

'Mega' public–private partnerships in African agriculture

Governments in Africa are turning to large-scale partnerships with donors and multinational companies to stimulate investment in agriculture. However, so-called mega agricultural public–private partnerships are by and large unproven and risky, and are likely to skew the benefits of investments towards the privileged and more powerful, while the risks fall on the most vulnerable. Oxfam concludes that there are more effective, tried and tested approaches for donor aid and public investment that are more likely to reach those who need it.

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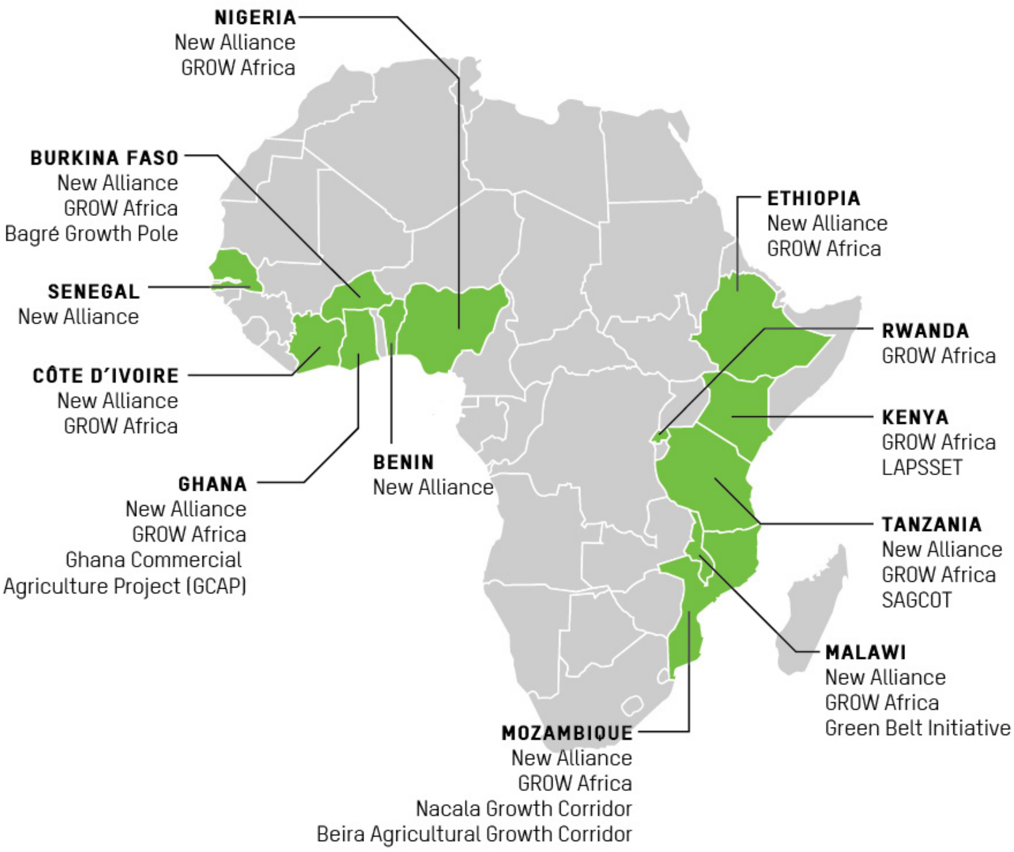
SUMMARY

After decades of underinvestment in agriculture, African governments are rightly looking at how best to mobilize funding for the sector. Donors in turn are keen to reverse a trend of neglect and to support initiatives that are simultaneously likely to enhance productivity, improve livelihoods and increase private sector investment. Private investors, concurrently, are looking for new consumer markets and production opportunities in Africa.

As a result, very large public–private partnerships (PPPs) are an emerging trend across the African continent – mega agricultural PPPs at scale that are supported by donors and governments and which typically involve large multinational investors. Legislative and policy changes to incentivize investment invariably accompany these initiatives; the G8's New Alliance for Food Security and Nutrition and growth corridor initiatives in numerous African countries are prominent examples. Such is the enthusiasm for these partnerships that donors have committed over $5.9bn in multi-annual aid to further the aims of the New Alliance, and $1.5bn in grants and loans to support growth corridor programmes.

Figure 1: Mega-PPPs in African agriculture



In response to this growing trend, Oxfam has sought to assess the effectiveness and potential of such PPPs as a vehicle for poverty eradication and improved rural livelihoods by asking three simple questions. Firstly, who primarily benefits from these initiatives? Secondly, who shoulders the burden of risk? And lastly, who holds power in decision making?

Oxfam's findings, based on an extensive literature review, key informant interviews and three case studies in Burkina Faso, Malawi and Tanzania[1] suggest that in relation to all three crucial indicators, the poorest people are all too often likely to lose out or be bypassed, while the priorities of women are left unmet. Mega agricultural PPPs are by and large unproven and risky, and appear likely to skew the benefits of investments towards the privileged and the more powerful, while the risks fall to the poorest and most vulnerable.

This is not to say that there is no role for large-scale agriculture, or that African governments should not incentivize responsible private sector investment if it can truly meet national and development goals. On the contrary, with recognition of tenure rights for local communities, and transparent, responsive and judicious land governance; strong labour and women's rights legislation and the application of human rights standards, the private sector has a crucial role to play in driving poverty eradication and food security improvements in African countries, across both small- and large-scale models.

However, the crucial question is whether such mega-PPPs should be a priority focus for overseas development assistance (ODA) spending by donors or for valuable public funds earmarked for agricultural investment by African governments, which by definition should have a demonstrable impact on poverty reduction. Given that the benefits to the poorest citizens are unproven and the risks to the most vulnerable are high, Oxfam concludes that there are more effective, tried and tested approaches for donor aid and public investment that are more likely to reach those who most need it.

Recommendations

1. Governments and donors should revitalize public investment in African agriculture targeted at the needs of small-scale producers and women. This represents a proven policy to meet poverty and food security goals through agriculture and at lower risk than mega-PPP investment models.

2. Governments and donors should ensure that land legislation and policies are in place to protect the land rights of local communities *prior* to the initiation of any large-scale investment programme, through mega-PPP models or otherwise. Such policies can also encourage small-scale producers to invest in agricultural activities themselves and realize food security objectives.

3. Governments and donors should aim to unlock the potential of domestic and regional markets, and local small-and-medium sized enterprise to deliver for African agriculture. In addition, mega-PPPs should not be supported where they might stifle competition or support the creation of monopoly or monopsony positions in the market.

4. Governments, donors and companies should ensure that any agricultural investment builds, rather than undermines, the climate and environmental resilience of local communities. This agenda should include a strong analysis of the opportunity cost of the use of land and water through large-scale agricultural investment initiatives.

5. The sponsors of current mega-PPP projects urgently need to revisit the fairness, transparency and accountability of these arrangements. These reforms should also aim to mitigate the 'moral hazard' in project design, meet the needs of local communities, and ensure a fair sharing of risks and benefits.

Suggested principles for improved governance and accountability of mega public–private partnerships

Governance and process

- Local communities (particularly women), POs and CSOs co-design project vision, aims and means of implementation
- The board of governance includes national government at director level
- Local observer organizations are included in governance arrangements to monitor implementation and impact
- Grievance mechanisms are established, with independent dispute arbitration
- Break clauses are included within contracts for parties to exit

Disclosure

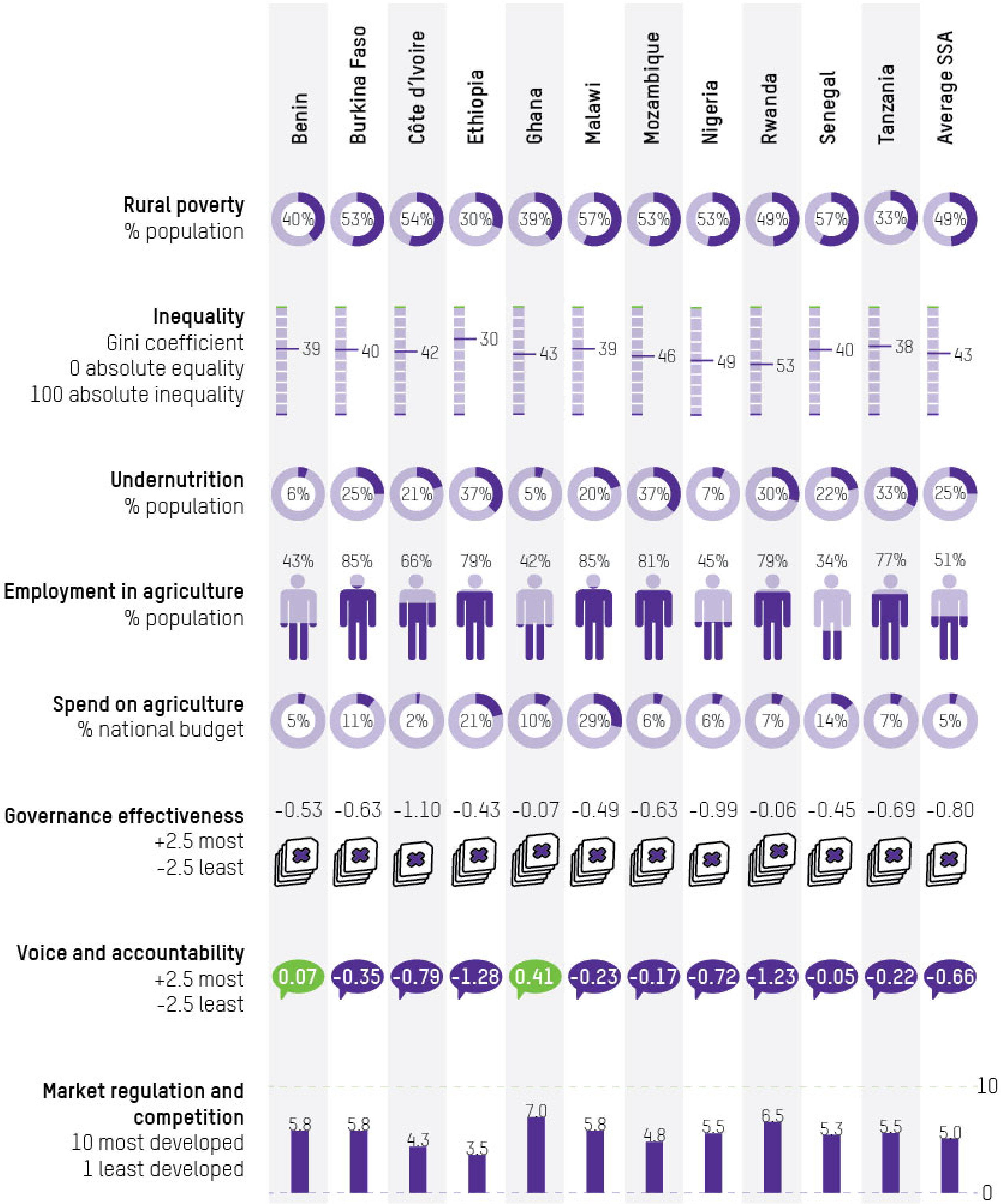
- The theory of change in relation to poverty eradication is outlined and publicly available
- The opportunity cost of the use of public money in the PPP model is outlined and justified
- MoUs or shareholder agreements are publicly available
- There is full investment disclosure from all partners involved in the scheme
- Predicted and actual equity returns of partners are published and monitored
- Statements of public sector risk and financial liability are publicly available

Monitoring and evaluation

Stringent M&E mechanisms are established to include:

- Human rights frameworks (with metrics to include adherence to land and labour rights)
- Livelihood impact (metrics to include food security, income, assets, progress-out-of-poverty indicators within investment target area)
- Trade relationships (market information, services and credit, increased market options for producers)
- Gender impact (including time and income measures)

Figure 2: African agriculture in context[2]



NOTES

All URLs were last accessed in August 2014 unless otherwise stated.

1 Note on research methodology: background research for this paper comprised a comprehensive literature review looking at the risks and opportunities of the mega-PPP approach in agriculture, key informant interviews with stakeholders working within PPPs and three case studies in Burkina Faso, Malawi and Tanzania which used key informant interviews and focus group discussions with government officials, investors, farmers groups and local communities within investment areas. Data was later cross-referenced and triangulated with other sources.

2 Sources: World Bank, World Development Indicators. UN Food and Agriculture Organisation, FAOSTAT. A Green Revolution for Africa, Africa Agriculture Status Report: Focus on Staple Crops, Nairobi, Kenya: AGRA. ReSAKSS, Trends in Public Agricultural Expenditures in Africa, November 2013. Yu, B. (2012), SPEED Database: Statistics on Public Expenditure for Economic Development, Washington, DC.: IFPRI. Bertelsmann Stiftung (2014), Transformation Index, Gutersloh: Bertelsmann Stiftung. Most recently available figures cited. Rural population, agriculture spending and undernutrition figures rounded to the nearest whole number.

Note: Government effectiveness measures perceptions of quality in public services, the quality of the civil service, and a degree of independence from political pressures, the quality of policy formulation and implementation and government commitment to these policies. Voice and accountability captures perceptions of the extent to which citizens are able to participate in the selection of their government, as well as freedom of expression, freedom of association and free media. Market regulation and competition measures the effectiveness of policies around market-based competition, anti-monopoly, liberation of trade and the banking system.

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