

Public-Private-Producers Partnerships (4Ps) in value-chain development projects



The agriculture sector is changing.

During the last couple of years and particularly since the food crisis of 2008, we have seen a revival of private sector interest in the agriculture sector. Even more significant has been the recognition that within the agriculture sector, smallholder agriculture will have to play a much greater role to provide the supply response needed to ensure global food security. Recent trends seem to confirm that the 500 million family farms around the developing world (representing today some 2 billion people of both consumers and producers) constitute the biggest untapped market for the private sector and that we will not be able to feed a world population of 9 billion in 2050 without their contribution. This represents a new opportunity to address poverty reduction through market solutions.

IFAD growing engagement with the private sector.

Smallholder agriculture is also the sector where IFAD has been working since its inception and the area where it has developed a clear and distinctive comparative advantage. Building “institutions of the poor”, facilitating access to assets, finance and markets as well as basic infrastructure has been the hallmark of IFAD projects. IFAD was quick to respond to the new incentive structure under which the sector operates through a number of steps: i) approval of a new *Private-Sector Strategy* in 2011, providing a framework for its interventions and policy dialogue; ii) some 50% of IFAD projects currently feature some form of value chain development, market access and private sector involvement¹; iii) promotion of partnership arrangements with private sector companies interested in developing business opportunities with smallholders, such as the Memorandum of Understanding signed with Unilever which is finding initial practical applications in India. New partnerships are under active development with a number of other companies; iv) active engagement on global policy issues through the UN Global Compact, the CFS-driven principles of Responsible Agriculture Investments, and multiple advocacy events and networks. Over the last couple of years, agribusinesses have shown considerable interest in IFAD activities, mostly because they recognize IFAD’s role and experience in organizing and developing the smallholder market, which is where they want to go.

The 4P mechanism.

IFAD believes that there is scope to bring its work on facilitating smallholder access to markets and rural livelihood development to the next level and to more systematically mainstream innovative private sector approaches in its portfolio through its Public-Private-Producers Partnerships (4Ps) model. The main objective of the 4P funding mechanism is to improve sustainably the livelihood of poor smallholders through the promotion of private sector investments and access to markets. The 4P approach would be used as a “pull” mechanism to finance *business plans* jointly submitted by private companies and farmers organizations in which they propose to enter into a partnership agreement where both parties take risks, invest and share the benefits. IFAD financing would focus on the delivery of public or semi-public goods that will not be funded by the private sector company otherwise and that would be needed to fill the financing gap of viable business plans. Using public resources is justified to address a “market failure” where the perceived high risks and transaction costs of working with small producers are preventing private companies from forging market-based business relationships. Selection of business plans would be made on the basis of competitive processes or based on eligibility criteria that would assess the viability of the business, the likely impact on smallholders’ livelihoods, the level of investments

¹ see 2013 publication *IFAD and PPPs: Selected project experiences* for more details

by private firms and producers organizations, etc... The process of matching producers organizations with private partners, the business plans bidding and selection process, contracting arrangements, etc.. would be managed by a professional business service provider (the broker) to be contracted under the project. The mechanism is conceived to leverage private resources in order to scale-up development interventions and reach out to a greater number of poor rural people.

For more information:

Mylene Kherallah

Lead Technical Specialist - Rural
Markets & Enterprises – PTA
IFAD
Tel. +39 06 54 59 25 69
m.kherallah@ifad.org

Marco Camagni

Senior Technical Specialist - Rural
Markets & Enterprises – PTA
IFAD
Tel. +39 06 54 59 25 76
m.camagni@ifad.org



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