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Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit (DEval)
Fritz-Schäffer-Straße 26
53113 Bonn, Deutschland
Tel: +49 (0)228 33 69 07-0
E-Mail: info@DEval.org
www.DEval.org

Verfasst von

Dr. Marcus Kaplan
Dr. Sabine Brüntrup-Seidemann
Dr. Nico Herforth

Verantwortlich

Dr. Stefanie Krapp (bis 31.03.2018)
Dr. Martin Bruder (ab 01.04.2018)

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SUMMARY

Background, Objectives and Subject of the Evaluation

Since the mid-1990s, there has been increasing demand for the private sector to serve as an active partner in development cooperation (DC), both internationally and in Germany. Entrepreneurial creativity and the capacity for innovation have been deemed necessary elements in working toward the achievement of development goals and to meet the challenges of globalisation. Likewise, the private sector can provide much-needed financial resources for global development. As private sector engagement in the partner countries is expected to carry on for the long-term, it can be seen as suitable for the establishment of sustainable business cycles.

The German federal government and the Federal Ministry for Economic Cooperation and Development (BMZ) are also striving to strengthen the dialogue and cooperation with the private sector. In doing so, they hope to advance investments by German businesses in the partner countries of German development cooperation - investments which are meaningful for development from a policy perspective. Strategic framework documents such as the Marshall Plan with Africa (BMZ, 2017b) or the coalition agreement between the CDU, CSU and SPD (Bundesregierung, 2018) affirm the ambition of the German government and the BMZ to cooperate with private companies. Underscoring BMZ's efforts to intensify the cooperation was the establishment in 2016 of the Agency for Business and Economic Development (AWE), which serves as an interface between German development cooperation and the private sector.

Cooperation with companies plays an important role in the agricultural sector. In many partner countries, it remains the most important sector in the fight against poverty and hunger, and can be viewed as the starting point for economic development. This is documented in various sources, including the BMZ development policy strategy paper "Promoting Sustainable Agriculture" (BMZ, 2013c). A variety of programmes have the goal of involving private companies in the transfer of knowledge and technologies or in establishing reliable business relationships. One such example is "One World - No Hunger," a special initiative with its "Green Innovation Centers for the Agriculture and Food Sector" - one of BMZ's core activities ongoing in this area.

Advocates see the cooperation with companies as an important tool for sustainable economic development. Others, particularly civil society organisations, note that an important development target group – those populations living in extreme poverty – cannot use the innovations offered and are hence unable to benefit from them. In addition, they fear that companies will not adhere to human rights standards and principles, running the risk of human rights violations.

The use of the phrase cooperation with the private sector is used in this evaluation to mean German official technical cooperation (TC) agencies partnering with the private sector to work towards the achievement of development policy goals. The terminology for this is laid out in international literature as "Private Sector for Development" (PS4D) (Byiers und Rosengren, 2012; Roloff und Finkel, 2013; Vaes und Huyse, 2015). Although cooperation with the private sector for agricultural development (PS4AD) is becoming increasingly important in German development cooperation, as of yet there has been no review of the portfolio. The central objective of this evaluation is therefore to systematise and analyse the strategic focus of German TC in PS4AD as well as the programmes through which it is implemented. Thus far, there are only a few findings which address whether the PS4AD approach is, in principle, an appropriate means of creating added value in the achievement of development policy goals. Therefore, the evaluation looks at the developmental added value of cooperating with the private sector in agriculture and highlights the challenges that arise in its implementation. It also examines the extent to which human rights standards and principles as well as environmental and social standards are taken into account in the PS4AD approach. In so doing, the evaluation measures the status quo in German TC on this important cross-cutting issue and highlights any potential for improvement.

The subject of this evaluation are those strategies and programmes of German TC in which cooperation with the private sector in agriculture is implemented; it covers a time period beginning in 2006. Since the focus is on the joint implementation of activities in the partner countries, instruments of financial cooperation

(FC) have not been taken into account. Included in the portfolio are the support programmes of TC such as the EZ Scouts or the Import Promotion Desk (IPD), as they play a significant role in initiating cooperation with the private sector. The most important means of implementation for this cooperation are development partnerships with the private sector and integrated development partnerships with the private sector. Development partnerships are often implemented through specific programmes such as *develoPPP.de*, which are realised independently of bilateral TC. In the case of integrated partnerships, the cooperation between TC and the company is an integral component in a bilateral project.

The evaluation takes into account the strategies and programmes of German official TC, which include the agricultural sector either as one of several possible sectors or those which are orientated exclusively to the agricultural sector. The majority of the programmes are implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH, (GIZ). GIZ is, as a result, the focus of this evaluation; other implementing organisations, such as DEG, the German investment and development corporation (Deutsche Investitions- und Entwicklungsgesellschaft mbH) and *sequa gGmbH*, play only a minor role.

Overall assessment

The evaluation concludes that cooperation with the private sector in agriculture is relevant. It is, in principle, suitable for contributing to the achievement of the development goals set forth by German TC for the agricultural sector, in particular poverty reduction and food security. German TC is pursuing a market economy approach in the agricultural sector, one aimed at boosting growth in the agricultural sector, which will thereby create jobs and increase incomes to support rural development in the partner countries. While those documents analysed for the evaluation provided only vague statements in this regard, interviews conducted showed that businesses can prove to be important partners. They contribute their resources and know-how, serve as buyers for agrarian products or offer useful services and products. Whether PS4AD will move beyond this theoretical contribution in a manner that actually leads to improvements for all development target groups, in the leave-no-one-behind sense, could not be investigated as part of this evaluation. However, the evaluation by DEval on the promotion of agricultural value chains provides information on this (Kaplan et al., 2016b). It examined the suitability of the value chain approach, as a market-based means of working toward poverty reduction and food security, and ranked it positively. Like other studies on the subject (Humphrey und NavasAlemán, 2010; Kidoido und Child, 2014; OECD, 2006; Rao und Qaim, 2011), however, it concludes that populations living in extreme poverty cannot profit directly from this type of support, which is centered on market connectivity. These groups do not possess the minimum resources necessary for successful market connectivity (Kaplan et al., 2016b). In order to reach the chronically poor, other appropriate measures must be implemented.

A more suitable use of the PS4AD approach has not yet been facilitated, as the concrete added value in the achievement of development objectives expected by TC when cooperating with businesses, is not clearly identified and defined. The documents analysed do not make clear what comparative advantages the private sector can bring to the programmes of TC. Concrete activities, which could be provided by companies, are not identified, nor are the challenges and areas of tension that would result from the cooperation. The absence of systemisation has led to a lack of clarity as to objectives, potentials and possible impacts – but also the limits of the PS4AD approach. This lack of clarity is felt not only within official development cooperation structures but also in the German Parliament, civil society organisations and companies.

In the wake of the growing importance of the PS4D approach, development cooperation institutions are increasingly trying to change the way companies are involved, shifting away from short-term collaboration on individual projects with a move towards more long-term partnerships on an equal footing. The evaluation has shown that the sort of rapport in these partnerships that is aspired to has not as yet been sufficiently embedded in practical cooperation. This can result in increased transaction costs. In this regard, different ways of working, a lack of private-sector expertise within GIZ and the difficulty companies face in accessing information about corresponding cooperation offers should be mentioned. The creation of the Agency for Business and Economic Development (AWE) is a step in the right direction, as it should help ease private sector access to TC.

The evaluation found that the current procedure in TC for identifying developmental impacts as well as risks related to human rights is not appropriate for creating sufficient transparency, nor for reliably documenting - or where possible, improving - the private sector's concrete contributions toward the achievement of development policy goals. For example, it has become clear that within the agricultural sector, the assessment of the risks to human rights is not being rigorously pursued before a measure is undertaken nor in the corresponding monitoring period. As a result, even within BMZ, this aspect is not being consistently followed up on. This course of action must be designated as critical in light of the do-no-harm principle – after all, both the implementing organisations and the companies are required to comply with their obligations to address potential human rights risks in the agricultural sector which are set out for them in the relevant documents. At the same time, the private sector is a comparatively new group of actors that is not automatically committed to the TC objectives.

Methodology

The use of PS4AD in German TC is not based on an explicit and communitised Theory of Change (ToC). Therefore the reconstruction of the ToC formed, within the framework of the evaluation, the basis for identifying the pathways through which the cooperation with companies should contribute to developmental policy impacts. In the next step, the reconstructed ToC was compared with the action-guiding policy concept for the agricultural sector produced by BMZ, “Promoting Sustainable Agriculture” (BMZ, 2013c).

To reconstruct the ToC and the replies to the questions on the evaluation, the team of evaluators rated BMZ's strategic documents. The programmes were analysed via programme proposals and, where available, reports. In addition, 78 interviews were conducted with BMZ representatives, the implementing organisations, the private sector, civil society as well as scholars.

Based on this pool of data, the Evaluation Statements as to the Relevance of the PS4AD approach for the achievement of development policy goals were derived. The focus of the evaluation lies therefore at the strategic level of the PS4AD approach. Case studies, which would have enabled a review of the impacts of private sector involvement, were not carried out.

Results

While many of the findings, conclusions and recommendations in this evaluation are only directly valid within the focus of this study, the agricultural sector, a need for change at a higher level could be identified.

Theory of Change

In the analysis of the strategy and programme documents, many generic and imprecise statements as to the role of the private sector in German TC became apparent. As a result, central assumptions on the question as to how the PS4AD approach should contribute to the achievement of developmental goals remain unclear. Likewise, it was not differentiated as to which types of companies with which comparative advantages, which services and under what contextual conditions are appropriate for cooperation with TC. Those evaluations analysed also failed to clarify this. As a result, it was not sufficiently explained in the conception of TC measures what concrete added value is to be created through the involvement of companies. Based on the reconstruction of the ToC, it can therefore only be clarified in a limited manner as to what extent the PS4AD approach is appropriate for contributing to the implementation of relevant strategies. While it is largely plausible that the private sector can be an important partner in projects that are pursuing a market economy approach in the agricultural sector, the concrete contribution by the private sector cannot be traced from the source material analysed here. Likewise, the areas of activity in the PS4AD approach are, in principle, suitable for contributing to the ToC at the strategic level. The areas of activity include: the promotion of the private sector, the dissemination of technical innovations, the dissemination of organisational and institutional innovations, qualification, development and the implementation of standards as well as sector development. The denoted areas of activity were drawn from an analysis of programme documents in which certain components of a programme, implemented in cooperation with the private sector, were extracted. However, the services required and the underlying assumptions about the impacts were not unequivocally transparent on the basis of the analysed programme documents.

The ToC, reconstructed on the basis of relevant documents, shows that the PS4AD approach is primarily working toward the development policy goals of poverty reduction, food security and ecological sustainability. As such, the ToC – with a view on the contribution of the PS4AD approach – is largely coherent in terms of the activity-guiding concept from BMZ on promoting sustainable agriculture (BMZ, 2013c). The identified areas of activity in relevant programmes in agriculture in which there was a cooperation with the private sector are basically geared toward overarching strategic documents and strategies and are stringently integrated into the ToC.

Design of the programmes

The way the programmes are designed makes them generally suitable for the integration of the private sector in achieving development policy goals. This is managed via a wide range of types of cooperation on offer with regard to possible partner countries, areas of activity and types of companies. In practice, however, there is evidence of obstacles to getting smaller companies involved; the reduced availability of financial and human resources and, in some cases, the programme's eligibility criteria makes involvement more difficult for them.

Developmental added value of the PS4AD approach

Cooperation with the private sector under the framework of TC programmes is, in principle, suitable for generating added value in terms of development objectives. For cooperation to genuinely benefit development policy, however, certain parameters must be met.

A company's activities should always contribute to their core business. A decisive factor in the successful implementation of projects comes from the process of negotiation between companies and development organisations. During these negotiations, the intersection of development policy and entrepreneurial goals are clearly identified, as are the contributions expected of the involved parties in working toward this common goal. Here, the evaluation has clearly shown that an overlap in goals on the business and development side was more pronounced among sourcing companies - those which buy raw materials or products in TC partner countries - than it is from companies that want to sell their products. As a result, there are fewer obstacles in the way for a cooperation between TC and sourcing companies. When working with companies that have the aim of selling their products, it is essential for the success of the PS4AD approach to support the development of inclusive business models, which are also beneficial to the target groups of development policy. In both instances, the problem of target group liquidity is relevant, although this is much more so the case in cooperation with companies which aimed to sell in the partner country.

From a developmental policy perspective it tends to be more beneficial if companies are integrated into bilateral programmes in the longer term; when integrated, the PS4AD approach can also pursue structurally effective objectives. There are also indications that this involvement can increase companies' sensitivity to development objectives and their willingness to support them. At the same time, companies can benefit to a greater extent from the support provided by TC.

It is also important to note the tension that GIZ is facing: On the one hand, it should cooperate with companies in order to reach development policy goals; on the other, it is their task to strengthen the negotiating skills of the development target groups and in doing so, strengthen their position opposite the companies.

PS4AD - procedures and governance

The procedures in German TC are only partially appropriate for private sector involvement. The evaluation revealed discrepancies in terms of work processes and the strategic planning of the players involved. Key challenges and potential obstacles for the PS4AD approach include:

1. the long duration of administrative procedures in TC,
2. the high degree of formalisation in application and reporting,
3. less flexibility in project activities and approval deadlines,
4. the short project periods, and
5. obstacles to multiple or repeated funding of one company.

Due to insufficient human resources and a partial lack of understanding about corporate matters on the part of their employees, BMZ can only fulfil its political-strategic steering function to a limited extent. This applies in particular to integrated partnerships, which are coordinated decentrally and therefore are rarely analysed systematically. At the operational level, there is a lack of clear guidelines showing how to document PS4D activities in programmes. In addition, GIZ employee business management know-how is not always sufficient. The employees in partner countries therefore lack, in part, the knowledge required to adequately initiate, negotiate and implement projects in which they cooperate with the private sector in agriculture.

Finally, the companies feel inadequately informed about the portfolio of cooperation offers. This is due to the large variety of offers as well as the insufficient preparation of the information. The AWE has as yet been unable to fulfil the expectations placed on them to serve as entry portal for the PS4D approach.

Human rights standards and principles, environmental and social standards

The minimisation of risks to human rights in cooperation projects in the agricultural sector is, first and foremost, relegated to the companies' personal commitments. Assessment and monitoring are carried out neither comprehensively nor systematically by GIZ. As a result, there is no guarantee that a violation of human rights standards and principles will be noticed by GIZ. The obligation to examine and minimise human rights risks is outlined in various national and international documents as lying with both the implementing organisations and the private sector. Referring to the Human Rights Strategy (BMZ, 2011b) and the Human Rights Guidelines (BMZ, 2013d) as action-guiding documents of German development cooperation, however, the final responsibility lies with the implementing organisations as initiators of the programmes.

In December 2016, GIZ introduced the Safeguards + Gender Management System, a binding instrument for assessing various risks. This system seems to be a comparably less cumbersome method suitable for use during the planning and implementation of projects to ensure risks to human rights are minimised. Since this is a relatively young instrument, there are still no analyses available.

It became clear in the evaluation that human rights aspects - an important cross-cutting issue of German development cooperation - are not yet being consistently taken into account as required by the relevant documents, neither in the political-strategic nor the operational management sense. The reasons for this are the complexity of the subject and the lack of personnel within BMZ and GIZ.

Essential recommendations

The evaluation identified five areas where there is potential for improvement in terms of a more effective and more tailored use of the PS4AD approach:

Strengthen the conceptualisation of cooperation with the private sector in agriculture

The contributions of the private sector, still being a comparatively "new" group of players in TC, and its added value have not yet been sufficiently described and systematised. The BMZ should draw up an action-guiding policy paper on PS4AD which sets out the prerequisites for involving the private sector in TC. It should include the possible advantages of the cooperation as compared to implementation only by the implementing organisations, as well as outline the role that the private sector can and should play in this. Furthermore, the paper should point out the impact pathways that are associated with the achievement of the developmental goals and clearly demonstrate the desired synergies. At the same time, the policy paper should set out the limitations of the PS4AD approach in order to enable the stakeholder groups a realistic assessment of the opportunities and challenges this approach presents.

The evaluation has shown that many aspects which should be addressed in the policy paper are also valid beyond the agricultural sector. It might thus be useful to conceptualise the recommended policy paper as one that is valid across sectors, thereby broadening its applicability. However, care must be taken to ensure that the specific aspects to be taken into consideration for the successful implementation of PS4AD projects are also mentioned in the process. This could be done either as a separate chapter of the cross-sectoral policy paper or as a standalone manual, which serves as an appendix to the PS4D policy paper.

The further development of the programmes' design

The programmes of German TC basically offer the private sector sufficient flexibility, however, they impede access for smaller companies. Yet these smaller businesses are regarded by German TC as important cooperation partners. The programmes should therefore be made even more flexible in order to address smaller companies and close the funding gap that has been identified by means of adapted funding arrangements.

At the programme level, there is little monitoring data or evaluation documenting the private sector's contributions toward achieving development policy objectives. In addition, the public-private partnership (PPP) identifier has proven to be an unsuitable indicator for the identification of cooperations with the private sector in the TC portfolio. BMZ should ensure that the specific contribution of the private sector to achieving development policy goals is monitored, documented and, where possible, quantified during monitoring and evaluations. For the monitoring and evaluation system, there should be an identifier for programmes that work with the private sector. It must be assessed to what extent the existing PPP identifier can be adapted so that it also records implemented cooperations and its binding character is strengthened.

Improving the development policy benefits of cooperation with the private sector

Due to the different goals of TC and the private sector, the intersection between the different expectations and the anticipated synergies have to be worked out along with the challenges and areas of conflict. This includes the area of tension that can arise as a result of GIZ's potentially strengthening the bargaining power of the target groups of DC - even vis-à-vis companies. In developing inclusive business models, GIZ should give high priority to the issue of the liquidity of development target groups and involve local financial institutions in order to improve funding opportunities.

The involvement of companies in bilateral TC projects has great potential for increasing the benefits of development. The extent to which such involvement by the private sector is possible should therefore always be assessed. This does not mean, however, that appropriate development partnerships in the context of specific programmes, such as the develoPPP.de programme, should not be made possible.

Taking partnership-based cooperation between the private sector and TC more seriously

TC has set up numerous programmes in which companies can cooperate. As a result of their diverse nature, however, they are insufficiently known to companies. The Agency for Business and Economic Development should make greater use of its role as a central point of entry for companies; to accommodate this, personnel there should be strengthened.

The evaluation has shown that strategic planning and work processes in companies run differently than they do within BMZ or GIZ. This restricts the effective use of the approach and the partnership-based cooperation. BMZ and GIZ should therefore examine to what extent it is possible to streamline and speed up processes in the PS4D approach. In particular, the application process should be simplified. However, the consideration of fundamental principles and guidelines of development cooperation, such as those on human rights standards and principles as well as on environmental and social standards, must be ensured.

The exclusion of multiple subsidies can preclude an upscaling of successful business models. In order to transfer this model to other regions and thus achieve more widespread impact, the possibility of multiple subsidies under existing legislation should be examined.

Keep human rights standards and principles in mind

GIZ has thus far not adequately met its obligation to assess human rights risks, making reference to the companies' commitments and the effort that would result from such an audit. The assessment and monitoring of human rights risks in agricultural sector projects that cooperate with the private sector should be strengthened and monitored by BMZ. For this purpose, both the BMZ and GIZ must provide adequate human and time resources. In order to keep the effort within reasonable limits, assessment and monitoring should be carried out jointly by the implementing organisations and the companies. It should also be examined to what extent it is useful to involve local actors.

Expenditure on audits has to be adapted to the planned project (activities, products, financial volume), the size of the company, potential human rights risks and the sector and regional context. Assessment and

monitoring should be carried out in close connection to GIZ's Safeguards + Gender Management System, which was launched in 2016.