

# COOPERATION WITH THE PRIVATE SECTOR – A SUITABLE MEANS FOR SUPPORTING DEVELOPMENT IN THE AGRICULTURAL SECTOR?

## Summary

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Since the mid-1990s, the private sector has become increasingly important as a partner for development cooperation (DC). This trend is based on the idea of leveraging the entrepreneurial creativity and financial resources of enterprises to achieve development goals more effectively, rapidly and sustainably. Critics of this cooperation, however, argue that projects implemented in cooperation with private sector companies tend to benefit the companies themselves rather than the target groups of development cooperation. They are also concerned that the partnerships do not take adequate account of human rights risks and may actually violate them as a result.

Against this backdrop, a D Eval evaluation analysed the portfolio of German technical cooperation (TC) in the area of cooperation with the private sector in agriculture. The evaluation draws the conclusion that cooperation is relevant and, in principle, is a suitable means of contributing to the development goals of TC in the agricultural sector. However, it could make a better contribution by taking account of the following recommendations:

- The added value that TC expects to generate by cooperating with the private sector should be more clearly conceptualised and described. The specific activities that companies are to carry out should also be clearly stated, as should any areas of tension that may arise from this cooperation.
- The targeted goal of establishing a long-term partnership with the private sector is not yet being achieved to a sufficient degree in the different programmes. Private sector know-how

should therefore be consolidated at the Deutsche Gesellschaft für internationale Zusammenarbeit (GIZ). To the greatest degree possible, TC should also streamline processes, thereby accelerating them. Furthermore, the German Agency for Business and Economic Development (AWE) should fulfil its role as a key contact for companies to a greater degree.

- The current process used to assess the human rights risks of cooperation projects is not suited to reliably identifying possible risks. In order to better leverage the experience that companies have already gained in the agricultural and food sector, the implementing organisations and the private sector should carry out joint assessments in this area.

## Cooperation with the private sector in agriculture in technical cooperation

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The 2030 Agenda regards the involvement of different actors as key to dealing with the global development challenges. Internationally, cooperation with the private sector has played an increasingly important role in this context in recent years. In Germany, strategic framework documents such as the Marshall Plan with Africa (BMZ, 2017) and the establishment of the AWE underline the efforts of the Federal Government and the Ministry for Economic Cooperation and Development (BMZ) to step up this cooperation.

German TC is forging partnerships with private companies in many sectors. In many partner countries, however, the agricultural sector plays a special role in combating poverty and hunger and provides a foundation for economic development.

### Cooperation with the private sector in German technical cooperation – focusing on the agricultural sector

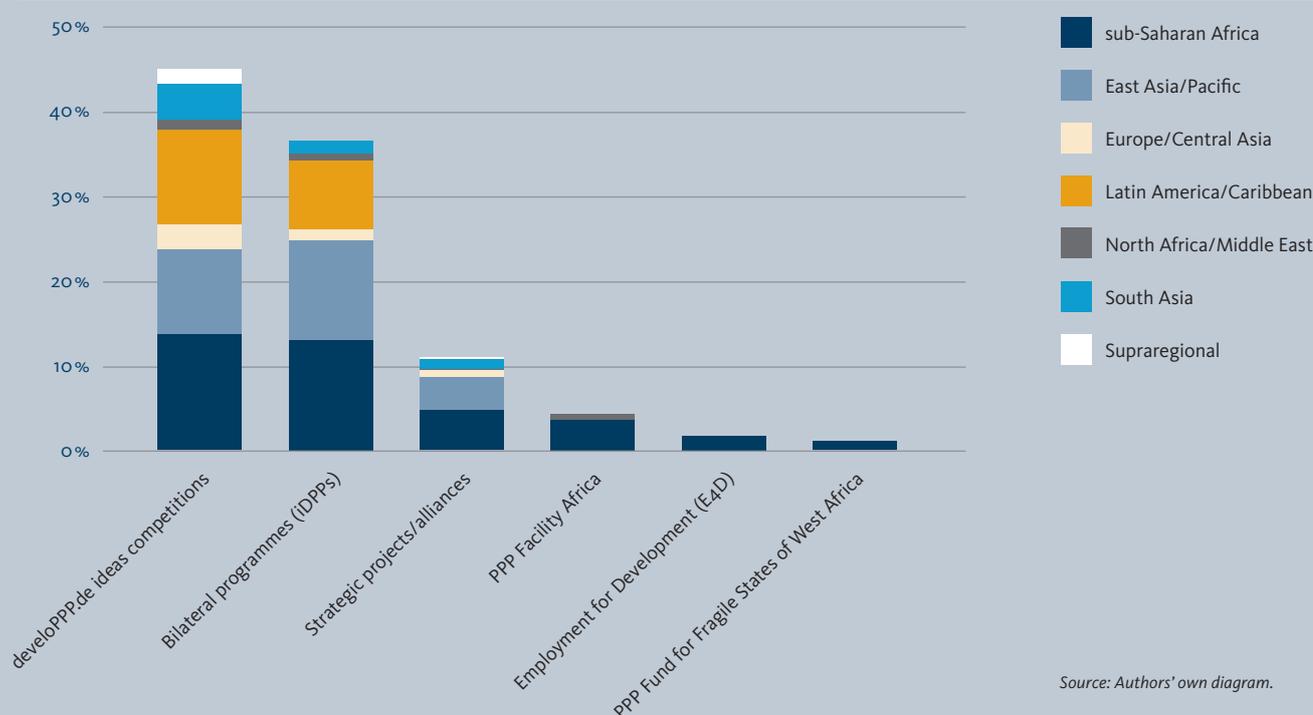
There are a number of options for German, international and local companies to conduct projects in the agricultural sector together with the implementing organisations of German TC. As the diagram shows, between 2006 and 2016, around 45 % of all projects related to cooperation with the private sector in agriculture in German TC were implemented as development partnerships with the private sector (DPPs) as part of the develoPPP.de programme. This means that – relative to the number of projects and the funding available – develoPPP.de is the largest programme for cooperation with private enterprises in German TC. Integrated development partnerships with the private sector (iDPPs), which are embedded in bilateral TC projects, account for approximately 40 % of these cooperation projects. In iDPPs, local companies

are also incorporated to a greater degree into cooperation.

The diagram also shows that almost 40 % of the projects are implemented in sub-Saharan Africa. In all, between 2006 and 2016, about EUR 190 million were invested in projects that involved cooperation, and around EUR 114 million of this were provided by the private sector. This means that the share of public funding provided amounted to 1.8 % of the German DC budget for the agricultural sector.

In addition to these project-based approaches, there are a number of support programmes that aim to raise companies' awareness of the options available for joint activities. There are also multi-stakeholder partnerships between different partners from the public sector, civil society and the private sector, which focus on addressing overarching challenges in specific sectors or for individual products.

### Regional distribution of projects involving cooperation with the private sector in agriculture in German TC between 2006 and 2016, by programmes (N=473).



Critics of this type of cooperation believe that support for the involvement of companies goes above and beyond the core tasks of development cooperation, with the private sector's interests overshadowing development goals. They are also concerned that the private sector might fail to comply with human rights standards and principles and that the risks in this area are not recognised.

A DEval evaluation (Kaplan et al., 2018) systematically analysed BMZ's strategies and the German TC programme portfolio with a focus on the agricultural sector and examined whether cooperation with the private sector is a suitable means of generating added development benefits. It also analysed the extent to which mechanisms to assess human rights risks exist and the degree to which they are applied.

## Cooperation suited to generating added development benefits

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The evaluation concludes that cooperation with the private sector is relevant and, in principle, is a suitable means of contributing towards achieving the development goals of German TC in the agricultural sector. In this sector, German TC pursues an approach that is based on market economy principles and is geared to supporting growth in order to create jobs and boost incomes. The private sector is an important partner in this context. Within the scope of this evaluation, it was not possible to determine whether – above and beyond this fundamental suitability – cooperation with the private sector in agriculture actually improves the target group's situation. However, DEval's evaluation of support for agricultural value chains (Kaplan et al., 2016) and other studies showed that not all of the target groups are reached to the same degree: Whereas smallholder farmers with the resources required for bringing their products to market can be integrated into national and international markets, extremely poor population groups do not glean any direct benefits.

Certain criteria need to be fulfilled if added development benefits are to be generated from cooperation. For example, the agreement of overlaps between development and private sector goals is vital if projects are to be successfully implemented. Generally speaking, there will be greater overlaps for companies that buy goods in TC partner countries than for companies that wish to sell their products there. In both cases, support for inclusive business models that benefit both the companies and the target groups of development policy are essential to successful cooperation.

## Private sector's contribution to DC goals unclear

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The evaluation states that cooperation with the private sector in agriculture in German TC can contribute towards achieving development goals. However, detailed information regarding what this added value should be and the activities the private sector should carry out in this context is not provided to a sufficient degree by BMZ or in the programme documents. As a result, there is a lack of clarity within DC structures and outside of them too (within civil society organisations and companies) as to why and how impacts and goals can be achieved to a greater degree through cooperation than would have been the case had the private sector not been involved. Potential areas of tension that could arise from the diverging interests of the private sector and DC are not addressed in sufficient detail either. Thus one of

the tasks of TC is to strengthen the negotiating skills and the bargaining power of development policy target groups to enable these groups to negotiate more effectively with companies, among other things.

## The private sector and TC still do not work together as partners

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DC institutions are increasingly endeavouring to steer the involvement of companies away from short-term cooperation for individual projects and towards longer-term partnerships. One of the key conditions here is to ensure that the parties involved understand each other, i.e. that they have a basic awareness of their partner's objectives and behavioural patterns. So far, this has not been promoted to a sufficient degree between companies and TC. From the private sector's point of view, implementing organisations should have a somewhat greater degree of private sector know-how. At the same time, the private sector needs to gain a better insight into development goals and to support these objectives.

Due to the large number of German TC programmes, companies also feel that they do not have adequate information about suitable forms of cooperation. The establishment of the German Agency for Business and Economic Development (AWE) by BMZ in 2016 was a step in the right direction to make it easier for companies to interact with development cooperation actors. Companies do not yet regard the AWE as a relevant source of information, which is partly due to insufficient human resources.

## Human rights standards and principles not assessed to a sufficient degree

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According to BMZ documents that define basic principles of action, responsibility for assessing human rights risks in the run-up to an intervention and for project-related monitoring lies with the implementing organisations. So far, this assessment has not been rigorously adhered to in the agricultural sector programmes reviewed. In 2016, the Safeguards+Gender Management System was introduced at GIZ, which includes mandatory requirements for assessing human rights risks. At the time the evaluation was conducted, no experience was available on its practical implementation.

At the same time, in recent years there have been increasing calls – in the Federal German Government's National Action Plan 'Implementation of the UN Guiding Principles on Business and Human Rights 2016 – 2020' (Federal Foreign Office, 2016), for

example – for private sector enterprises to meet their requirements of due diligence in the area of human rights. Large companies in the agrofood sector in particular are the subject of public scrutiny; many of them participate in different initiatives for standards and sustainability labels. Increased participation by these companies in human rights assessments of joint TC projects would therefore not only be expedient in terms of meeting obligations; it would also enable TC to harness the companies' efforts in this area to date and spread the workload.

## Recommendations

Cooperation with the private sector in agriculture is relevant and, in principle, suitable for contributing to the achievement of German TC's development policy goals in the agricultural sector. The evaluation makes the following recommendations for enhancing the effectiveness of this cooperation:

- BMZ should draft a position paper on cooperation in the agricultural sector that provides guidelines for action, describing the role that the private sector can and should play in TC along with the comparative advantages and the

limitations of such cooperation. Many of the aspects that are relevant in this context are also likely to apply to other sectors too. A cross-sectoral scope may therefore be useful to increase the paper's relevance. The features that are specific to the agricultural sector must be dealt with in adequate detail, however.

In order to be able to better identify the private sector's contribution to a project's objectives, this aspect should be explicitly dealt with in the planning, monitoring and evaluation systems of the implementing organisations.

- In order to support long-term cooperation, private sector know-how should be consolidated at GIZ. DC should also streamline processes to the greatest degree possible, thereby accelerating them. The AWE should also fulfil its role as a key point of call for the private sector to a greater degree.
- The assessment and monitoring of human rights standards and principles should be strengthened in accordance with the prevailing guidelines. In order to ensure that this does not generate an unreasonable amount of work, the assessments should be carried out jointly by the implementing organisations and the private sector.

## Literatur

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The German Institute for Development Evaluation (DEval) is mandated by the German Federal Ministry for Economic Cooperation and Development (BMZ) to independently analyse and assess German development interventions. Evaluation reports contribute to the transparency of development results and provide policy-makers with evidence and lessons learned, based on which they can shape and improve their development policies.