

## 4TH GLOBAL REVIEW OF AID FOR TRADE

### SIDE-EVENT ON PUBLIC-PRIVATE PARTNERSHIPS IN A VALUE CHAIN CONTEXT

#### REPORT OF THE MEETING - 9 JULY 2013

## 1. INTRODUCTION

1.1. Public Private Partnerships (PPP's) have become increasingly important because of the role they play in promoting investment, development assistance, improving food safety, animal and plant health and facilitating trade.

1.2. The purpose of this side event, organised by Canada, The Netherlands and the STDF was to raise awareness about the potential value of PPP's in enhancing SPS capacity and disseminate the results of the work done by the Canadian North-South Institute (NSI) and the STDF on Trade and SPS-Related Public Private Partnerships. Dialogue among public and private sector experts on key lessons learned and recommendations to enhance the future development of PPP aiming to help developing countries in connecting to value chains was fostered.

1.3. The side event was structured in the form of two presentations made by the NSI and the STDF and a panel discussion with experts from both public and private sectors of various countries. More information on this activity, including the programme, biographies of the invited panellists, presentations and other relevant documentation is available on the STDF website (<http://www.standardsfacility.org/en/TAidForTrade4GR.htm>)

1.4. The following key questions were addressed:

- What is the role and potential of PPPs in helping developing countries connect to value chains? What have been the experiences, challenges, innovations and results?
- What role can and should different types of stakeholders (governments, private sector, development partners, etc.) play in facilitating PPPs in the context of connecting to value chains?
- How can the longer-term sustainability of PPPs that seek the inclusion of smallholders in agricultural value chains be ensured?

## 2. BACKGROUND

2.1. In 2010, the STDF, in collaboration with the Dutch Ministry of Agriculture, Nature and Food Quality and the World Bank Institute, organized an international workshop on the role of PPP's in support of SPS capacity building in The Hague, Netherlands.<sup>1</sup> In April 2012, based on the findings and conclusions of the workshop, desk research and consultations with selected stakeholders directly involved in PPPs in different parts of the world, the STDF released, jointly with the Inter-American Development Bank (IDB), a publication entitled: "Public-Private Partnerships to enhance SPS capacity: What can we learn from this collaborative approach?".

2.2. In 2012, the NSI, commissioned by the Trade Facilitation Office of Canada (TFO Canada) and supported by the Canadian International Development Agency (CIDA), carried out research in the context of how partnerships with the private sector can be used to support and improve sustainable economic growth outcomes through trade, as part of a broader initiative which included a Symposium on trade-related private sector partnerships held in Ottawa in November 2012. In January 2013, a report entitled: "Models for Trade-Related Private Sector Partnerships for Development" was published.

<sup>1</sup> More information on this activity is available at: <http://www.standardsfacility.org/en/TAPPP.htm>

**Box 1.1: STDF/IDB Publication - Public Private Partnerships to enhance SPS Capacity (2012)**

This publication analyses the emergence, operation and performance of selected SPS related partnerships between government agencies responsible for food safety, animal and plant health and/or trade and the private sector. The document is a result of the collaborative work of the Standards and Trade Development Facility (STDF) and the Inter-American Development Bank (IDB) to raise awareness and to provide practical guidance to facilitate and promote PPP's for SPS capacity development.



**Box 1.2: NSI Publication - Models for Trade-Related Private Sector Partnerships for Development (2013)**

The overall objective of this research publication carried out by the Canadian North South Institute (NSI) is to better understand how partnerships with the private sector can be used to support and improve sustainable economic growth outcomes through trade. The paper seeks to specifically examine the role played by different actors through an examination of 30 trade-related PPP's, in order to identify models of good practice and lessons learned.



**3. PRESENTATIONS**

3.1. Shannon Kindornay of the NSI presented the main results of its work and emphasised that aid donors are increasingly seeking to engage the private sector in development as a means to leverage declining aid and stagnating official development assistance budgets. A number of models of trade-related private sector partnerships were examined in the study, which represent a hybrid development model that combines economic, social and environmental considerations and makes business sense for private sector partners. As such, partners can have different motivations, roles and comparative advantages.

3.2. The main findings of the research are: (i) donors need to be clear on the goals they are trying to achieve, which will determine the market-based approach and types of partnerships they support; (ii) the success of these partnerships requires the right players at the table doing the right things (donors have a role to play in facilitating successful partnerships); (iii) different skills and expertise of partners must be recognized and harnessed; and (iv) tensions and conflicts may arise during implementation so dialogue and communication of results should be permanently ensured.

3.3. Melvin Spreij of the STDF presented two specific examples of SPS-related PPP in action to demonstrate the benefits that can be achieved by this approach. The "Private lab network for testing fish exports in Chile", consisting in delegating laboratory analysis and sampling of fishery products to the private sector, resulted in improved lab infrastructure and better services at a lower cost, and allows the country to export fishery products to key markets. The "IT solutions for food traceability in Thailand" aims to enhance food safety along particular supply chains (poultry, shrimp and high-value fresh fruit and vegetables) and facilitate compliance with requirements from trading partners. The system enables regulatory authorities, importers, manufacturers and others involved in the supply chain to exchange information on the safety, quality and origin of these products.

3.4. The key lessons highlighted were that: (i) partners need to select the right projects with clarity on the objectives, roles and procedures; (ii) partnerships should start small and grow gradually; (iii) strong leadership and trust are necessary to avoid political interference; and (iv) that public sector needs to recognize the private sector's technical expertise and not only their funds.

## 4. PANEL DISCUSSION

4.1. The panel was composed by:

- (i) Frans Claassen, General Manager of the Product Board for Margarine, Fats and Oils (MVO) of the Netherlands, who referred to the Palm Oil Partnership between Indonesia, Malaysia and the Netherlands;
- (ii) Sarada De Silva, Chairman of the Sri Lanka Spice Council, who referred to the Spice Council of Sri Lanka created in 2004 to connect private and public stakeholders;
- (iii) Samy Lopez, Marketing & Sales Manager of the Federation of Cooperatives of the Verapaces (FEDECOVERA) in Guatemala, who referred to the establishment and the operations of FEDECOVERA, a partnership owned by small producers of cardamom and other spices;
- (iv) Esteban Rial, Project Coordinator at the Patagonian Zoo-Phytosanitary Barrier Foundation (FUNBAPA) in Argentina, who presented to the work of FUNBAPA, a partnership responsible for the management of SPS programmes in the sub-region;
- (v) Mike Robach, Vice-President for Corporate Food Safety & Regulatory Affairs at Cargill, who referred to Cargill's current experience in facilitating PPPs around the world; and
- (vi) Guy Stinglhamber, Director of the PIP/COLEACP Programme, who presented the work of COLEACP and the PIP and EDES programmes.

4.2. The main challenges and obstacles encountered while establishing these partnerships and also the main results and lessons learned were highlighted by the panellists during their interventions.

4.3. These innovative approaches seek to generate specific outcomes and maximise impact, but by their nature, they present a certain level of risk. A key challenge for partners is identifying and communicating effectively risks and failure factors in order to make partnerships more effective, as well as to continue to engage and learn from lessons learned to inform future decisions.

4.3. There was general consensus among discussants that dialogue and transparency are critical to ensure the long term sustainability of any partnership. Permanent dialogue will ensure the active participation of the main stakeholders from the start of the project through project management, business decision-making, cost sharing, as well as risk and responsibility sharing in project activities. In addition, economic sustainability can be ensured by involving all actors in financing and management control of plans, programmes and activities.

4.4. Partnerships can be built around a concrete market access problem and win-win situations for all partners involved should be generated. In addition, during the stages of creation and implementation of these partnerships, it is important to have the necessary flexibility to adjust and adapt their practices to the specific conditions that may vary over time, as well as enough time and sufficient capital to consolidate its results.

4.5. The quality of human resources and the importance of having the appropriate leadership were highlighted as very important factors to be taken into account from the early stages of establishing these partnerships. In addition, investment in the training of human resources is a very important element and should be a constant, systematic and a planned activity during partnership operation. It allows strengthen and foster the capabilities of every actor, the partnership itself and the whole sector concerned.

4.6. Discussants acknowledged that PPPs can be instrumental in including smallholders in agricultural value chains. Education is seen as pivotal to the inclusion of these smallholders who need to be connected to markets. Smallholders should be supported not out of social arguments but viewed as important suppliers of agricultural produce as well as economic actors in the value chain.

4.7. All stakeholders involved must have clear roles and responsibilities. Donors can provide the necessary funding and technical expertise, since often these are major barriers to accelerating agricultural development. The private sector can also provide funds but also vital expertise on generating market access opportunities for farmers at all levels of productivity and in particularly

for smallholders. National governments can provide the necessary governance, open market policy, and local support for the private sector. In addition, the public sector has a key role to play in scaling up and replicating innovative initiatives which have been successful.

4.8. A wide range of market-based approaches involving the public and private sectors exist around the world and there is evidence that through these partnerships there has been positive development and commercial impacts. Poverty reduction is just one among many other benefits which can be achieved by these mechanisms. Partnerships harness private sector innovations and improve the effectiveness and value-for-money of development interventions. However, more needs to be done to evaluate and communicate this impact to the wider community.

4.9. The key messages of the discussion were: (i) the importance to build trust between the partners in order to ensure that that high levels of food safety, animal health and/or plant health requirements don't become hidden trade barriers; (ii) the importance of ensuring permanent dialogue among partners and of measuring and communicating the results and achievements regularly; (iii) the role of national governments should be to provide the necessary governance, market policy and local support but governments should not venture into or assume the role of the private sector to engage in trade; (iv) partnerships can be very successful in solving specific market access challenges, strengthen cooperation and market understanding between all relevant stakeholders in the value chain; and (v) training and education are crucial to the inclusion of smallholders in agricultural value chains.