Mixing Means and Ends

What role for (which) private sector in agriculture and food & nutrition security?
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ABOUT CONCORD

CONCORD is the European NGO Confederation for Relief and Development.

Our members are:

28 National Platforms
21 Networks
03 Associate Members

Which represent over 2,600 NGOs supported by millions of citizens all around Europe. Our confederation brings development NGOs together to strengthen their political impact at the European and global levels. United, we advocate for Europe-wide policies to promote sustainable economic, environmental and social development based on human rights, justice and gender equality. We also work with regional and global civil-society allies to ensure that EU policies are coherent in promoting sustainable development in partner countries.

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ABOUT THIS PAPER

2015 saw the adoption of the 2030 Agenda for Sustainable Development and CONCORD’s 2016-2020 Strategy. These prompted the setting up of a Hub on Sustainable Development and Policy Coherence for Sustainable Development, drawing together CONCORD’s work on the 2030 Agenda, on policy coherence for development and on a range of thematic policies. Thanks to the collective effort and expertise of the members of the Sustainable Consumption and Production work stream in this hub, CONCORD produced the paper ‘Mixing means and ends. What role for (which) private sector in agriculture and food & nutrition security?’.

The paper aims at introducing clarity into the discussion of the European Union’s policy of engagement with private sector as a mean of boosting agriculture and food and nutrition security in developing countries. It traces the evolution of the EU’s approach to private sector involvement in development and questions the apparent assumption that mobilizing investment by external private sector actors in developing country agriculture is in itself a ‘good thing’ that will lead to positive development outcome for the most vulnerable people. The paper closes by putting forward clear recommendations for how to broadly engage with the private sector in agriculture, considering and starting from the Right of Food – EU commitment – and the perspective of micro, small and medium enterprises and small-scale producers, the major contributors to food and nutrition security, poverty reduction and protectors and reproducers of biodiversity.

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**Cover image:** Kebayoran lama market in South Jakarta, Indonesia.

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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>6</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>7</td>
</tr>
<tr>
<td>THE EVOLUTION OF EU POLICY REGARDING THE ROLE OF PRIVATE SECTOR</td>
<td>8</td>
</tr>
<tr>
<td>IN AGRICULTURE AND FOOD AND NUTRITION SECURITY</td>
<td></td>
</tr>
<tr>
<td>A CRITICAL LOOK AT EU POLICIES</td>
<td>11</td>
</tr>
<tr>
<td>Which private sectors?</td>
<td>11</td>
</tr>
<tr>
<td>Which models of production?</td>
<td>11</td>
</tr>
<tr>
<td>Which markets?</td>
<td>12</td>
</tr>
<tr>
<td>Protecting human rights</td>
<td>12</td>
</tr>
<tr>
<td>Clearly demarcating the roles of the public and private sphere</td>
<td>14</td>
</tr>
<tr>
<td>CONCLUSIONS AND RECOMMENDATIONS</td>
<td>16</td>
</tr>
<tr>
<td>ABBREVIATIONS</td>
<td>18</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Over the past decade, the European Union (EU) has progressively intensified its engagement with the ‘private sector’ in its development cooperation, including as a means of boosting agriculture and food and nutrition security in developing countries. This paper examines this evolution, taking off from a recognition that the most important private sector actors and the biggest investors operating in agriculture in the developing world are small-scale producers. They hold an important role in producing food, and are key actors in agricultural development and poverty reduction; yet continue to be neglected by public policy and funding.

The paper questions the apparent assumption that mobilizing investment by external agribusinesses in developing country agriculture is in itself a ‘good thing’. All too often, ‘private sector’ refers mostly to internationally operating companies, however, the category of ‘private sector’ should be understood as a continuum of various actors, ranging from small-scale producers operating on family farms through micro, small and medium enterprises (MSME) up to large transnational corporations. These different actors have significantly different interests and objectives. The diversity and the imbalances in power are not adequately recognised when governments and donors facilitate private sector engagement in agriculture, for example through public-private partnerships and private finance blending. Small-scale producers are often considered as beneficiaries or targets of agriculture development policy and programmes rather than as agents of change in their own right.

When the EU seeks to support the strategies and livelihoods of domestic private sector actors in partner countries — small-scale farmers and MSMEs — it is important to be clear about what approaches are actually supportive of them, and to listen carefully to what they have to say about their own priorities. This has implications regarding what types of agricultural production models are supported by EU policy and what measures are taken to promote local and regional agricultural markets and defend human and land rights.

We therefore recommend that the EU urgently revisit the strategies, governance, transparency and accountability of its current policies and programmes of support to private sector in agriculture and food and nutrition security. There should be focus on increasing participation from small-scale producers and local communities and re-appropriation of the Right to Food approach. Full disclosure of investments and stringent monitoring and evaluation of impact should be ensured. The essential role of public policies and investment should be recognised and revitalised, and efforts should be targeted at unlocking the constraints faced by local farmers and MSMEs, creating an enabling environment for these actors and their rights.

Full text of recommendations on pages 16 – 17.
INTRODUCTION

Given the private sector’s potential for generating inclusive and sustainable growth in developing countries, private stakeholders are emerging as ever more active in the development field... The private sector provides some 90% of jobs in developing countries and is thus an essential partner in the fight against poverty.”

The European Commission’s Communication on ‘A Strengthened Role for the Private Sector in Development’1 opens with a strong affirmation. But what evidence is there to demonstrate that the private sector’s potential is, indeed, ‘given’? And to which ‘private stakeholders’ is reference being made?

This paper aims at introducing clarity into the discussion of the European Union’s policy of engagement with the private sector as a means of boosting agriculture and food and nutrition security in developing countries. We take off from a recognition that the most important private sector actors operating in agriculture in the developing world are the millions of small-scale producers who are responsible for around 70% of the world’s food needs2, up to 80% of the food supply in Asia and sub-Saharan Africa, and 90% of total investment in agriculture3. Investing in small-scale producers is acknowledged to have immense potential in promoting agricultural development and poverty reduction. Despite the fact that these actors are often neglected by policy and public funding, they are major contributors to food and nutrition security, poverty reduction and protectors and reproducers of biodiversity4.

Detailed up-to-date figures demonstrating the important role of small-scale farmers in producing food, especially in Africa and Asia are provided in a recent article published in the Lancet5. This paper traces the evolution of the EU’s approach to private sector involvement in development. It questions the apparent assumption that mobilizing investment by external private sector actors in developing country agriculture is in itself a ‘good thing’ that will lead to positive development outcome for the most vulnerable people. To this end it seeks to clarify the meanings of some key terms often associated with private sector engagement – such as “blending”, “public-private partnerships”, “multistakeholder platforms” and “value chains”. It explores whether it is appropriate to use public funds to attract private sector investments in agriculture in developing countries and, if so, what conditions need to be met and which safeguards and public regulations should be put in place.

The analysis is conducted within a normative framework which places human rights and the Sustainable Development Goals (SDGs) at the center of the EU’s development work. This is an approach to which the EU itself is strongly committed6. It is also in accordance with what CONCORD advocates for, including in its position paper (2014) highlighting the need for justice, democracy and diversity in our food systems. In particular, CONCORD members support the promotion of territorially embedded food systems rooted in family-based, small-scale, diversified agroecological production and inclusive marketing arrangements that favour value addition in rural areas and promote food and nutritional security for all. In its Policy Framework to Assist Developing Countries in Addressing Food Security Challenges (2010)7, which remains the policy reference for food security objectives, the EU commits itself to defending the Right to Food and supporting small-scale producers, and women in particular, as key actors in food security. However, the current application of EU development policies would require a substantial shift to re-appropriate the Right to Food approach and reposition small-scale producers at the centre. Power analysis along value chains, human rights and gender impact assessments, transparency, inclusiveness and an independent assessment of the climate impacts of the food systems that the EU incentivizes, in Europe and abroad, are urgently needed. Any attempt to broadly engage the private sector in agriculture must consider these principles and perspectives, starting from the perspective of small-scale producers and micro, small and medium enterprises (MSMEs) themselves. The paper closes with some recommendations that point in this direction.

1 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries, [COM(2014)263 final], p. 2
6 Council conclusions on a rights-based approach to development cooperation, encompassing all human rights, Foreign Affairs (Development) Council meeting Brussels, 19 May 2014; Joint Statement on The New European Consensus on Development ‘Our World, Our Dignity, Our Future’, 2017
The EU has progressively intensified its engagement with the ‘private sector’ in its development cooperation policies over the past decade, which has resulted in the introduction of incoherencies between the policy objectives and the means proposed to attain them. The EU Policy Framework to Assist Developing Countries in Addressing Food Security Challenges, adopted in 2010 in the wake of the 2007-2008 food price crisis, focused on enhancing the incomes of small-scale producers and the resilience of vulnerable communities by promoting coherent public food policies at national, regional and global levels within a Right to Food optic.\(^9\) CONCORD has repeatedly stressed its support for this policy framework.

In 2011, the EU ‘Agenda for Change\(^10\)’ paved the way for private sector engagement in development, stating that “Crucial to developing countries’ success is attracting and retaining substantial private domestic and foreign investment and improving infrastructure…” “The EU,” it suggested, “should develop new ways of engaging with the private sector, notably with a view to leveraging private sector activity and resources for delivering public goods. It should explore up-front grant funding and risk-sharing mechanisms to catalyse public-private partnerships and private investment”.

The private sector category referred to here was clearly that of agribusinesses, not small-scale producers. Nonetheless, the Agenda for Change stipulated that “In agriculture, the EU should support sustainable practices, including the safeguarding of ecosystem services, giving priority to locally-developed practices and focusing on smallholder agriculture and rural livelihoods, formation of producer groups, the supply and marketing chain, and government efforts to facilitate responsible private investment.”

In a subsequent Communication, ‘A stronger role of the private sector in achieving inclusive and sustainable growth in developing countries’ (2014), the Commission announced its intention to promote private sector engagement in sustainable agriculture and agribusiness through such actions as linking farmers to markets through market-driven models; building the capacity of agri-business SMEs and smallholder farmers and enhancing their access to finance, market information and technologies; accelerating sustainable local and global trade in agricultural commodities; developing risk management instruments; and supporting inclusive Public-Private Partnerships (PPPs) and business models.

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\(^9\) A recent CONCORD report traces subsequent evolutions that have downscaled the basic concerns expressed in this Framework, which remains the EU’s reference point for food security policy, while introducing an emphasis on global value chains and engagement with large agribusinesses. CONCORD, Monitoring a moving target: Assessment of the implementation plan of the EU Food Security Policy Framework, 2017

The Commission also pledged to develop “innovative” financial mechanisms and blending opportunities encouraging PPPs.

An important reference for DG Trade in this regard is the Trade for All strategy (2015)11 which formulates as its point of departure ‘a trade and investment policy which is based on values and which minimises any negative impact on LDCs and other countries most in need.’ It explicitly commits to promote sustainable development, human rights and good governance around the world. Yet, in concrete terms, the trade and investment policy does not take into account the pivotal importance of the agriculture sector for pro-poor rural development in developing countries. The policy treats food and agriculture as any other product to be traded. Nor does it include any reference to the need to promote and protect short food supply chains and the many initiatives connecting directly farmers and consumers in European countries, or territorial food systems in the Global South. The EU’s determination to negotiate the Economic Partnership Agreements in the face of strong opposition by African small-scale producers’ organizations and European civil society is a prime example of the risk of incoherence among EU policies relevant to agriculture and food and nutrition security, particularly where trade and engagement with European agri-business are concerned.

The latest Commission Communication on A balanced and progressive trade policy to harness globalisation (September 2017)12, like its predecessors, includes no reference to power imbalances between Europe and developing countries. The Commission announces its intention to fight the use of public procurements to favour domestic actors, which competes with the local production. Although this approach can be a powerful tool to support local small-scale farmers as has been successfully done in Brazil.13

In a related direction, DG AGRI has developed a strong emphasis on export-led agricultural growth in recent years, to compensate for the tight market situation in Europe and its neighborhood, including by exporting its subsidized agricultural production to new markets in developing countries where it competes with the local production. Although this approach is billed as contributing to inclusive agricultural development and food security in Africa14, in fact the models of production and distribution it promotes are in contrast with the smallholder and right to food focus of the EU Food Security Policy Framework.

DG DEVCO is seeking to apply the 2014 private sector Communication to the realm of agriculture and food security by promoting value chains involving PPPs, and is also developing analytical tools to assess their effectiveness15. At the same time, in collaboration with the European Investment Bank and other development finance institutions, it has taken important steps to develop blending mechanisms that draw on public development aid funds to encourage private investment in developing countries.16 This trend has been reinforced by efforts to address the phenomenon of Europe-bound involuntary migration from sub-Saharan countries whose structural causes are rooted in decades of neglect of family farming and rural economies and societies, which has undermined young people’s prospects for dignified livelihoods in their territories of origin.17

The EU Partnership Framework on Migration adopted in 2016 states that ‘to address the root causes of irregular migration and forced displacement will require giving a much greater role to private investors looking for new investment opportunities in emerging markets.’ The Partnership Framework is accompanied by the European External Investment Plan (EIP) which foresees using 3.35 billion euro from EU budget and EDF to leverage an estimated 44 billion euro from private investors, supported by policy dialogue to improve policy environment for private sector investment and technical assistance to formulate bankable projects.18 Agriculture is one of the five windows of the EIP but it is yet unclear what kind of agriculture it aims to promote. The documentation available concerns only the financial mechanisms and governance of the EIP, in which no participation by the ‘ultimate beneficiaries’ is foreseen.

The EIP is not an isolated initiative since it is connected to other recent initiatives targeting the private sector, such as the extension of the External Lending Mandate of the EIB outside of Europe, the German-led Marshall Plan for Africa or the G20 Compact for Africa. As the EU starts discussing its next cycle of funding through its multi-financial framework (MFF), it is showing signs that they want blending to be a significant part of its development funding, given that its overall budget will have to be cut following the UK leaving. This means potentially more and more of the EU programmes will be designed within the EIP thinking.

The New EU Consensus on Development, adopted in 2017, mainstreams private sector cooperation into the EU’s development cooperation policy, following the direction set by the Agenda 2030 which foresees an important role for the private sector in achieving the SDGs.

While the Consensus commits to continue giving centrality to smallholders, including family farmers and pastoralists, as well as women and young people, it explicitly highlights the importance of supporting agribusiness models: “The EU and its Member States will aim to develop agricultural markets and value chains in partner countries which benefit the poor and encourage the agro-industry to generate jobs and added value.” (Consensus, par. 55). At the same time, however, it emphasizes that “Investments in sustainable agriculture and in the agri-food sector are needed to diversify local and regional production systems”.

21 G20 Compact for Africa, https://www.compactwithafrica.org/content/compactwithafrica/home.html
A CRITICAL LOOK AT EU POLICIES

Supporting the strategies and livelihoods of domestic private sector actors in developing countries — small-scale family farmers and MSMEs — is an essential and laudable objective for EU policies and aid and investment programmes. It is important, however, to be clear about what approaches are actually supportive of these actors and to listen carefully to what they have to say about their own priorities. CONCORD considers that the current EU approach to engagement with the private sector in agriculture and food/nutrition security could be improved.

Many of our concerns regarding private sector engagement in agriculture are reflected in research conducted by think tanks, academics and by NGOs, policy recommendations adopted by the UN Committee on World Food Security with the adhesion of the EU and its Member States, and recent reports adopted by the European Parliament.

Find below key points to be considered in ensuring that EU policies and programmes are well-targeted.

WHICH PRIVATE SECTORS?

As already underlined, the category of ‘private sector’ should be understood as a continuum of various actors, ranging from small-scale producers operating on family farms through micro, small and medium enterprises in developing countries involved in processing, transport and marketing, up to large transnational corporations. These different actors have significantly different interests and objectives. This diversity is not adequately recognised when governments and donors implement private sector engagement in agricultural development through public-private partnerships and private finance blending. All too often, ‘private sector’ refers mostly to internationally operating companies, rather than MSMEs operating locally. Small scale farmers are the biggest investors in the agriculture sector yet are often considered as beneficiaries or target of agriculture development policy and practice instead of as agents of change in their own right.

WHICH MODELS OF PRODUCTION?

Development policies and programmes over the past four decades have been anchored in a productivist paradigm to agricultural development and food and nutrition security. This narrative has buoyed up the ascension of agribusiness and corporations as key actors of development and food security, despite steadily accumulating evidence that the problem is not a technical one of producing more but a political one of ensuring equitable access to food and resources. While some strata of the local population may benefit from such approaches, until now, there is a lack of evidence of positive outcomes of such investments in terms of their long-term development impact and poverty alleviation, environmental sustainability, women’s economic empowerment and ability to reach the most marginalised populations, including young people.

Large monoculture plantations represent the ‘core business’ of corporation and agribusiness investment in agriculture in developing countries. The simplification of the world’s farming and food systems leaves farmers with a decreasing range of resources to draw on to manage threats such as the risks of crop failure due to pests and diseases, declining soil fertility, or the impacts associated with increasing climatic variability.

Research by academics sees the large private investment as cause and consequence of the financialization of natural resources and increased price volatility. The quality of jobs created in large farms is very low. The share of value added allocated to managers and investors (the owner or shareholders) increases along with the size of the farm, while labour remuneration decreases in favour of capital remuneration.

On the other hand, the logic of small-scale family farm production encourages these producers to embrace diversity and seek to work with nature. Their traditional knowledge is increasingly being ‘married’ with agroecological science to the benefit of the resilience and productivity of their systems. Traditional smallholder farming systems, characterized by year-round vegetation coverage, low level of external inputs, diverse crop rotation, low inputs, small land holding, use of local knowledge and experience, and seeking to work with nature, are increasingly being recognised as a more sustainable form of agriculture.

Relevant CONCORD publications: Justice, democracy and diversity in our food system (2014), Investing for Development (2015), Sustainable Development: The Stakes Could Not Be Higher (2016), esp. chapter 2


The increase of world hunger, as reported in the FAO 2017 report on the state of food security and nutrition in the world, is happening in a context of record harvests and stocks in cereals worldwide; see for example FAO, Crop cereal production leading to record end-season inventories in 2017/18, http://www.fao.org/worldfoodsituation/csdb/en/, 2/11/2017

and maximization of energy yields, are found to be more environmentally friendly than industrial agriculture. They are also far more suited to adopting agro-ecological practices that can intensify production by enhancing natural supporting processes.27

A recent report produced by the International Panel of Experts on Sustainable Food Systems28 convincingly demonstrates the superiority of food systems based on agroecological production and short supply chains over global industrial supply systems and traces the steps required for a transition to sustainability.

WHICH MARKETS?

Models of production are intimately related to forms of market organization; taken together they constitute food systems. Agricultural producers participate in diverse forms of markets, ranging from local, relatively informal structures to international, formalized market relations. However, it is estimated that globally more than 80% of smallholders operate in local and domestic food markets where the bulk of the food consumed in the world is exchanged.29 Locally- retained value addition and employment creation take place predominantly within these territorial structures. They also fulfil other important social and cultural functions and act as a space for exchange of knowledge.

As recognized in recommendations adopted by the UN Committee on World Food Security in October 201630, despite their importance there is a lack of data on territorial markets, i.e. markets that are embedded in local, national and regional food systems. Consequently, they are often poorly understood and overlooked, which has a negative impact in terms of public policy and decision-making. There is a need to overcome the data and analysis gap and for public policies and investments to be directed towards strengthening the functioning of these markets.

Instead, dominant development discourse and action, including that of the EU as well as most governments and economic leaders in partner countries, focuses on linking smallholders to formal markets principally through value chains, adopting such mechanisms as contract farming or outgrower schemes. There is nothing inherently negative about contractual arrangements. Institutional food procurement programmes, for example, can be implemented through contracts. The problems arise when – as often happens - powerful corporate actors face weak small-scale producers without adequate protection by public policies and regulations.

In these cases, contractual mechanisms have been shown to risk exacerbating the gap between better-off and poorer farmers since they work for only the top 2-20 per cent of small-scale producers, mostly men31. They also risk functioning as generators of debt on the part of smallholders and of dependence on external inputs and markets, undermining the autonomy and control over their resource base that is the foundation of their resilience32. Hence, supporting farmers to link to formal markets or value chains needs to be carefully weighed against solid human rights, social and environmental safeguards, without neglecting issues of power imbalances and how these imbalances impact the choices that smallholders are able to make.33 As stated in a recent article by an IIED researcher: ‘We need to address sectors as a whole, rather than individual value chains... There is no escaping the importance of public investment and the value of involving the informal food economy in getting the food system onto a more sustainable path.’34

PROTECTING HUMAN RIGHTS

Three European Parliament (EP) studies and reports35 highlight the need to develop clear, specific criteria for private sector engagement in agriculture and recommend grievance mechanisms to ensure that human rights impact assessments are mainstreamed in the EU’s instruments. This holds true particularly when dealing with trade and investment treaties and the EU’s


Generalised Scheme of Preferences\textsuperscript{36}. The 2016 EP report on the Involvement of European Corporate and Financial Entities in Land Grabbing\textsuperscript{37} confirms that a large number of land grab-related human rights abuses involve at least one European Development Finance Institution, also evidencing the lack of accountability due to the involvement of intermediaries. A more recent NGO study reveals similar results\textsuperscript{38}. This despite the fact that the EU has committed to applying to its policies and programmes, both in the developing world and in Europe, the Voluntary Guidelines on Responsible Governance of Tenure of Land, Fisheries and Forests adopted by the UN Committee on World Food Security in 2012.\textsuperscript{39} The principle of Free Prior Informed Consent (FPIC) is one of the most important principles that helps protect communities’ land and natural resource rights. FPIC is a right of indigenous peoples that is enshrined in international law\textsuperscript{40}. However, it should be applied with all local communities; not only those recognized as indigenous. The duty to obtain FPIC guarantees community driven consultations and decision-making processes and ensures local communities can effectively determine the outcome of decision-making that affects them, not merely be involved in the process.

The risk of diverting scarce public resources from poverty reduction and development to benefit ‘growth corridors’ aimed primarily at export-oriented agriculture, prioritizing middle-size and large-size agricultural producers, is highlighted in Olivier De Schutter’s report for the European Parliament\textsuperscript{41}. A recent NGO report denounced the social and political legitimacy deficits of the agricultural growth corridors in Africa, an agricultural development model which does not promote food and nutrition security nor employment creation and revenues. Lack of transparency, accountability and governance of agribusiness investments creates a fertile ground for tax breaks and tax avoidance, while intensified production systems cause environmental and sanitary problems.\textsuperscript{42}

\textsuperscript{36} The EU’s “Generalised Scheme of Preferences” (GSP) allows developing countries to pay less or no duties on their exports to the EU.
\textsuperscript{38} European Development Finance Institutions and land grabs, The need for further independent scrutiny, http://www.fern.org/DFIsandLandGrabs, August 2017
\textsuperscript{42} Oxfam France, L’impasse des pôles de croissance agricoles, https://oxfamfrance.org/sites/default/files/file_attachments/limpasse_des_poles_de_croissance_agricoles.pdf, June 2017
Clearly Demarcating the Roles of the Public and Private Sphere

Public-private partnerships

Public-private partnerships are increasingly being promoted as prime mechanisms for implementation of development programmes in general and the SDGs in particular. Yet, "many studies, including those by mainstream think tanks prove that PPPs can involve enormous risks and costs to the public sector, exacerbate inequalities and decrease equitable access to essential services."43

As with contractual arrangements, the problem does not lie with the practice of partnerships as such. In theory PPPs could involve any of the broad range of actors that fall within the category of the ‘private sector’. NGOs who focus on local markets and smallholder empowerment often collaborate with the local government, associations of producers/traders and MSMEs, and this could be modeled as a PPP. In fact, however, in the field of agriculture and food/nutrition security, large corporations and agribusinesses are those most often involved. PPPs are billed as win-win affairs since they are expected to make it possible to profit from the capacities and resources of private entities and shift some of the risk of service provision to them while anchoring accountability solidly in the public sector. In reality, in developing countries accountability tends to drop out of the picture altogether while corporations manage to evade the bulk of the risks involved in agricultural investment. All too often, “the rhetoric of development partnerships masks the vast asymmetries of power between participants"44. In the words of an African peasant leader, “We do not believe a word of the commitments of responsible behaviour on the part of multinationals. Who will control the responsibility of practices in the field? Who can claim that, in such an unbalanced relationship between a multinational and a small African farmer, one will not lose? What serious and reliable recourse do we offer to farmers in case of excesses?”45.

In recent years, the narrative of “creating an enabling environment” for business is exacerbating the risk of influencing decision making and legislation changes in developing countries to suit the needs of foreign investors instead of addressing obstacles that local smallholders and agro-entrepreneurs face. Local priorities are thus designed to attract foreign private capital often at the expense of local population priorities and needs. A World Bank report from the Independent Evaluation Group (IEG46), shows that PPPs are a very expensive and risky method of financing. The cost is often non-transparent and not accountable to auditors, parliaments or civil society groups. Hidden debts run up by PPPs are “rarely fully quantified” and if they fail, PPPs can end up “privatising benefits while socialising losses”. Therefore, it recommends, instead of exporting a model that leads to massive fiscal and social problems, to promote a different approach. An NGO study found similar results, and concludes that mega agricultural PPPs appear likely to skew the benefits of investments towards the privileged and the more powerful, while the risks fall to the poorest and most vulnerable47. It calls on governments and donors to revitalize public investment in African agriculture targeted at the needs of small-scale producers and women as a proven policy to meet poverty and food and nutrition security goals through agriculture. The risk of not addressing these needs is particularly obvious in the External Investment Plan, which includes a vaguely worded pillar on policy dialogue to foster an enabling business environment in partner countries – without acknowledging the fact that local and European economic actors may have diverging interests.

If PPPs are the main mechanism for operational inclusion of large-scale private sector enterprises in development programmes, multistakeholder platforms, like Grow Africa or the Scaling up Nutrition Alliance (SUN), are the dominant route to their introduction into policy-making forums at all levels. CONCORD welcomes the practice of opening decision-making tables to concerned actors, particularly marginalized sectors of the population who risk adverse impacts of policies that do not protect their rights. Experience demonstrates, however, that multistakeholder platforms most often do not take into account the severe imbalances of power of actors around the table and fail to set in place robust safeguards against conflicts of interest on the part of the most powerful.48 Investing in organisational capacity, including by supporting farmers’ cooperatives and workers’ organisations, could help to redress the imbalance but the mitigation of power asymmetry is ultimately a political issue which requires action by public authorities, and attention by the EU where European policies and investments are involved.

Blended financing

Over the last 10 years, donor governments have increasingly sought to introduce private sector resources and expertise into development by using public official development assistance (ODA) to leverage private finance through blending the two. ODA is used to remove barriers to private investment in developing countries in cases in which purely commercial motives would not have sufficed. While donors, including the EU, are expected to increase rapidly the use of blending in development finance, there is currently little evidence concerning the development impact of blending mechanisms.51 As ODA money channeled through European Commission blending facilities has risen from €15 million in 2007 to €490 million in 2012, and is expected to significantly increase under the next EU Multiannual Financial Framework (MFF) post-2020, civil society networks who have done research on the topic are worrying about the impacts. Private finance blending often transfers responsibility for ODA to development finance institutions (DFIs), which can create conflict between the expectations, policies and practices of ODA donors and the actual managers of the funds. A civil society report on blending and PPPs analyses eight blending facilities that are managed by the EC to support public and private investments. It concludes that there is no reliable evidence to show that blending mechanisms meet development objectives. The Commission’s own evaluation of its blending operations52 acknowledges that the mechanism is better suited to lower medium and medium income countries, as well as for the infrastructure sector. However, potential for poverty alleviation was not optimised, impacts on women were not measured and projects were not designed to be pro-poor. It is therefore crucial to take a critical look at the Commission’s further plans to operationalize its private finance blending agenda. The European External Investment Plan53, for example, lays the accent on the financial aspects of the external private sector-oriented funding mechanism. So far, there has been little discussion on the content of the agricultural ‘window’ to which a good proportion of funding will be contributed in a stated effort to promote agricultural development and food and nutrition security and ‘address the root causes’ of irregular migration. If EU-promoted funding – from both the public and the private sector - is not oriented towards supporting local food production and improved nutrition, the priorities and the strategies of small-scale producers and domestic SMEs themselves, these objectives are highly unlikely to be attained.
In summary, key dimensions to be considered in ensuring that EU policies and programmes involving private sector engagement are well-targeted include the following:

- **Economic dimension:** the risk of promoting a further concentration of power; an excessive focus on global or international value chains, while the extent to which this approach delivers transformative local agricultural development is questionable; an export-oriented model whereby primary production takes place in developing countries but value is added and retained in Europe.

- **Social dimension:** the prioritisation of models that risk leaving behind marginalized populations, especially women and young people, and further exacerbating inequality, promoting land and water grabs; an inadequate attention to food and nutrition security.

- **Environmental dimension:** the neglect of environmental sustainability and risk of exacerbating climate change by promoting agriculture models based on chemical input-intensive production and mono-cropping; marginalization of agroecological practices.

- **Governance dimension:** the lack of transparency and accountability; a reliance on multi stakeholder platforms while ignoring imbalances of power that can translate into political or corporate capture and erosion of democracy.

### RECOMMENDATIONS

#### 1. RE-EXAMINATION OF THE EU PRIVATE SECTOR POLICY WITH A RIGHT TO FOOD LENS

The EU needs to urgently revisit the strategies, governance, transparency and accountability of its current policies and programmes of support to private sector in agriculture and food and nutrition security to address the areas of concern expressed in this paper and the incongruences between means and ends, as itemized below. There should be focus on increasing participation from small-scale producers and local communities, full disclosure of investments and stringent monitoring and evaluation of impact, and re-appropriation of the Right to Food approach. The transparency and accountability agenda should be applicable to all investors; international and national. CONCORD, in collaboration with other European civil society networks would be pleased to work with the EU in organizing such a review and helping to ensure meaningful participation by civil society in Europe and in the countries which are impacted by EU policies and programmes.

#### 2. THE ESSENTIAL ROLE OF PUBLIC INVESTMENT

The EU should support the empowerment of small-scale producers (responsible for 90% of all investments in agriculture) to attain domestic food and nutrition security and resilience objectives through strong public investments and policy frameworks also addressing Least Developed Countries (LDCs). This can be achieved by engaging in policy dialogue with partner country governments to support them allocate sufficient share of their national budgets to the agricultural sector in support of food and nutrition security, as per the Malabo Declaration. Recommendations of the Committee on World Food Security, including those regarding investing in smallholder agriculture, provide guidance to which the EU has committed.

#### 3. RECOGNIZING THE HETEROGENEITY OF PRIVATE SECTOR

The EU should recognise the heterogeneity of the private sector by considering the category of ‘private sector’ as a continuum of various actors with very different interests, ranging from small-scale producers operating on family farms through micro, small and medium enterprises in developing countries up to large transnational corporations. Small scale farmers, including women farmers and young people, should not be considered as beneficiaries or target of agriculture development policy and practice, but as the most important agents of change where food and nutrition security and agriculture are concerned. Support from other categories of the private sector, particularly external agribusiness and agrifood corporations, should be encouraged only to the extent and in ways that are functional to meeting in the expressed needs and strategies of small-scale producers and MSMEs at country and regional levels. The EU should contribute proactively and constructively to the process for the elaboration of a binding UN treaty on business and human rights.

#### 4. ENABLING ENVIRONMENT FOR FARMERS AND MSMES

Rather than support companies based in home markets the EU’s support for a stronger role for the private sector in development should focus on unlocking the constraints faced by local farmers and micro, small and medium sized enterprises. This should involve support for producer organizations and informal producer groups to meet needs identified with them such as capacity building and basic infrastructure, the expansion of banking services, credit...
and insurance in rural areas — particularly those that can be accessed by women and young people. The EU should support partner governments to develop policy tools, with the participation of concerned national actors starting with small-scale producer organizations. The tools should aim at creating an enabling environment for these actors and their rights, and to support inclusive, nutrition-sensitive and equitable agricultural transformations which reduce power imbalances and support national-level land reforms.\textsuperscript{55}

5 PRIVILEGING TERRITORIAL MARKETS

Through its participation in the Committee on World Food Security (CFS) the EU has taken cognizance of the importance of supporting the territorial markets where most smallholders engage — women in particular — and through which most food consumed in the world is channeled. The EU should review its approach to markets and value chains with the CFS recommendations in mind. It should contribute to the effort underway to increase the understanding and knowledge of territorial markets by collecting comprehensive data on such markets— both rural and urban, formal and informal - in order to strengthen their functioning, ability to deliver nutritious and affordable food and to improve the evidence base for policy making.

6 BLENDED FINANCE: WHEN AND HOW?

The EU should only engage in private finance blending when it can demonstrate financial and development additionality, effective minimisation of risks for people and the environment, promotion of women’s rights and economic opportunities for all, and a strengthening rather than undermining of the public sector. Leveraging private finance should be subject to development effectiveness principles, particularly transparency and accountability, and should not come at the expense of maintaining the focus of agricultural development on smallholders. All projects to which blended funding is addressed should be formulated, implemented and evaluated with the participation of the concerned actors, particularly small-scale producers and MSMEs and their organizations.

7 EUROPEAN EXTERNAL INVESTMENT PLAN

The EU should urgently re-examine the External Investment Plan and its governance mechanisms to raise the bar on the EIP’s transparency, accountability and sustainability, and to ensure strong social and environmental standards are in place. The agriculture window of the EIP should be pro-poor, pro-women, promote a climate resilient sustainable development path and human rights and support the strategies of small-scale producers and rural communities to meet domestic food demand across the rural/urban divide and create employment for women and young people. Operationalisation of the EIP should involve continuous dialogue to be established with civil society actors in Europe and in partners countries, including farmer and producer organisations, and relevant women’s rights groups.

8 GOVERNANCE AND POWER IMBALANCES

The EU should approach governance issues regarding the private sector and agriculture/food and nutrition security within a Human Rights framework whereby governments are duty bearers, citizens are rights’ holders, with particular attention to the vulnerable, and others — including business enterprises — are ‘other parties’. Policy decision-making should be considered a matter for governments and the citizens to whom they are accountable. When private sector enterprises participate in multistakeholder platforms, these platforms should not be about policy choices but about implementation of the policies that people and their governments have decided. These multistakeholder platforms should set in place robust safeguards against conflicts of interest on the part of the most powerful and should invest in agricultural producers’ capacity, including by supporting farmers’ and workers’ organisations as a way to foster a better balance of power.

9 HUMAN RIGHTS AND LAND RIGHTS

The EU should ensure that human rights impact assessments are mainstreamed in EU instruments involving the agribusiness and corporate private sector. Private investment in agriculture should avoid any large-scale transfer of land away from farmers or local communities. When investing in land, all parties should adhere to the principle of Free Prior and Informed Consent (FPIC) for communities. The EU should ensure that partner governments, investors and other stakeholders put in place independent and accessible grievance mechanisms for those communities affected by private investment programmes in agriculture, as foreseen in the Voluntary Guidelines on Responsible Governance of Tenure in Land, Fisheries and Forests adopted by the Committee on World Food Security in 2014.

**ABBREVIATIONS**

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<tr>
<th>Abbreviation</th>
<th>Full Name</th>
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<tr>
<td>CFS</td>
<td>Committee on World Food Security</td>
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<td>CSM</td>
<td>Civil Society Mechanism for relations to the UN Committee on World Food Security</td>
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<td>DFIs</td>
<td>Development finance institutions</td>
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<tr>
<td>DG AGRI</td>
<td>Directorate-General for Agriculture and Rural Development</td>
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<td>DG DEVCO</td>
<td>Directorate-General for International Cooperation and Development</td>
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<td>DG TRADE</td>
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<td>DG</td>
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<td>EC</td>
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<td>ECDPM</td>
<td>European Centre for Development Policy Management</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EIP</td>
<td>European External Investment Plan</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
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<td>FPIC</td>
<td>Free Prior Informed Consent</td>
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<td>G20</td>
<td>Group of Twenty</td>
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<td>GSP</td>
<td>Generalised Scheme of Preferences</td>
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<td>IEG</td>
<td>Independent Evaluation Group</td>
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<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
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<td>IIED</td>
<td>International Institute for Environment and Development</td>
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<td>IPES FOOD</td>
<td>International Panel of Experts on Sustainable Food Systems</td>
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<td>LDCs</td>
<td>Least developed countries</td>
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<td>MFF</td>
<td>Multiannual Financial Framework</td>
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<td>MSMEs</td>
<td>Micro, small and medium enterprises</td>
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<td>NGO</td>
<td>Non-governmental organization</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>Public-Private Partnerships</td>
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<td>Sustainable Development Goals</td>
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<td>SUN</td>
<td>Scaling up Nutrition Alliance</td>
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<td>UK</td>
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<td>UNIDO</td>
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<td>VCA4D</td>
<td>Value Chain Analysis for Development</td>
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