SUMMARY OF COMMENTS AND QUESTIONS:

Leveraging the Private Sector Topic Guide and Seminar

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Contents

Report Summary

This report briefly summarises the key topics of conversation and issues raised at a DFID seminar on the Topic Guide: Leveraging the Private Sector to Promote Agriculture and Natural Resource-Based Livelihoods. The seminar was led by the author, Steven Wiggins from the Overseas Development Institute. This report should be read in conjunction with the Topic Guide, presentation and podcast – all of which are available at: www.evidenceondemand.org.

1. Obtaining government buy-in/influencing policy and the enabling environment as set by government

The author began his presentation by highlighting that, as a first step, the state needs to set a good (but not necessarily perfect) enabling environment in which the private sector can operate. This included predictable government policy, peace and security, infrastructure, education, protection of rights (e.g. land), and so on. A number of participants picked up on this point. Key issues that were raised were:

- The importance of helping governments to recognise their role in creating an enabling environment for the private sector. Governments often not enthusiastic/lack buy-in to the 'private sector approach'. If there is no buy-in it can undermine private sector investment. As well as encouraging a positive engagement, there is a need for capacity building to set policies, guidelines, regulations etc. – and to ensure joined-up thinking across different government departments.
- Private sector often see role of donors as helping to support engagement of private sector with government – or at least supporting the enabling environment.
- In fragile states in particular (but also elsewhere) the basic elements of the enabling environment may not be in place.
- There are important linkages between livelihoods and sector-based programmes that can support governments e.g. financial deepening, social protection. Linkages between these different types of programmes need to be identified and maximised.

The author agreed that this was an important reflection. He challenged participants to look at why there might be limited government buy-in – levels of interest, capacity, challenging status quo etc. He emphasised the importance of getting the fundamentals (e.g. rural public goods such as roads) right before going for more complex private sector programmes.

2. Matrix for identifying types of intervention and their likely benefits/application

In the presentation, the matrix below was provided as a rough guide to the different types of intervention; the scale of their application and the likely potential benefits:

	Wide application	Narrow application
Higher potential benefit	Direct services to farmers Grouping farmers Train input dealers Agency banking	Contracting Local agents Patient capital Matching grants Introduce investors to farmers Loan guarantees
Lower potential benefit	Micro insurance Index insurance	Global GAP Fair Trade, Organic

The author highlighted that, the interventions in the 'wide application/higher potential benefit' box that are often least talked about. The conversation around this matrix acknowledged that it would be very useful in identifying appropriate interventions, although not all agreed with some of the classifications.

3. Areas of Comparative Advantage

Anyone seeking to work in this area need to understand the local context; where and what the need is; and what comparative advantage they bring in terms of private sector approaches. The matrix given above can provide a way to identify comparative advantages of different actors.

4. What are the success and risk factors for different interventions?

The author was asked to identify what success would look like when taking a private sector approach, and what are the risks. He identified three fundamental success criteria: (1) enabling conditions are in place, with a certain level of investment in public goods such as irrigation, roads etc., that allow individuals to undertake some form of business endeavour; (2) need champions who are determined to make things work such as NGOs, a government department, value chain forums (the author cited the Tanzania cotton sector where members of a stakeholder forum, when presented with an academic analysis of why the quality of cotton was falling, were galvanised into action, shocked that they rated so poorly against other African cotton sectors [as reported by Colin Poulton]); and (3) there has to be a good business case: if the proposition or arrangement does not generate commensurate benefits for someone, the no-one will see it through.

Key risks include that people are exploited, are marginalised etc. The author highlighted that these things are not inevitable, but can be avoided with careful analysis of each individual situation.

5. Can the private sector be used to address market failures and shape markets directly?

This discussion centred on whether the private sector can, through their own actions, resolve market failures – for example by reducing costs and increasing reliability. The author cited the example of Kenya. When Kenya liberalised fertiliser trading in the early 1990s, private importers and wholesalers found better ways to store, transport and distribute fertiliser, thereby cutting logistical costs between the port of Mombasea and the main distribution point to producers in Nakuru by 40%. Therefore the private sector can shape markets and address market failures given the right conditions, but most examples are in Asia[1] or Kenya[2].

6. Interplay of different approaches and programmes

Several participants identified the need for joined up thinking between different types of programme e.g. a sectoral programme building capacity with the Ministry of Agriculture and a programme that address rural market failures, in order to maximise synergies. One point

[1] Reardon, T., K.Z. Chen, B. Minten, and L. Adriano, 2012, The Quiet Revolution in Staple Food Value Chains in Asia: Enter the Dragon, the Elephant, and the Tiger. Asian Development Bank and IFPRI.
[2] Ariga, J. and Jayne, T, 2009, Private sector responses to public investments and policy reforms: The case of fertiliser and maize market development in Kenya (Vol 921, International Food Policy Res. Int.)

made was that making these linkages would ensure the government was supporting enabling conditions (such as roads or extension services) that creates demand (for example) for financial services and credit.

7. Lack of Evidence for the impact of a private sector approach

Participants discussed the lack of evidence for how successful a private sector approach has been. In his presentation, the author identified an evaluation deficit, and highlighted that many flagship programmes in this area such as the African Enterprise Challenge Fund (AECF) are relatively recent. Therefore there is limited evidence on how successful the private sector approaches, including M4P, have been on reaching the poor.

There is a clear need to press for thorough evaluations and longitudinal studies of the impacts of these programmes.

8. Gender

The issue of gender was raised and discussed in several contexts. This included ensuring women in particular are not exploited or marginalised by the private sector, that they are able to benefit from the basic government services (such as extension, land rights etc.) combined with other developments (such as credit) that provide opportunities for private sector activity.

9. Fragile States

The question 'what happens in fragile states?' was asked. The example of South Sudan was used to illustrate the fact that often the basic public sector 'ducks in a row' such as infrastructure and policy are not in place. In these countries would it be better to focus on the basics? In response Steven Wiggins pointed to the analysis of Somalia[3]. This has shown that in pauses in the fighting, there has been significant movement with the private sector. The example of the mobile phone sector was used. Somalia had the lowest cost mobile phone service in the world. This happened independently of government, and demonstrates that for certain sectors (where major public investments such as roads, mains electricity, are not a pre-requisite) quite amazing progress can be made.

[3] Peter D. Little, Somalia: Economy Without State (Oxford, U.K.: James Currey Publishers, and Bloomington, Ind.: Indiana University Press, 2003); Little, Peter D., 2003, 'Reflections on Somalia, or How to Conclude an Inconclusive Story', **Bildhaan** 3, 61–74; Leeson, P.T., 2007, 'Better Off Stateless: Somalia before and after government collapse.'