How to do

Public-Private-Producer Partnerships (4Ps) in Agricultural Value Chains

IFAD
Investing in rural people

Sustainable inclusion of smallholders in agricultural value chains

How To Do Notes are prepared by the IFAD **Policy and Technical Advisory Division** and provide practical suggestions and guidelines for country programme managers, project design teams and implementing partners to help them design and implement programmes and projects.

They present technical and practical aspects of specific approaches, methodologies, models and project components that have been tested and can be recommended for implementation and scaling up. The notes include best practices and case studies that can be used as a model in their particular thematic areas.

How To Do Notes provide tools for project design and implementation based on best practices collected at the field level. They guide teams on how to implement specific recommendations of IFAD's operational policies, standard project requirements and financing tools.

The **How To Do Notes** are "living" documents and will be updated periodically based on new experiences and feedback. If you have any comments or suggestions, please contact the originators.

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List of acronyms

CSR	corporate social responsibility
DVCC	district value chain committees
FAO	Food and Agriculture Organization of the United Nations
ffb	fresh fruit bunches
GIZ	German Agency for International Cooperation (formally German Agency for Technical Cooperation – GTZ)
HTDN	How To Do Note
IDS	Institute of Development Studies
M&E	monitoring and evaluation
NGO	non-governmental organization
NRGP	Northern Rural Growth Programme
PPP	public-private partnership
PPPP (4P)	public-private-producer partnership
PRM	Partnership and Resource Mobilization Office (IFAD)
PTA	Policy and Technical Advisory Division (IFAD)
RCB	Rural and Community Bank
SECAP	Social, Environmental and Climate Assessment Procedures
SMEs	small and medium-sized enterprises
SNV	Netherlands Development Organisation
UNIDROIT	Unification of Private Law
USAID	United States Agency for International Development
VC	value chain
VODP	Vegetable Oil Development Project

Background

Agricultural and food value chains involve a variety of actors and institutions, the vast majority of which are private-sector companies[1] – whether small, medium or large, local, regional or international. These private companies play a crucial role in selling inputs to small producers, buying their commodities and adding value to their products. Private companies also provide the financial services, technology, know-how and information needed to meet the standards dictated by specific value chains. As a result, the value chain development projects that the International Fund for Agricultural Development (IFAD) finances involve forging linkages between small-scale producers and private companies.[2] The private companies that IFAD-supported projects partner with range in size and scale, but most involve small to medium-sized local enterprises.

What drives private companies? In many countries where IFAD works, steady economic growth and urbanization have led to a shift from basic food needs towards more demanding domestic consumer markets aiming to feed a growing middle-class and urban population. This creates new market opportunities that local agribusiness companies are keen to exploit. It often involves working with small producers to access a reliable supply of products that meet market demand. At the same time, large multinational agribusinesses have been seeking to gain sustainable access to raw materials and supplies, and to expand their outreach to poor rural and urban consumers in developing countries. Private companies' increasing presence in areas where IFAD's target groups are economically active presents both opportunities and challenges that can be addressed through IFAD-funded projects.

The global trend towards sustainable sourcing of raw materials is driven by: (i) consumers' growing interest in food safety and quality; (ii) the need for transparent information about food products' origins and production processes; and (iii) civil society and advocacy organizations' monitoring of the social and environmental behaviour of multinationals (e.g. Oxfam's "Behind the Brand" campaign).[3] In this context, most multinational agribusiness companies have developed sustainability strategies to ensure the long-term durability of their supply chains from the economic, environmental and social perspectives.[4] Issues that were previously addressed as part of their corporate social responsibility (CSR) agendas are now being mainstreamed into companies' core business models. An increasing number of multinationals are requesting IFAD's help to facilitate the expansion of business with smallholder farmers. At the same time, governments are seeking IFAD's support to attract and broker inclusive private investments in the agricultural sector.

Given these trends and acknowledging that public investments are increasingly constrained, IFAD sees opportunities to work with the private sector as a means to leverage this sector's resources, expertise and efficiencies. Through its mandate, IFAD also supports and finances the public sector, which has an important role to play in maintaining national food security, ensuring food safety, promoting sustainable sourcing (to preserve natural resources and the environment), making market-based transactions work for the poor, and providing the infrastructure and a proper business environment to attract needed investments in the agricultural sector. As a result, IFAD has increasingly sought to build mutually beneficial partnerships between the public sector, the private sector and small rural producers through the projects it finances. Examples of these partnerships can be found in various agrifood sectors, including edible oil in Uganda, tea in Rwanda, sugar in Swaziland, coffee and cocoa in São Tomé and Príncipe and Indonesia, vegetables in Guatemala and various commodities in Sri Lanka and Viet Nam.

1 Defined in the IFAD Private Sector Strategy (2011) as "for-profit companies not owned or operated by the Government."

2 This How To Do Note (HTDN) complements an earlier HTDN on "Sustainable inclusion of smallholders in agricultural value chains" available at http://www.ifad.org/knotes/valuechain.

3 See https://www.oxfam.org/en/campaigns/behind-brands and http://www.sustainablebrands.com/community2.

4 Many multinational companies have publicly announced global targets for sustainable sourcing of raw materials, including the number of small-scale farmers they plan to reach.

Rationale

The **purpose** of any partnership is to meet goals more effectively than each concerned party could on its own. This is achieved by building on complementary strengths and creating positive synergies. Partnerships are built on mutually beneficial relationships that involve trust or legally binding contracts between two or more parties. Especially in thin or dysfunctional markets, partnerships can serve to address "market failures." By mitigating risks (through risk-sharing), pooling resources (such as capital, know-how and assets), and agreeing on profit-sharing, agricultural value chain partnerships can improve the outcomes for all engaged parties.

The rationale for the public sector to engage in and facilitate partnerships with the private sector is to harness the private sector's expertise, efficiencies and investment capital, while reducing the costs of delivering private-sector services by providing public goods (such as infrastructure, an enabling environment and seed capital).

What is new about public-private-producer partnerships (4Ps)? Partnering with the private sector is not new to IFAD. Past and ongoing IFAD-supported projects have yielded substantial experience and lessons learned. The 2013 report, *IFAD and Public-Private Partnerships: Selected Project Experiences*, documented 23 ongoing projects based on a variety of partnership arrangements.[5] The question is: what is new about the concept of 4Ps as opposed to previous arrangements?

The key elements that characterize 4Ps are elaborated later in this note. IFAD is keen to promote 4Ps as a more systematic way of doing business with the private sector through the projects it supports. In this manner, IFAD communicates to global stakeholders, partners and clients its unique approach to partnerships that enhance the well-being of small-scale producers.

A 4P arrangement ensures that smallholder producers are respected partners and not relegated to the receiving end of public-private partnerships (PPPs). There are important asymmetries in the balance of power that need to be acknowledged in 4Ps, since smallholders are typically not well equipped to negotiate with public and private actors. It is important to ensure the transparency, fairness and accountability of these arrangements, especially when it comes to recognizing local communities' tenure rights (to land, water and forests), the role of women and environmental issues. The devil is often in the details of PPP deals when it comes to price-setting mechanisms, enforcement of contracts, regulatory issues, payment modalities, ownership and coordination. Introducing the 4Ps concept helps to identify and address these issues from the outset. It can also be employed to justify the use of public funds as an incentive for both the private sector and producers to make better deals in which everyone is genuinely committed to a long-term partnership.

4Ps as an instrument for scaling up and increasing financial inclusion: From the perspective of IFAD and governments, 4Ps create opportunities to scale up development results. Taking a 4P approach within an IFAD-funded project can help to leverage private investment, strengthen policy dialogue, secure technology and know-how, and utilize other actors' social and political capital to scale up positive results in a sustainable manner.[6] Combining public goods, financial instruments and contractual arrangements with small farmers and agribusinesses through 4Ps can attract additional resources and support from banks, equity investors, input suppliers, equipment-leasing firms and other value chain suppliers. In addition, 4Ps can harness greater domestic public investment, creating a virtuous circle that facilitates the market and financial integration of smallholders and rural small and medium-sized enterprises (SMEs).

[5] The December 2013 report, *IFAD and Public-Private Partnerships: Selected Project Experiences*, highlights 23 IFAD experiences with public-private partnerships (PPP), including lessons learned.

[6] See PTA's 2015 scaling up note *Sustainable Inclusion of Smallholders in Agricultural Value Chains* (http://www.ifad.org/knotes/valuechain/vc_sun.pdf) and IFAD's 2015 *Operational Framework for Scaling Up Results*.

Objective of the How To Do Note (HTDN)

This HTDN provides guidance for project design teams on how to design a 4P component and how to support the implementation of 4Ps within IFAD-funded projects. It builds on findings and lessons learned from previous IFAD-supported projects, as summarized in the 2013 report, *IFAD and Public-Private Partnerships: Selected Project Experiences*, and the Institute of Development Studies (IDS)/IFAD publication, *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains*.[7] This HTDN begins by defining the 4P and related concepts and then analyses the basic elements that need to be considered when designing and establishing a 4P followed by recommendations for the implementation of 4Ps.

Definition and concepts

Definition: 4Ps involve cooperation between a government, business agents and small-scale producers, who agree to work together to reach a common goal or carry out a specific task while jointly assuming risks and responsibilities, and sharing benefits, resources and competencies.[8]

A 4P ideally serves **multiple development objectives**. For example, it can be a mechanism to include IFAD's target group in value chains led by private companies. Private investment can also facilitate access to markets, technical assistance, knowledge, technology and capital. Finally, intensification of production and development of value chains can generate significant employment opportunities.

The 4P concept. The main **characteristics** of a 4P (as opposed to PPPs) include the following:

(a) Private-sector involvement is planned early on so that it becomes part of project design and implementation, and partnership results are systematically monitored and evaluated as part of the project's results framework.

(b) To the extent possible and relevant, the private-sector partner is selected through a competitive or rigorous selection process that ensures transparency and objectivity, and meets the project's social, economic and environmental objectives.

(c) Producers play an active role in the negotiations and partnership arrangements (both formal and informal), governance and monitoring.

(d) A 4P is a true partnership in which each partner has clear roles and responsibilities, and shares risks and benefits. Private-sector partners are expected to allocate matching financial resources.

(e) Linking with the private sector through a 4P ensures that interventions are sustained beyond the project lifetime because they follow business logic and all involved parties benefit. A 4P should be seen as an entry point to scaling up project results through private-sector investment.

[7] The study analyzed four IFAD-supported projects in four different sectors and countries: maize in Ghana; cocoa in Indonesia; tea in Rwanda; and palm oil in Uganda.

[8] Elaborated from IDS/IFAD publication, *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains* (2015). Available at: http://www.ids.ac.uk/publication/brokering-development-enabling-factors-for-public-private-producer-partnerships-in-agricultural-value-chains.

What does each partner bring to a 4P?

In a 4P, each partner brings an essential feature or holds a specific responsibility; all partners share risks and benefits. Design teams should reflect on the mutual benefits of partnership and the incentives for each potential partner. 4Ps in IFAD-supported projects are usually brokered by IFAD design teams (including country programme managers), project implementation and management units, or external service providers (such as the Netherlands Development Organisation [SNV] in the ongoing 4P brokerage initiative).[9] The types of 4P contributions are listed below, along with each party's main motivations for engaging according to its comparative advantage.

Producer groups:

- Know-how and experience in farming under local conditions
- Production of commodities demanded by the private sector
- Often owners (formal or informal, and sometimes contested) of production assets such as land and water
- Can invest a substantial amount of labour and sometimes even capital – e.g. for agricultural production, infrastructure maintenance and watershed management

Main motivation: To profit from agriculture and related activities, improve their incomes and livelihoods as a result of more stable business relationships, expanded production and access to new markets, finance and production good practices and technologies.

Public-sector agencies:

- Invest in public goods such as basic infrastructure (rural roads, bridges, irrigation, electricity, market facilities, etc.), research and extension
- Ensure a supportive policy, regulatory and business environment (e.g. property rights to land and water, rural business licenses, tax breaks and tax incentives, food safety and standards, trade tariffs)
- Transfer assets (e.g. state-operated farms, state land)
- Reduce risk and transaction costs for the other two parties, and build trust between them (e.g. by enforcing contacts, ensuring fairness in dealing with conflicts and showing political commitment to inclusive partnerships)

Main motivation: To achieve economic growth and reduce poverty (or meet development goals) in a cost-effective and sustainable manner by leveraging private-sector knowledge and investment.

Private-sector companies:

- Access to markets, inputs, working capital, etc.
- Management capacity and coordination along the value chain
- Investment in processing facilities, warehouses, transportation, etc.
- Often provide market intelligence, technology and specialized technical assistance
- May co-invest in community-owned assets such as storage facilities, warehouses and processing units

Main motivation: To secure reliable sources of raw materials that meet their specifications regarding timeliness of delivery, quality and volume at the least possible cost; to open or expand into new markets; to rapidly accommodate to changes in consumer preferences; to diversify customers or suppliers; and to make profits.

[9] SNV is the implementing agency of IFAD's global grant-funded three-year initiative to broker 4Ps in IFAD loan-funded investment projects in five selected countries.

Broker/facilitator (IFAD or third party):

- Established "honest broker" that understands all parties' needs and concerns, builds trust and brings parties together (including small farmers, public-sector actors and private companies)
- Objectively assesses constraints and opportunities, and assists in establishing and negotiating 4P business models and related contractual arrangements
- Supports producer groups in becoming better organized and prepared for engagement in formal market-based transactions
- Supports 4P project implementation, monitoring and evaluation (M&E), and brings in international expertise when needed

IFAD's specific role:

- Finances part of the public-sector investment through government loans and grants, and may also provide (through governments) seed funding for 4Ps (e.g. matching grants for 4P joint business cases involving producers and private companies)
- Engages with governments on enabling policy and regulatory frameworks, and the provision of public goods as an incentive to attract private-sector investment in rural areas
- Advises the private sector on investments that are more inclusive of small-scale producers.

Main motivation: To build sustainable, pro-poor 4Ps that can evolve into mutually beneficial and inclusive business relationships. By creating synergies among all parties, IFAD seeks to reach development outcomes more efficiently. Development outcomes can be scaled up by bringing in private sector know-how and financing.

What types of private companies?

As mentioned earlier, a wide range of private companies are active in agricultural value chains. As detailed in IFAD's 2011 Private Sector Strategy, these companies vary from domestic SMEs, such as local input dealers, traders, commodity brokers and agro-processors, to large domestic and international corporations, such as input and food manufacturers, large commodity traders, beverage companies and supermarkets. The size and characteristics of these companies influence the partnership development process, business model, governance mechanisms and monitoring arrangements.

What types of partnerships?

There is no "one size fits all" – context matters: Partnership opportunities vary considerably across countries and commodities. For example, in emerging or middle-income countries with a dynamic private sector, 4P approaches can be quite elaborate, with room for competitive selection and large matching contributions from the private sector. On the other hand, regional variations can result in a different approach to 4Ps within the same country. For example, in the mountainous and remote areas of China or Viet Nam, opportunities for engagement with private companies are much more limited than in developed coastal or lowland areas. In remote areas, projects might focus on scoping and selecting companies based on minimum eligibility criteria.

The nature of the commodities involved also determines the nature of 4P business models. Perennial tree crops such as palm oil, tea and coffee, which require long-term investments from all partners, are better suited to an exclusive long-term relationship between farmers and one processing company.

While it is difficult to categorize the various types of partnerships that can be established – and given that many circumstances are unique – figure 1 below presents a simplified attempt to group the types of partnerships that may emerge in different contexts.

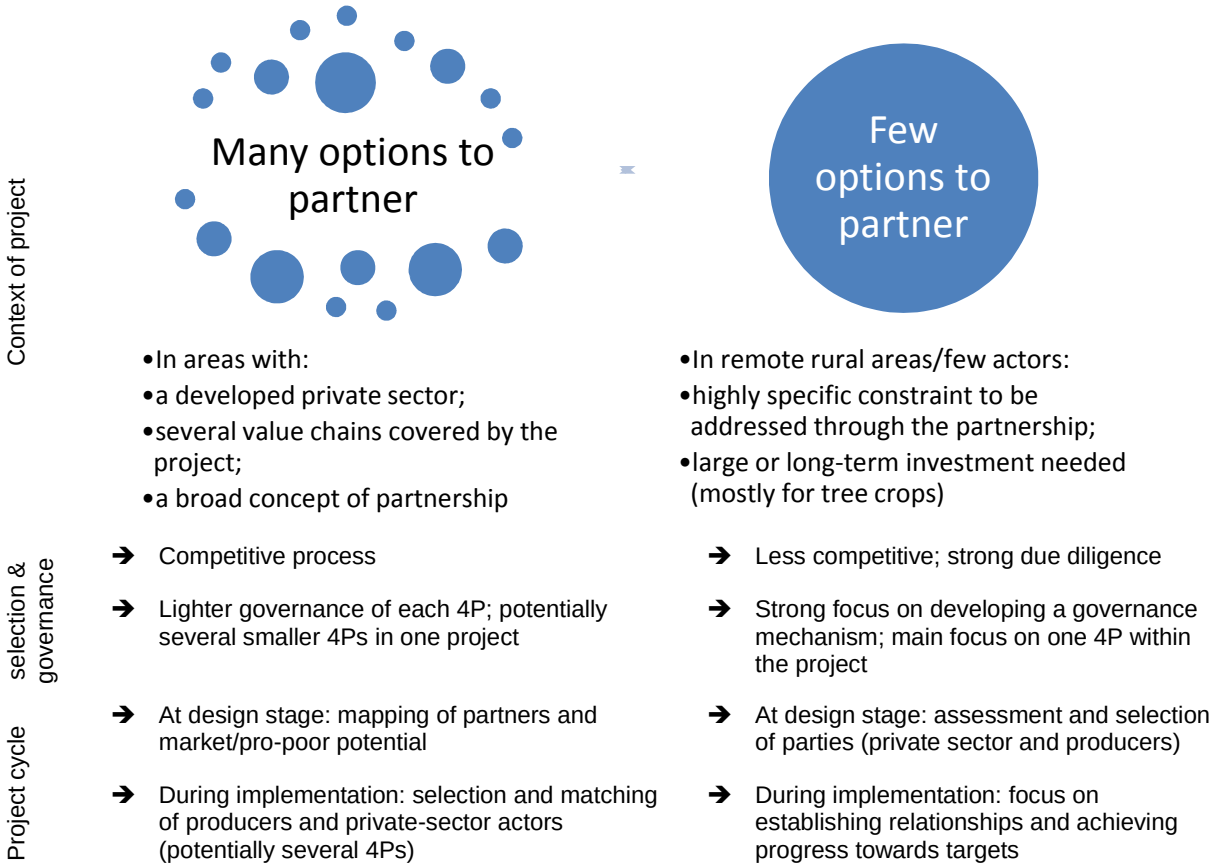


Figure 1: How context influences the form of public-private-producer partnerships (4Ps)

Elements and design of 4Ps in IFAD projects

Designing an effective and truly win-win partnership is a challenging process, which requires a careful analysis of all the elements that can make the partnership effective, successful and sustainable. To ensure this outcome, it is important to answer a series of guiding questions, some of which are listed in Box 1.

For further information, see the *Partnering Initiative's Partnering Scorecard*: http://thepartneringinitiative.org/tpi-tools/the-partnering-agreements-scorecard/.

Box 1: Examples of guiding questions for designing 4Ps

1. What is the nature of the problem and why do we partner?
2. What does the partnership seek to accomplish?
3. Who are the partners?
4. What are the incentives for each party?
5. When will the partnership do what?
6. How will the partnership be implemented?
7. How will the partners communicate?
8. What if something does not go as planned?

In the remainder of this section, the responses to the questions above are provided as a set of design "building blocks" that are required for successful 4Ps. In fact, the critical elements of a successful 4P are difficult to present in a sequential manner, since they are highly interrelated and the timing of each step varies according to the specific context and partners involved. Figure 2 and the paragraphs that follow summarize these building blocks and the processes that comprise them.

Figure 2: Building blocks of a successful 4P

(a) **Defining a clear rationale for the 4P should be a priority from the outset**. What is the nature of the problem? Why is there a need for a partnership? Does it need to be a full-fledged 4P or is there a better alternative? What is the aim and what are the objectives to be achieved? To what extent are the interests (incentives) of different actors aligned towards a common objective? Is the partnership responding to a sustainable market demand? How are all parties going to profit/benefit from the partnership? Establishing the rationale requires an assessment of major opportunities and challenges to be addressed by the 4P, and the main incentives for each actor to commit to the partnership on a long-term basis.

(b) **Identification and selection of suitable 4P partners.** Partners can be selected either through a competitive process, or through a careful scouting and due diligence process. This process should also identify from the outset any areas requiring capacity-building for partners (particularly producers) so as to enable the latter to perform their expected roles within the partnership. In some IFAD-funded projects, private-sector partners are already chosen by the government, either through an IFAD memorandum of understanding or as a result of past project activities.[10]

(c) **Development of a 4P business case.** Once a clear rationale for a 4P is defined and suitable partners are identified and selected, the business case for the partnership needs to be developed and formalized. To this end, producers and companies should negotiate and agree on the business model that will bind their partnership together. This could be a contract-farming scheme, an out-grower scheme, a joint-venture shareholding scheme, a loose supply-based arrangement or a cooperative-led model. Other partners involved in the value chain should also be included in the partnership.

(d) **Leveraging public and private funding.** The 4P business case should consider all financial requirements for making the partnership successful, including: public goods and services (such as

[10] In such cases, the starting point is establishing the partnership and governance mechanisms, shifting the emphasis to negotiating each partner's responsibilities and share of risks and benefits.

transport, market infrastructure, training and capacity-building); semi-public assets (such as collective production or processing assets for small-scale producers); and the private working capital and assets of individual producers and private-sector partners. A main tenet of the 4P model is to use public funds provided by governments and IFAD to leverage financing and investments from the private agribusiness and financial sectors, and producers themselves. The aim is to ensure the long-term financial viability of the 4P.

(e) **Negotiation of roles and responsibilities.** Developing a partnership requires time to build trust among the partners, understand each partner's strengths and weaknesses, and learn how to interact most effectively. This is especially important at the start of a 4P, but requires continuous engagement; a re-adjustment after two or three trading cycles is usually required. In the negotiation process, the partners must agree on their respective roles and responsibilities, including each partner's share of risks and benefits.

(f) **The 4P governance mechanisms: conflict mitigation, rules for communication and risk management**. This component involves establishing the decision-making bodies and internal rules and regulations that all 4P partners (including the public sector and donors) agree to abide by throughout the partnership in order to respond to unforeseen circumstances and steer the 4P towards its objectives. Governance should also include a dispute-settlement mechanism and risk-mitigation measures. To some extent, the governance mechanism is an outcome of the negotiation process, but it often requires further adjustment during implementation.

(g) **An M&E mechanism measuring success towards identified goals and business sustainability** must also be agreed upon and implemented. Effective M&E serves both IFAD's project needs and the 4P business case, ensuring smooth and sustainable implementation. A good M&E mechanism captures progress towards set objectives and warns partners of deviations from their goals.

The 2015 IDS/IFAD publication underscored the importance of these building blocks: it identified eight enabling factors for successful 4Ps in agricultural value chains (see appendix 1). In the following sections, the seven building blocks described above are discussed in detail.

Defining a clear rationale for the 4P

From a government and donor point of view, the starting point of a 4P should be to understand how a partnership can contribute to economic development and improve the livelihoods of IFAD's target groups. It is important to answer the question: what does this 4P bring to IFAD's target group that cannot be delivered by any of the partners intervening independently? The 4P rationale should demonstrate the partnership's advantages and its potential for achieving sustainability and scale.

One approach is to identify all the major constraints (such as a lack of technology, inputs, marketing or financing) that IFAD's target groups need to overcome and determine how the 4P can help them do so. Ideally, this should be a participatory process in which constraints are identified by the primary actors (with support from facilitators) and analysed to understand the root causes and potential solutions. The same process should be used to identify opportunities (such as new products and new market demand) and how they can be exploited in the partnership. Table 1 below presents an overview of the rationale provided for the four cases in the IDS/IFAD study.

Table 1 – 4P rationale provided for the four cases in IDS/IFAD study (2015)

	Ghana	Indonesia	Rwanda	Uganda
Smallholder constraints to be addressed	Access to finance and technology; farmer organization	Access to technology; farmer organization	Access to markets; farmer organization	Access to finance and markets; farmer organization
Role of private-sector partners	Technology provision (Nestlé) and marketing channel (aggregator) to access financing	Technology provision (Mars)	Marketing channel through factory investment in processing; some technical assistance	Technology provision and marketing channel through mill investment
IFAD-funded project's role	Establishing village-level platforms; facilitator of financing (NGO); supporting value chains through small investments	Policy leverage with government; scaling up private-sector technology through public extension	Finance investment on behalf of the smallholders; technical assistance to producers	Extension to smallholders; supporting the creation of organizations representing out-growers; supporting input financing

Source: IDS/IFAD, 2015.

As the IDS/IFAD study stated, "Understanding the constraints and potential 4P solutions is not enough. Assumptions behind the solutions also need to be identified and feasibility tested." The IDS/IFAD study also noted that initial incorrect assumptions about key elements of partnerships can significantly decrease the likelihood of achieving their proposed objectives, and therefore the sustainability of the partnership itself.

An important consideration in the rationale for establishing a 4P is the extent to which potential partners' interests can be aligned towards a "shared vision," with the ultimate goal of sustainably increasing each actor's profitability. It is important to ensure that the 4P is truly "win-win," so that every actor benefits and has an incentive to contribute to its long-term success.

Finally, the political economy (including vested interests that oppose change) and policy and regulatory constraints to private investment are important criteria to consider during the assessment of the rationale and viability of a 4P. In some countries, policy changes in "sensitive" sectors (such as sugar, rice, dairy and meat) may be a pre-condition for attracting private-sector interest in 4Ps. For the private sector, partnering with donors and governments is one strategy for mitigating the risks of expropriation, for example.

Identification and selection of suitable 4P partners

There are two modalities for identifying and selecting 4P partners: (i) competitive selection; and (ii) purposeful selection. Both have their merits and disadvantages. The first is more transparent, ideally allowing broader outreach to potential partners (the project might not know all available or interested private entities) and is less vulnerable to "rent-seeking." The second is faster, which makes it easier to build on existing relationships and avoid time-consuming and costly selection processes; however, this modality may be vulnerable to "rent-seeking." It may also be the only available option: (i) in the project area (e.g. because there is a limited number of companies); (ii) in cases when a private partner has already been identified and pre-selected by the government; or (iii) when a 4P is initiated by a private company itself. To facilitate broad participation, it is recommended to either map the entire sector and proactively scout for companies, or broadly advertise any competitive calls.

Competitive process using business plans. The competitive process to identify viable 4Ps through business plans should entail a call for proposals for 4P business plans to interested private-sector

companies and farmers' organizations. The 4P business plans should then be reviewed, assessed and selected following a set of pre-established eligibility and selection criteria (see Box 2).

This section is based on the simplified 4P mechanism described in PTA's 4P concept note[11]. The process, which has already been applied in some projects, involves the following: (i) receipt and initial screening of simple business proposals against a set of eligibility criteria; (ii) development of eligible proposals into full-fledged business plans; and (iii) final selection of business plans based on the selection criteria. Often, IFAD-funded projects provide technical advice during the second step.

When preparing to select 4P partners and business plan proposals, it is critical to identify an institution with the most appropriate competencies to manage the selection process. It is challenging to assess business plans submitted by partners – especially the aspects related to financial viability, community engagement and compensation – since they tend to rest on a number of assumptions. One approach for assessing business plans is to rely on an independent board of technical experts; this method has been tested in some IFAD-funded projects with positive results. Alternatively, a specialized service provider could perform this function.

Box 2. Eligibility and selection criteria for 4P partners

- Proven know-how and technical expertise related to the selected product and services (key requirement)
- Willingness to invest both human and financial resources in the 4P
- Formal buy-in and commitment of the small-scale producers involved in the 4P business plan, as evidenced by a formal agreement (e.g. contract)
- The company's production practices and those of its smallholder suppliers are environmentally friendly and comply with social (labour, gender) standards
- The partner's strategy is not simply focused on short-term profits but on long-term, viable business relationships with producers; it is an integral part of its business model rather than a CSR initiative
- Producers are willing to engage in stable and continuous commercial relationships with business partners, as opposed to opportunistically looking for the best buyer in each season
- Private sector's proven experience and/or formal commitment to establishing business partnerships with small producers
- In the case of international companies, capacity to partner with local firms and agribusinesses

Source: PTA 4P concept note (2015)

Purposeful selection: scoping, scouting and matchmaking. A competitive process involving a request for proposals may be too cumbersome if the capacities of national implementing agencies are weak, or if a dearth of private-sector actors makes the competitive process difficult (see figure 1). In such cases, the alternative is to carry out a scoping and scouting exercise (often by outsourcing the service to a specialized provider) based on a map of existing and potential buyers in the market or value chain. Ideally, this should build on a preliminary mapping exercise carried out during the project design stage as part of the market and value chain analysis.

The mapping of agribusinesses can start with chambers of commerce or related institutions such as national commodity federations (e.g. coffee or cocoa associations). The purpose is to obtain an overview of the companies operating within a certain market or value chain. An alternative is to organize a

[11] http://www.ifad.org/partners/4p_concept_note.pdf

"matchmaking event," such as was recently held in Viet Nam with the Vietnam Business Challenge Fund and the Inclusive Business Accelerator initiative.[12] These events provide opportunities for direct business-to-business contact between private companies and producer organizations.

Depending on whether the initial mapping exercise leads to the identification of multinationals or SMEs, some due diligence is required to assess the selected company's capacity and reliability. In the case of a multinational, IFAD's Partnership and Resource Mobilization Office (PRM) can help by initiating a preliminary due-diligence screening and provide information on the company's reputation and global standing; PRM can also make initial contact with the company.[13] In cases where the company is already pre-selected by the government or was approached by IFAD, the due-diligence screening can be conducted by PRM and IFAD's due diligence working group.

Similarly, producer organizations must be assessed to determine whether they would be reliable business partners for the selected private company in a 4P arrangement. PTA is currently preparing a HTDN on developing effective farmer organizations for sustainable engagement with the private sector, which will detail the types of farmers' organizations that are most suitable in various circumstances, 4P arrangements and types of business models.[14]

Development of a 4P business case

Types of business models. Once a clear rationale for a 4P is defined and suitable partners are identified, the business case for the partnership needs to be developed and formalized. To this end, the type of business model[15] chosen by the private partners (producers and private companies) is a critical element in ensuring efficient and profitable business for every party. The type of business model depends on the nature of: the product (perishable, bulk commodity, differentiated, etc.); partners (producers, buyers, processors, exporters, etc.); and end market (see Box 3).

For example, a collaborative and highly integrated business model (e.g. contract farming) is more frequently employed with perishable commodities, such as fresh fruits and vegetables, dairy and meat sold in formal retail markets (e.g. supermarkets), which require continuous and consistent delivery, traceability and high food safety standards. The same applies to cash crops that are sold to a specific buyer who interfaces exclusively with several producers (as is the case with palm oil in Uganda and tea in Rwanda). In cases such as these, vertically integrated business models such as contract farming and out-grower schemes may be the natural choice. In both cases, the business model is binding for the partners, who become mutually dependent: farmers have only one buyer for their produce, while the company relies on them to provide the raw material needed to make its processing business profitable.

This mutual dependency between producers and private companies raises some concerns for development practitioners, because farmers can end up being "locked into" an exclusive business relationship. As the most vulnerable party in the partnership, farmers are exposed to a greater level of risk in the event of an external shock, unless adequate mitigation strategies are established (see the section on risk management). From a private company's perspective, however, it is important to acknowledge that side selling – in which producers sell their products outside the partnership to take advantage of higher prices offered by other buyers – is a major risk with integrated models.

Conversely, when there is enough competition among buyers and a good capacity among producers (e.g. well-established farmers organizations), the business model can be less integrated and based on a more horizontal relationship between the partners (as is the case with maize in Ghana). This model is much less binding and the actors have more flexibility to choose their partners and diversify their business relationships.

[12] https://iba.ventures/vietnam/vbcf/

[13] See IFAD – PB/2014/09: Due diligence process for corporate private-sector partnerships.

[14] Engaging with farmers' organizations for more effective smallholders development.

[15] "A business model is the way by which a business creates and captures value within a market network of producers, suppliers and consumers" (MIT Sloan School of Management) http://process.mit.edu/info/eModels.asp.

Box 3. Three types of business models

Horizontal business models resting on mainly informal agreements: In such models, an IFAD-supported project facilitates a supply relationship between organized producers and one or more private buyers (e.g. traders, agro-processors, aggregators) at the local level. These business models often rely on local coordination mechanisms to build trust among the value chain actors rather than written contracts or agreements. For example, in Ghana's Northern Rural Growth Programme (NRGP), the establishment of farmer-based organizations and the promotion of local value chain platforms (called district value chain committees) helped to bring together all actors in the maize value chain. It not only established market linkages for producers, but improved access to training, inputs and technology through a cashless credit system.[16] This model requires well-organized producers (or networks such as regional federations or associations) with the capacity and bargaining power to engage with other value chain actors. Some good examples of IFAD projects in which farmers' organizations are strong and able to interact with other value chain actors can be found in Guatemala, Nicaragua and Paraguay.

Vertically integrated business models with formalized agreements: In these business models, the private company and farmers (or their organizations) enter into a formal (written) contract. Contracts may vary according to company standards, the country, the commodity and other factors, and can range from informal seasonal production contracts between a buyer and farmers to fully integrated out-grower schemes. Such schemes are similar to the Vegetable Oil Development Project (VODP) in Uganda, where a nucleus estate was first established by the processor to supplement its supply via direct contracting with local farmers. A similar arrangement is being negotiated by a factory and sugar cane producers in the Bagamoyo Sugar Infrastructure and Sustainable Community Development Programme in Tanzania.

Joint-venture model with investment in joint facilities: In the previous two business models, producers play only the role of suppliers of one or more private companies. This has implications for their power relationship with the private-sector actor and the sharing of benefits and risks within the 4P. To establish a basis for more equitable partnerships between producers and private companies, an alternative business model has been tested in some IFAD-funded projects. This model is based on the promotion of a joint venture between producers and a private investor. Its principle is that producers are not just suppliers but shareholders in the joint business and therefore have a say in decision-making. One such example is the IFAD-funded Smallholder Cash and Export Crops Development Project in Rwanda. In line with the Government's privatization of the tea sector, the joint-venture model was promoted to manage two tea-leaf processing factories. The private investors own between 70 per cent and 85 per cent of the shares in the tea factories, while the Government has purchased the remaining portion on behalf of tea-producer cooperatives. The aim is to encourage farmers' ownership within the 4P and give them an opportunity to benefit from the dividends.[17]

Typically in a partnership, the lead partner (often the private company) determines the type of business model to be followed in the first few years. Once the model is identified by the private actor, the public partner (the project team, public implementing agency or specialized external service provider) should engage with the other partners to assess the proposed model's feasibility. In this analysis, it is also important to evaluate the theory of change that justifies the 4P and the different actors' roles within it. All four cases studied by IDS and IFAD provided examples of unrealistic assumptions that significantly impacted outcomes. In Rwanda, for example, smallholders' tea productivity was at least 50 per cent lower than had been estimated during the development of the business case. This undermined the profitability of the tea-processing factories, as well as the farmers' ability to repay loans.

4P business cases (plans). The discussion about the 4P business model should be reflected in a joint 4P business case, or – as it is often called in IFAD-funded projects – business plan, which should include all capacity-building and investment activities required to successfully develop the partners' joint business. See appendix 4 for an example of a 4P business plan template.

[16] http://www.ifad.org/pub/market/brokering_dev/ghana.pdf

[17] For more information on the Rwanda project, see: http://www.ifad.org/pub/market/brokering_dev/rwanda.pdf.

Activities that could be financed by an IFAD-funded project as a matching contribution (or an incentive to initiate a 4P) include:

- Technical assistance and training for producers to form institutions, build capacity and adopt or upgrade their technologies to meet market requirements;
- Obtaining or renewing certification to comply with the quality standards of the buyer or end market (e.g. organic, fair trade);
- Legal services to draft 4P agreements and negotiate and enforce contracts;
- Investments in collective, semi-public productive infrastructure and equipment such as storage rooms, warehouses, transportation, and post-harvest equipment for grading, sorting, aggregating, and processing – provided that they are ultimately owned and managed by farmers' groups;
- Other long-term investments required by producers to renew their plantations or invest in new ones (tree seedlings, on-farm irrigation schemes, etc.); and
- Small producers' shares in joint ventures with private companies.

The selection of 4P business cases (plans) should be based on: (i) their viability and the degree to which they benefit smallholders; and (ii) the governance and accountability mechanisms established for the 4P. Governance and accountability are particularly crucial when the private-sector partner is a multinational company, or when the scale of the 4P is large. The criteria for evaluating 4P business plans include the following:

(i) Viability and pro-poor nature of the business case:

- Added value of the requested 4P funding and whether the private enterprise would make the investment without support on the same scale, in the same location, or to the same standards. 4P funding should not replace other private financing or commercial credit;[18]
- Financial viability and sustainability of the proposed business model under the present conditions (are the assumptions realistic?);
- Extent to which the farmers' organization is represented within the partnership;
- Percentage of the total cost of the 4P business plan (including investments, working capital and technical assistance) covered by the private company and farmers' organizations with their own funds;
- Number of small producers reached (including gender balance) and estimated increase in volume of produce purchased;[19]
- Cost per number of small producers reached or other beneficiaries;
- Pro-smallholder features of the proposed business model, including duration, transparency of the price-setting mechanism, suitability of payment terms, risk mitigation measures and shift in value towards the farm gate; and
- Private company's commitment to preserve farmers' land rights.

[18] Donors are increasingly scrutinized regarding the additionality of PPPs and 4Ps. It is therefore important to make a business case for financing activities and investments with public funds.

[19] Clear evidence of added value is also important to avoid funding a "business as usual" plan.

(ii) Governance and accountability mechanisms:

- Whenever applicable, free, prior and informed consent of local communities is obtained and community members (particularly women) are included in the business plan development process;
- A grievance mechanism is established to settle disputes among parties, with independent arbitration;
- Information about the 4P contracts, shareholder agreements and investments is made publicly available; and
- An M&E system is established to measure the 4P's outcomes and impacts on livelihoods.

Leveraging public and private funding

As confirmed by the Conference on Financing for Development, held in July 2015 in Addis Ababa, there is broad consensus in the development sector that the most effective way to allocate shrinking public resources and maximize their development impact is to leverage private investments for development. As mentioned in section I above, 4Ps are regarded as a valuable instrument for scaling up development results through partnerships with the private sector.

Public funds, channelled through IFAD-funded projects or directly allocated by governments, are important to fill financing gaps related to **public infrastructure, training and capacity-building,** or semi-public goods such as **collective production or processing assets**. Box 4 below illustrates this point further through the 4P business plan mechanism.

Box 4. The 4P business plan mechanism as an institutional innovation that attracts private-sector partners

4P business plans for developing agricultural value chains can be powerful tools with which to attract private-sector investments in smallholder production and market segments that would not be profitable without public support. Public and donor resources can provide incentives for the private sector to reach out to small-scale farmers as suppliers of raw materials or as "bottom of the pyramid" consumers. These funds can also be used through a competitive process to finance business plans jointly submitted by private companies and farmers' organizations, in which both parties agree to invest and share risks and benefits.

The use of public resources is justified on the grounds that 4P investments aim to address market failures characterized by the high risks and transaction costs of working with small producers. Matching grants (or concessional loans) can be used to finance the start-up costs of these partnerships and to link business plans to production targets. However, once the start-up costs of 4Ps are covered, the partners (including producers, private-sector and public-sector actors) should sustain and scale up the partnership in the long term.

For more information, see footnote 6 and the PTA 4Ps concept note.

The 4P business cases described in the previous sections are important mechanisms for leveraging private and public funds. In fact, 4P business cases are designed to respond to viable business opportunities and deliver benefits to all parties involved. If this is true, 4P business cases should be bankable, so that they could be financed by a variety of sources, including: (i) private partners (e.g. through value chain finance arrangements); (ii) other private value chain players (such as input suppliers); (iii) domestic or international investors; (iv) formal and informal domestic financial institutions; and (v) small-scale farmers (through their savings, in-kind contributions or remittances).

All possible private and public financing sources need to be identified during the development of the 4P business case and the preparation of the business plan. In addition, contributions from each source should be calculated for every 4P budget item (such as training, extension services, working capital for inputs, operational costs and investment capital for productive assets). To this end, the project management unit or service provider acting as the 4P broker should help the 4P partners to prepare their business plan according to sound technical standards compatible with those set by investors and the financial sector. In parallel, a scoping of possible investors and a consultation with financial institutions should be carried out to understand their terms and conditions for financing the 4P business plan with their own funds. Both collateral requirements and risks should be considered, and mitigation measures identified. In some countries, events have been held to formally present 4P business plans and partners to possible financiers, with promising results. This concept is currently being tested in IFAD's grant-funded 4P pilot initiative.

Negotiation: Defining roles and responsibilities

The 4P negotiation process is often facilitated by IFAD, an IFAD-funded project or a third party hired by IFAD for this purpose (4P facilitator or broker). It should lead to a mutual understanding of all parties' expectations, capacities and responsibilities, and build mutual trust among parties that are not used to working as partners (this not only includes producers and private companies, but also governments and the public sector).

The pace of public sector's involvement needs to be monitored in order to avoid oversights, delays and lengthy negotiations, which can lead to frustration among private-sector counterparts. Since private companies are used to acting quickly in a highly dynamic business environment, it is also important to keep them engaged and sensitize them to the slow pace of public processes. To minimize tensions, expectations on both sides should be managed and all parties kept informed about timetables, plans and any foreseen delays. The process can be made more efficient by first agreeing on the fundamentals and working out the details at a later date.

The duration and complexity of these processes can vary greatly. Before finalizing the tripartite 4P agreement for VODP in Uganda, IFAD, the Government and the company Bidco Uganda Limited negotiated over several years. Additional negotiations were also needed with small producers, landowners that sold or leased the land, and other stakeholders. For contract-farming agreements, less time might be needed; however, ensuring true participation from smallholders usually requires time to understand what conditions they should accept.

In negotiations between producers and buyers, the objective is to facilitate a process that builds trust and provides all parties involved with access to information. In this way, it is possible to achieve mutual agreement on critical issues, such as: (i) a clear and transparent price-setting mechanism; (ii) the terms of payment; (iii) the product quantity and quality requirements (which could also be differentiated by price); (iv) the delivery schedule and collection arrangements; (v) a production pre-financing arrangement facilitated by the buyer; and (vi) technical advisory services to be provided by the buyer. These issues can be included in verbal or written contracts depending on the country, product and actors involved. While formalizing these agreements in writing bears a cost (e.g. that of legal advice), it usually increases compliance.[20]

[20] Legal enforcement might still be a challenge in many countries: it remains difficult for large companies to sue smallholders and vice versa.

For example, in the case of VODP in Uganda, the price is transparently determined by a formula (included in the tripartite agreement), which accounts for the international price of crude palm oil, the oil extraction rate, the quality of the fresh fruit bunches (ffb) and the cost of oil processing.[21] A ffb pricing committee is convened every month to review farmers' fruit prices based on the formula. Another committee meets regularly to review the price of inputs and services provided to farmers on credit.[22]

Table 2 presents a useful summary of the basic elements to be considered in a typical contract negotiation, taken from the Contract Farming Handbook (2014) developed by the German development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). The benefit to smallholders from contract farming depends on factors such as risk sharing, pricing and context (e.g. whether alternative options exist for smallholders). The conditions for success are not uniform: each project team must carefully consider these issues and include exit clauses in the event that their conditions do not yield results for IFAD's target groups.

Table 2 Typical contract specification (based on GIZ Handbook, 2014)

Contract parties	On the supplier side, the contract can be signed by individual farmers. Special attention should be paid to ensure women's participation. There should be consistency along the value chain: contracts should include stakeholders at different nodes.
Contract duration	Depending on crop characteristics, this could include: (i) a seasonal contract; or (ii) a longer contract for perennial crops (with the possibility to re-negotiate).
Quality specifications	Require a clear definition of: (i) required variety/seed/grade; (ii) quality assessment criteria and method (including tolerance); (iii) quality control procedures (when, where, by whom, etc.); (iv) external costs (laboratories, etc.); and (v) consequences of non-conformity (rejection, price reduction).
Quantity specifications	This includes: (i) supply quota for each supplier or farmer group, which reflects farm size, farming system and household needs; (ii) agreement on minimum share to allow farmers to maintain other market channels (e.g. 70 per cent of seeds to be delivered and the remaining seeds for other markets or consumption); and (iii) timing of delivery to allow efficient use of buyers' processing and transportation facilities (through planting time, irrigation, etc.).
Production specifications	Include an explanation of cultivation practices to be applied (such as Good Agricultural Practices), which might require a detailed annex to the contract. Usually, the buyer claims the right to inspect fields in order to assess compliance with agreed practices (especially if buyer provides inputs and wants to ensure correct application).
Harvesting and crop delivery specifications	Include: (i) decisions on crop delivery and transport arrangements (at farm gate, collection centre, at processing unit); (ii) distribution of farmers' and buyer's tasks; and (iii) required handling practices (harvesting, collection, grading, storage, etc.). If these services are provided by the buyer or an external service provider, the costs might be passed on to farmers (to be negotiated). These specifications also include provisions for the use of rejected produce (see Box 18 in the GIZ Handbook).

[21] Often in these cases, the devil is in the details. For example, the formula is expressed as ffb=(H/J) x K where ffb is the farm gate price per ton of ffb of a standard quality; H is price of crude palm oil ex-mill; K is the oil extraction rate per tonne; and J is a constant. The oil extraction rate normally varies between 18 per cent and 23 per cent, and is highly sensitive to the quality of harvested ffb and the speed and efficiency of delivery to the mill after harvest. The constant reflects the costs involved in palm oil processing and is normally understood to be in the range of 1.15-1.25, depending on the efficiency of plant management. Bidco, the private processor in Uganda, applies 1.25, which is the maximum within the usual rate, giving it the highest possible share and a 9 per cent higher margin when compared to 1.15. This might be justified by local conditions, but shows the complexity of such formulas.

[22] For more details, see the Uganda case: http://www.ifad.org/pub/market/brokering_dev/uganda.pdf.

Pricing specifications	A transparent pricing formula should be explained to farmers, market information should be made available and the effects of market dynamics on contract prices should be explained (to ensure understanding and acceptance). Floor prices are sometimes fixed by governments or agreements, often based on complex mechanisms. A fixed pricing formula should be agreed upon at the beginning of the season or at contract conclusion. It is usually based on prevailing price or trend information and aligned with quality criteria (called "indexing"), since quality is rewarded. For excess quota, the buyer may pay a bonus. Flexible or dynamic pricing reflects the market situation. The price calculation may be based on: (i) real-time local or regional prices (spot market or slightly higher); (ii) international commodity or import-export parity prices; (iii) varying seasonal prices (price scale); (iv) auction quotations; or (v) consignment prices. With the flexible formula, prices may also be freely negotiated, reflecting the bargaining power of the contract parties. Split pricing involves a floor price paid on delivery or at the end of the season, and a final instalment, factoring in the price realized by the buyer when selling (risk sharing). The pricing formula also needs to make transparent the costs of embedded services (input supply, technical assistance, loans, etc.). To mitigate the shortcomings of all of these pricing formulas, contracts often include elements of all three, considering factors such as production costs, profit margins, transaction costs, competition, prevailing market prices, international commodity prices and prospective long-term price trends.
Payment specifications	If possible, the agreement should provide for scaled payment instalments according to farmers' liquidity requirements during the season. Transparent agreements show how the costs of input finance, loan interests and technical assistance are calculated. Typical payment modes include: cash payment (which poses security risks, but is preferred by farmers); mobile payments; and bank payments, which may be possible through a tripartite agreement with a bank or inventory credits (e.g. a warehouse receipt system). For transparency and trust, payments should be made to individuals and should consider women's special needs. In contracts with intermediaries, performance-based payments are frequent (e.g. managers or collection points might be rewarded for high quality). Note that it is difficult for the final buyer to ensure that the premium cascades down to motivate producers.
Embedded service specifications	These include specifications for: (i) the provision (and timing) of non-financial services (e.g. input delivery, advisory services, training, land preparation, harvesting, transport and logistics); (ii) financial services (seeds, fertilizer and plant-protection products on credit), including interest rates and measures to mitigate credit risk; and (iii) cost recovery (see payment terms above).
Dispute settlement specifications	The contract should include a means of settling contract disputes, such as judicial proceedings, arbitration or mediation. Generally, amicable dispute resolution is preferable to legal proceedings, especially for smallholders who have little means to go to court. The agreed settlement mechanism should be physically near to farmers and involve a mutually respected person (e.g. traditional leader or representative from the municipality), and representatives of the farmers and the buyer.
Registration	In some countries, farming contracts must be reported to statutory bodies to verify whether the buyer is registered or has a track record as a contract-farming contractor.

Source: Adapted from Box 17, GIZ Handbook, 2014.

The negotiation process usually leads to an agreement on each party's roles and responsibilities. These agreements can vary in their formality and complexity. For example, in the case of Uganda's VODP, the 4P is based on agreements: (i) between the Government and an international company investing in a palm oil processing factory in the Kalangala district; and (ii) between the Government, the national company created by the international investor and a trust fund representing producers. In Ghana's NRGP, there is: (i) an informal agreement between the project and two end buyers; (ii) a memorandum of understanding between one of these buyers and the Government; and (iii) a formal purchasing contract between producers' organizations and an aggregator, which includes a provision on production pre-financing (cashless credit).

Further reading:

- For a review of issues surrounding the development and management of out-grower schemes and their success factors, see the IFAD-TechnoServe *Technical Brief: Out-grower Schemes – Enhancing Profitability* (2011).[23]
- GIZ's *Contract Farming Handbook: A Practical Guide for Linking Small-scale producers and Buyers through Business Model Innovation* (2013)[24] is useful for understanding the steps and activities necessary to develop successful contract farming schemes. It also summarizes the contract specifications that should be included in any basic contract agreement.
- IFAD, the International Institute for the Unification of Private Law (UNIDROIT) and the Food and Agriculture Organization of the United Nations (FAO) have published the *Legal Guide on Contract Farming* (2015),[25] which details the legal aspects of contract farming, including all the critical elements of a contract. It elaborates parties' obligations regarding pricing, quantity, quality assessment, delivery and payment schemes, non-performance, remedies for breach, duration, termination and renewal, and dispute resolution.
- IFAD and FAO are currently developing best-practice contract-farming agreement templates covering various commodities and countries. The templates will be available at the FAO Learning Centre on Contract Farming.[26]
- The Endeva inclusive business accelerator, the consulting company joyn-coop and GIZ produced the *Growing Business with Smallholders: A Guide to Inclusive Agribusiness* (2012), which includes several good case studies and a conceptual framework on how to scope for business opportunities and define operating models that include smallholders.

Governance mechanisms: Conflict mitigation, rules for communication and risk management

Often, disagreements about the roles and responsibilities of the various parties arise. If these disagreements are not addressed quickly and in an appropriate manner, they might lead to greater conflicts that can damage the partnership in the long term. An appropriate governance mechanism for the 4P should be established during negotiation with all parties' agreement. It should detail the communication channels to be used for addressing issues or concerns with others partners. These channels may include platform meetings of representatives on a regular basis, neutral brokers that can mediate issues and daily communication with focal points appointed to represent each party (for example the company supply manager and the farmers' organization leader). These all can be summarised as a set of rules the parties commonly agree to during the negotiation process.

Governance also includes conflict mitigation. It is preferable to settle conflicts amicably because smallholder farmers often lack the resources for legal advice and court costs. It is therefore important to appoint mutually respected persons to mediate conflicts (for example, elders or municipal representatives), as well as a representative from the farmers' organization and the private sector. Ideally, the conflict mitigation mechanism should be located near the farmers.

[23] http://www.ifad.org/ruralfinance/pub/technoserve.pdf
[24] http://www.giz.de/expertise/downloads/giz2013-en-handbook-contract-farming-manual-low-resolution.pdf
[25] http://www.unidroit.org/english/guides/2015contractfarming/cf-guide-2015-e.pdf
[26] http://www.fao.org/ag/ags/contract-farming/index_cf/en/

Governance of complex structures such as 4Ps has costs and communication requires time. Gathering information and making it available may not be a priority for all parties. In order to build and maintain trust however, the means of promoting transparency and consultation need to be agreed on and budgeted for. One good example of this are the district value chain committees (DVCCs) established through Ghana's NRGP (see Box 5). Yet the sustainability of this approach remains a challenge, since no clear financing mechanism has been agreed to for sustaining these committees after the project ends.

Box 5. Governance mechanism: District value chain committees (DVCCs) in Ghana's NRGP

Facilitated by an external NGO, DVCCs were designed to ensure that smallholder farmers can secure access to credit, other inputs and end buyers within each district. All value chain actors are represented on the DVCCs: farmers' organizations (including women producers), input dealers, tractor-service providers, local aggregators and buyers, the Ministry of Food and Agriculture (District Development Unit), the Department of Cooperatives and participating banks from the Rural and Community Bank (RCB) Network. The DVCC executive committee has nine elected volunteer members and four non-voting members representing the Ministry of Food and Agriculture, the District Development Unit, the Department of Cooperatives, and the RCB network. The executive committee manages all DVCC activities, produces annual crop enterprise budgets, reviews all production loans and endorses loan applications, and selects input dealers and tractor-service providers through a cashless credit scheme. The DVCC also serves as a forum for price negotiations with aggregators.

Source: http://www.ifad.org/pub/market/brokering_dev/ghana.pdf

Risk identification and management as a part of governance: A good and realistic risk analysis from different partners' perspectives is fundamental at the outset of 4P planning, since the partnership's design can either increase or reduce risks. Evidence shows that unless risks are properly identified and mitigated, the weakest partner (normally producers) bears a disproportionate share of the risks, which can ultimately affect the 4P's sustainability. In the case of Uganda, risks related to farmers' inability to repay loans have been partially mitigated by linking loan repayments to yields.

In Rwanda, assumptions about tea productivity increases were proven to be unrealistic and have raised serious doubts about farmers' capacity to repay their loans. A robust analysis of climate, price and other major risks, along with mitigation measures, is essential at the 4P design stage. This analysis should translate into concrete agreements during the negotiation of the business model and related contracts.[27] In addition to business risks, all 4P's must be aligned with IFAD's Social, Environmental and Climate Assessment Procedures (SECAP). Approved in 2014, these procedures outline how IFAD will address the social, environmental and climate impacts associated with its projects and programmes. Analysis according to SECAP is required during the design phase, especially when large private companies are involved, or substantial areas of land will be affected. In addition, the climate risks affecting the value chain where the 4P operates should be considered. [28]

Monitoring and evaluation of 4Ps: Measuring success towards identified goals and business sustainability

M&E is a critical area that has not been systematically addressed in past 4P initiatives. Since 4Ps are not seen as an end unto themselves, but a means to establish a business relationship where the public sector steps out once the initial market failure has been addressed, it is critical to understand how the mechanism helps all parties to achieve their goals.

[27] See the HTDN on How To Do Climate Risk Assessment in Value Chain Projects available at http://www.ifad.org/knotes/valuechain.
[28] http://www.ifad.org/climate/secap/

4Ps operate in complex market systems within even more complex country contexts. It is impossible to foresee all potential issues that may affect such partnerships, even after a robust analysis at the design stage. It is therefore critical to strengthen the 4P partners' capacities to make informed decisions and adapt to unexpected circumstances. In Uganda, for example, a good monitoring system and IFAD supervision have allowed problems to be detected in a timely manner and have helped partners to find joint solutions.

An effective M&E system aims to measure progress against the shared 4P objectives and capture changes in the livelihoods of participating producers and their households, as well as in the market, social and environmental conditions. The three main questions related to any M&E system are: (i) *what to measure* (type of indicators);[29] (ii) *who will measure* (responsibility); and (iii) *how to measure* (source, tools, resources etc.).

What? M&E of 4Ps can be complex given the number of parties and functions involved. Not only do 4Ps often comprise a variety of stakeholders, but they tend to cover various parts of the value chain – from input and production to processing, transportation and marketing. Monitoring should allow partners to quickly determine if one party has failed to fulfil its responsibilities and understand what can be done to get the partnership back on track. Challenges can include small producers' limited productivity (e.g. following a disease outbreak), fluctuations in prices, difficulty meeting quality standards, and buyers' financial problems which can affect the refinancing of investments. Monitoring also helps partners to understand whether their agreed-upon roles and responsibilities are sustainable. Finally, project evaluation allows IFAD to learn from 4P experiences and improve project design.

The type of indicators required depends on the context and conditions of the 4P. However, they should capture the three dimensions - (i) people (socio-economic status), (ii) planet (natural resources, climate risk); and (iii) profit (business viability) - to ensure progress and sustainability, along with the achievement of set social, environmental and economic targets. Some indicators might apply to only one party, while others may capture interactions between partners (e.g. quantity and quality of produce sourced). Still other indicators may capture the quality of the interaction (e.g. percentage of produce rejected or number of complaints filed) to identify challenges early on.[30] Similarly, labour conditions, land and water use, and application of chemicals should be monitored to ensure that final products meet market requirements and the 4P avoids reputational risk.[31] See appendix 5 for an example of a simplified 4P set of M&E indicators.

Who? Responsibilities for data collection and reporting should be agreed on early in the partnership. Private companies often collect information on business viability (including quantities, prices, quality, and number of orders) and employment indicators. However, this information may not be made available due to confidentiality issues. To ensure proper monitoring along the value chain, it is important to consider how information can be collected and reported in a timely and cost-effective manner. To this end, it is critical to agree on who will collect and report on which information. While it can be challenging to convince private partners to share marketing data, understanding the partnership's profitability ensures the sustainability of all parties' investments. Creative solutions include rankings of profitability rather than detailed numbers. The project management unit or 4P facilitator should continuously monitor each partner's compliance with 4P agreements.

How? As already mentioned, M&E should help the parties to understand if the project is moving towards its goals and if the assumptions made are correct. Clear milestones should be included in the annual work plan and budget, drawing on indicators from the logical framework. It is important to strike a balance between IFAD's focus on poverty and achieving business sustainability. Recommended activities include:

(a) During the start-up workshop, securing all parties' agreement on realistic indicators and targets for the coming years;

[29] PTA's brief note on indicators for value chain projects (part of the HTDN toolkit) is also applicable to 4P interventions.

[30] The Partnering Initiative has developed a partnering checklist and scorecard to monitor relationships between partners: http://thepartneringinitiative.org/tpi-tools/the-partnering-agreements-scorecard/.

[31] For example, the palm oil plantation in Uganda agreed to let a third party monitor the mandatory buffer zone between the plantation and Lake Victoria, and also take regular soil and water samples to ensure compliance with national environmental regulations. This strict monitoring helped to address criticism of the project by environmental groups.

(b) Creating 4P governance spaces for actors to regularly discuss the partnership and any problems arising during implementation;

(c) Establishing performance-based contracts for the 4P facilitator and service providers in order to hold them accountable for their deliverables;

(d) Whenever appropriate and justified (e.g. in large-scale 4Ps, such as in Uganda for palm oil and in Tanzania for sugar), involve civil society and advocacy organizations to monitor social, economic and environmental aspects of partnerships; and

(e) Comply with safeguards such as SECAP, the Principles of Responsible Agricultural Investments, and free, prior and informed consent.

Finally, all partners need to agree on which data should be made available and which should retain limited distribution. Transparency helps to build trust among parties, hence information on the costs of services - such as input delivery, technical assistance and transportation – as well as interest rates and risks, should be made available. Sound M&E not only measures impacts and progress towards goals, but also identifies challenges and mitigation measures. M&E data is also useful for ensuring continuous buy-in from the private sector and increasing the likelihood of scaling up development outcomes.

Recommendations for implementing 4Ps

This section presents some practical recommendations for 4P implementation. As in any IFAD-funded project, implementation is the most critical phase for determining whether a well-conceived and designed partnership can actually deliver the expected results in a continuously evolving context. To maximize the likelihood of achieving the planned objectives, the following issues need to be addressed throughout the 4P.

Create the space and time to meet and re-learn positive interactions. Often the starting point of a fruitful partnership is to end “bad habits” and overcome old prejudices regarding other actors. This requires time and human resources to:

- Build on realistic assumptions during the 4P design and continuously manage the parties’ expectations in order to ensure good communication and build trust among partners; and
- Include tools and resources to support implementation, such as a budget for implementation support and technical advice (to address the challenges that often occur in the first few trading cycles).

Ensure that 4P stakeholders fully understand their roles. Negotiations and agreements are not sufficient to ensure that all 4P stakeholders fully understand their roles and obligations within the partnership. The following actions are recommended:

(a) Recruit project management staff with professional profiles suited to working within the 4P approach and with the private sector (IFAD may be directly involved in the recruitment process). As already mentioned, the devil is often in the details, and a good mix of technical expertise and business savvy is needed to manage the partnership, build trust and align partners’ visions;

(b) At project start-up, promote in-depth discussion of the 4P objectives, each partner’s roles and responsibilities, expected results and benefits for each actor; this requires both resources and time. Project managers should plan accordingly and manage expectations among stakeholders (including IFAD, governments and 4P partners);

(c) Agree on mechanisms for knowledge and information sharing among 4P partners. Both resources and time are needed to maintain good information flow and mitigate conflicts;

(d) Empower and build confidence of all actors, so they can effectively participate in the 4P governance and decision-making processes. Trust is at the heart of any successful partnership, and the roles of IFAD and the project management unit should diminish once the partnership is established, so that the partners function independently. Technical assistance can strengthen producers' capacity to negotiate with the other parties.

A partnership scorecard can be used to guide 4P design and start-up, offering partners an additional tool for analysing and refining their agreements (see appendix 5).

Ensure that 4P actors have the capacity to perform their roles. In many countries, 4Ps are relatively new. One of the purposes of such initiatives is to build the capacity of all actors to replicate and scale up these partnerships without the involvement of IFAD. It is recommended that a well-structured capacity-building plan be put in place to:

(a) Train government implementing partners and project managers in order to build their capacity to work with the private sector, manage contracts with 4P service providers, monitor and evaluate 4Ps, and address policy issues;

(b) For the initial two or three trading cycles, provide training and coaching to producer organizations in price setting, legal and contractual issues, market intelligence and negotiation skills; and

(c) Bring in other service providers that can help the partners to fulfil their responsibilities (e.g. through business development services).

Ensure accountability and transparency. Unless a proactive approach to public accountability and transparency is adopted from the beginning of a 4P, these partnerships can draw criticism from civil society and advocacy organizations. This implies investing time and resources in the participatory consultation of all stakeholders to address concerns, including exploitative relations, wages, contract issues, rural communities' access to land and water, and environmental impacts. Providing solid technical data can alleviate any concerns about the allocation of natural resources (water, land, etc.), and social and environmental impacts. During implementation, it is also important to maintain a dialogue with external stakeholders and show how this affects the decision-making within the 4P.

Provide 4P facilitation (brokerage). Experience gained in the 4Ps supported by IFAD shows that country teams can effectively facilitate the establishment and implementation of 4Ps (e.g. as in Uganda, and São Tomé and Príncipe). However, this time-consuming activity is not always compatible with the normal workload of IFAD staff such as country programme managers and country programme officers. Governments and project management units also face challenges in performing the role of facilitator, since their operating procedures and work norms do not match those of private-sector partners.

Box 6. The role of 4P brokers

Define the 4P rationale: Brokers can ask the right questions early on, defining the purpose and value of the 4P versus other options, and identifying and justifying assumptions. This process should be underpinned by feasibility studies and scrutiny of 4P design assumptions, and supported by strong technical expertise.

Facilitate contact with potential partners. Brokers can develop trust and build understanding among 4P partners such as governments, private companies and farmers, which often have different organizational cultures. They can also help partners to understand the benefits of working together and identify common objectives. In order to play this role effectively, brokers need to earn the partners' trust.

Build smallholder capacity. In order to participate as partners in the 4P, brokers can help smallholders to organize, access information and negotiate a fair deal. Ideally, this means involving farmers directly in the initial 4P negotiation and design.

Provide technical support during design. Technical support regarding partnership agreements and business models from actors that understand private-sector interests can help governments to identify the best possible deal – not only in terms of value for money, but also alignment of incentives around shared 4P objectives.

Support dialogue among the partners. An accessible and independent broker can ensure that mechanisms for dialogue give a voice to all partners and facilitate discussions of any differences that arise, supporting the development of joint solutions.

Support public engagement and accountability. Private sector-actors in particular are less likely to be familiar with accountability processes, which trusted brokers can encourage and facilitate.

Support M&E of 4P progress to ensure that the partnership is on track in meetings its objectives, identifying problems and adapting to changing circumstances.

Building long-term sustainability. Brokers can focus attention beyond the immediate project, ensuring that actors have the long-term capacity, financing and incentives to play new roles, even once initial funding and support is removed.

Develop a clear exit strategy. Planning the broker's exit should start early. Otherwise, there is a risk that the broker will become part of 4P implementation, creating dependence, particularly among the less powerful partners.

Source: IDS/IFAD. 2015. *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains*.

Based on these findings, IFAD has employed a global grant to pilot an alternative model of facilitation and brokerage of 4P initiatives. The pilot initiative engages an external 4P facilitator (broker), usually a specialized service provider hired through competitive selection. This role is currently performed by SNV, which coordinates the work of teams in each country. The 4P facilitator leads: (i) the 4P development process (identifying market opportunities, scoping 4P partners, building trust and preparing and selecting business plans); (ii) the monitoring of 4P implementation; and (iii) knowledge management and capacity-building of stakeholders (including implementing government agencies and project management units).[32]

The same approach has been embedded into the design of several recently-approved projects. However, only in very few cases have governments been willing to use borrowed funds to pay for facilitation and technical assistance.

Promote policy engagement. The success of 4P arrangements clearly depends on the partners' commitment, which can be influenced more by an enabling policy and regulatory environment than by the few incentives provided by a development project. These issues require attention at the concept stage, as well as during implementation. As for any other intervention, IFAD has to create space for national

[32] IFAD grant 2000000503 to SNV for the project Partnering for Value: Promoting Public-Private-Producers Partnerships (4Ps) in IFAD-funded Value Chain Development Projects.

stakeholders' engagement in policy discussions, based on well-documented knowledge and evidence collected during the implementation of 4P-supported activities.

Adopt a strategy for sustainability. IFAD-supported 4Ps are designed and implemented in the context of projects with a defined lifespan. However, it is expected that the 4P arrangements will extend beyond the project duration and produce sustainable changes in market systems. As flagged by the IDS/IFAD report, some 4P arrangements may be temporary and required only at an early stage (e.g. when organizing producers) in order to lay the groundwork for the partnership. In other cases, 4Ps are intended to be long-term (e.g. extension services). It is therefore important to define an exit strategy at the design stage and envisage self-sustaining institutional and financial arrangements that would enable partners to continue the 4P using their own pooled resources.

Conclusion

This note has highlighted the complexity of designing and implementing inclusive 4Ps in agricultural value chains. The building blocks and enabling factors described here illustrate the core dimensions to be addressed by IFAD projects in order to create pro-poor, sustainable 4Ps with IFAD target groups as genuine partners. However, as the discussion of business models has indicated, a full-fledged 4P might not always be the most appropriate or cost-efficient way of addressing target groups' constraints. Initial assessments of the rationale for 4Ps should clearly consider other options, including less formal arrangements, which offer a lean management structure and flexibility.[33]

Changes in the agrifood system – especially the increasing role of supermarkets and large processors in developing and middle-income countries – will continue to drive private-sector interest in engaging with small-scale producers; IFAD should seize this opportunity whenever possible. The private sector not only brings market intelligence and opens new market channels to producers, but also attracts significant investment, innovation and access to financing in rural areas where public-sector capacity is limited. In addition, sustainable 4P modalities can be scaled up – either by the private sector replicating proven business models in other countries, or by the government replicating 4P approaches (such as business plan selection) in other projects. Therefore, 4Ps constitute a means to scale up the results of IFAD-funded projects and stimulate rural transformation.

Further reading

Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (BMZ) and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). 2014. *Contract Farming Handbook*

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). *2014. Developing Guidelines for Public Private Partnership in Agriculture in the Lao People's Democratic Republic,* by A. Folkard and T. Phetmany

Institute of Development Studies (IDS) and International Fund for Agricultural Development (IFAD). 2015. *Brokering Development: Enabling Factors for Public-Private-Producer Partnerships in Agricultural Value Chains*

International Fund for Agricultural Development (IFAD). 2013. *IFAD and Public-Private Partnerships: Selected Project Experiences*

Institut International Pour L'Unification Du Droit Prive (UNIDROIT), Food and Agriculture Organization of the United Nations (FAO) and International Fund for Agricultural Development (IFAD). 2015. *Legal Guide on Contract Farming*

Endeva, joyn-coop and Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ). 2012. *Inclusive Business Models*

Global Development Solutions. Manuals from Innovation Mainstreaming Initiative (IMI) grant (Nigeria and Laos)

Committee on World Food Security (CFS). 2015. *Linking Farmers to Markets*

The Partnering Initiative partnership scorecards: http://thepartneringinitiative.org/tpi-tools/12-steps-towards-successful-cross-sector-partnerships/

[33] Flexibility is an important factor in any partnership: how the private sector operates and whether private companies are willing to participate in a 4P are major considerations. This is a case-by-case, business-plan-by-business-plan approach that cannot be easily defined for any of the business models described here.

Appendix 1. Broker checklist

Rationale

PPPP checklist	Broker's role
What is the constraint? • Establish what constraints need to be overcome (technology, finance, market access, farmer organisation) and what skills, resources and technical competence are needed. **Which private sector partner?** • Does the PPPP represent a large investment with a single company? Is there capacity to manage a bidding process? Are there likely to be good competitors? Is the risk of corruption (real or perceived) high? If so, competitive bidding is important. If not, then finding an effective partner with proven capabilities and a good reputation can be more effective. **Is a PPPP the right solution?** • Does the public sector have the required skills, resources and competencies to address the constraints efficiently and to a high quality? • If not, are there companies that can fill them efficiently and effectively? • Note, however, that some services may not be judged on efficiency but other criteria such as ethical or equity reasons. These are best left to the public sector rather than PPPPs.	Ask the right questions to define the purpose and value of the PPPP. Facilitate contact with potential company partners. Identify and justify assumptions. Ensure effective feasibility studies.

Design

PPPP checklist	Broker's role
Prioritise farmer ownership of the PPPP • Do farmers' organisations already exist? If so, they should be included in early planning and negotiation. If not, then time needs to be built in to support development of new representative organisations from the bottom up. • Identify capacity building or support that farmers' organisations need to participate in the PPPP on more equal terms. **Align incentives of partners** • PPPPs need a shared objective – a common outcome that all partners have an interest in. All should stand to lose if this objective is not achieved. • Incentives can also be created or reinforced by PPPP design, e.g. contract penalties for non-achievement or ensuring dependence of companies on smallholder production. **Build trust** • How is power distributed across the PPPP? (E.g. this may depend on the structure of the value chain and on who exerts control.) • Where power is unequal, arrangements such as pricing mechanisms, capacity building and expert technical support can build trust and maintain partner ownership. • Trust is also generated when partners understand decision-making and perceive it to be fair, e.g. quality assessments. **Manage risks through identification, distribution and mitigation** • What are the main risks that partners face under the PPPP (e.g. production, market, price)? Can these risks be managed through PPPP design (e.g. by including safety nets, stabilisation funds, micro-insurance), or through reallocating them more effectively (e.g. linking credit repayment to yields)? • Remaining risks should be distributed fairly, considering which parties are best able manage them.	Involve farmers directly in the initial PPPP negotiation and design. Build smallholder capacity to organise effectively, access information and negotiate a fair deal. Help partners identify benefits and common objectives. Help ensure transparency and dialogue to build understanding between different organisational cultures. Support weaker participants to engage in the PPPP on more equal terms. Provide or procure technical expertise as needed.

Implementation

PPPP checklist	Broker's role
Build the capacity to respond to changes in complex market systems • Indicators should measure progress in the shared objective of the PPPP, as well as capture other changes at the household, community, market and environmental level (intended or not). • Results should be used to adapt the PPPP to amplify positive outcomes or address negative impacts. • Regular meetings between partners can review progress and develop action plans and implementation timetables. **Deal with differences and conflicts** • Spaces should allow disagreements or areas of dispute between partners to be raised with confidence, and addressed. • All partners need sufficient knowledge and information to participate in this dialogue and have confidence that their voice will be heard. **A proactive approach to public accountability and transparency** • PPPP stakeholders need access to adequate information about the PPPP in a meaningful format, during both planning and implementation. • Spaces are also needed for external stakeholders to raise concerns related to the PPPP. It will be important to show how this dialogue affects actual decision-making (such that the voices of stakeholders are heard). If communication is happening but leading to no changes, it is only likely to breed cynicism.	Support and facilitate monitoring processes. Create spaces for and facilitate dialogue around conflicts or differences. Support partners to develop and own joint solutions to challenges identified through monitoring and dialogue. Encourage and facilitate processes to engage with and respond to public interests in the PPPP.

Sustainability

PPPP checklist	Broker's role
What is the sustainability strategy for the PPPP? • What are the temporary arrangements needed in the early stages of the PPPP (e.g. capacity building arrangements) versus those which are intended to continue long term (e.g. farmers' organisations, extension services)? • Is there an exit strategy for the short-term arrangements? • Are the long-term arrangements self-sustaining financially (or do they depend on subsidies or donor funding)? If they are not self-sustaining initially, a financing or business plan will need to be developed. • Beyond financing, are these arrangements sustainable in that the actors involved have an interest or incentive to remain involved after the initial project ends? • Note that planning for long-term sustainability needs to start during design and be adapted and developed through implementation. **Plan for broker exit** • What role(s) do the broker(s) play in PPPP implementation (e.g. building trust, supporting dialogue, building capacity, monitoring and evaluation)? • Which of these need to continue after the broker exits (e.g. dialogue) versus those which might no longer be needed (e.g. capacity building)? Will actors from within the PPPP perform the long-term roles? Are appropriate structures and processes in place?	Ensure actors have long-term capacity, financing and incentives to play new roles. Brokers also need a clear exit strategy.

Source: IDS/IFAD. 2015. *Brokering Development: Enabling Factors for Public-Private Partnerships in Agriculture* (p. 40f).

Appendix 2. Eight enabling factors for inclusive 4Ps (based on the 2015 IDS/IFAD study)

1. **Define the rationale and underlying assumptions of the 4P**. Make assumptions transparent and check their feasibility at the outset of a 4P. Establish the theory of change underlying the 4P and identify the roles that different actors are expected to play. All four cases studied by IDS entailed unrealistic assumptions that ultimately had significant impacts on the 4P results.

2. **Ensure a clear market pull**. The key justification for promoting 4Ps with public funding is to achieve sustainable economic development by engaging with the private sector in a manner that includes smallholders in value chains and secures sustainable market access for their output. Of the four IDS/IFAD cases, three had a clear market-pull motivation for the 4P, while the fourth was focused on providing technology solutions on the input side. In the latter case, access to markets remains a challenge.

3. **Prioritize farmers' ownership of the 4P**. Farmers' ownership is critical for the success of 4Ps. Attaining buy-in and building ownership among all parties – especially smallholders – is critical from the onset, and sufficient time and resources must be allocated to these processes. As shown by the experience in Rwanda, when farmers are not fully integrated into the 4P design and negotiation, this can lead to significant miscalculations of the partnership's costs and benefits during implementation, and a limited capacity to address these challenges as they arise. Building the capacities of producers to organize and play a meaningful role in the 4P is a priority action to ensure producers' ownership and commitment to the partnership.

4. **Align partners' incentives and build trust**. In a win-win deal, all parties involved should clearly see the benefits of pursuing the partnership – and the risks. This interdependency of objectives is a critical success factor that can transform the 4P into a sustainable business partnership. Government and donor funding cannot fix a misalignment in design.
   Another important element is trust. IFAD has successfully played the role of facilitator, helping 4P actors to overcome an initial reluctance to work together and building trust among them. This facilitation role can be also played by a neutral third party, as in the ongoing 4P brokerage grant programme.

5. **Manage risks through identification, distribution and mitigation**. Agriculture, business models involving many partners, and work in developing countries bear several risks. Unless these risks are properly identified and mitigated, the weakest partner (usually the producers) bears a disproportionate share of them. In Uganda, risks related to farmers' inability to pay back their loans have been partially mitigated by linking loan repayments to yields. In Rwanda, assumptions about tea productivity increases were proven to be unrealistic and challenged farmers' ability to repay their loans. A thorough analysis of major risks (climate, price, etc.) and mitigation measures is essential, and should translate into concrete agreements during the negotiation of the business model and related contracts.

6. **Build capacity to respond to changes in complex market systems**. 4Ps operate in complex market environments within complex country contexts. Anticipating all possible scenarios in advance is very difficult, so it is critical to reinforce the 4P partners' capacities and invest in a robust governance mechanism that allows partners to make informed decisions and adapt to unexpected circumstances. For example, in Uganda a good monitoring system and IFAD supervision played a key role in quickly detecting problems and helping partners to jointly find solutions.

7. **Take a proactive approach to public accountability and transparency**. Because of their scale and the type of actors involved, 4Ps are often scrutinized by third parties (such as civil society and advocacy organizations). A proactive approach to public accountability and transparency from project start-up helps to mitigate this risk. In addition, it is important to establish participatory consultation of all stakeholders and address their concerns with solid data, including on important issues such as the allocation of natural resources (water, land, etc.) and social and environmental impacts. During implementation, it is also important to maintain space for dialogue with external stakeholders and demonstrate how this affects decision-making within the 4P.

8. **Facilitate sustainable market systems**. IFAD-supported 4Ps are designed and implemented in the context of projects with a defined lifespan. However, most 4P arrangements aim to last beyond the project duration and lead to sustainable changes in market systems. While some 4P activities may be temporary and needed only in the early stages (e.g. organization of producers), others are intended to continue over the long term (e.g. extension services). An exit strategy for short-term activities should be envisaged from the project design stage, while self-sustaining institutional and financial arrangements need to be formulated for the longer-term activities.

For further reading, see IDS/IFAD. 2015. *Brokering Development: Enabling Factors for Public-Private Partnerships in Agriculture.*

Appendix 3: Overview of IFAD loan projects and grants that contain elements of the 4P approach

Project	Region	Country	Description
Northern Rural Growth Programme	WCA	Ghana	Informal supply relationships between private partners (buyers and processors) and smallholder farmers.
Building Farmers' Income and Safety Nets While Securing Local Energy Supply in West Africa	WCA	Mali, Bukina Faso	Combination of a joint venture and contract farming to sell jatropha nuts from smallholders to local processing firm.
Smallholder Tree Crop Revitalization Support Project (STCRSP)	WCA	Liberia	Private-sector exporter of cocoa and coffee provides technical and extension services, and concrete co-financing (US$1 million) to rehabilitate plantations.
Rural Income Promotion Programme (PPRR) and Support Programme for the Rural Microenterprise Poles and Regional Economies (PROSPERER)	ESA	Madagascar	Increasing income and food security of rural population through improved market access and rural finance using a value chain approach.
Rural Livelihood and Economic Enhancement Programme	ESA	Malawi	Improving smallholders' produce quality to meet market standards; grants used to finance capacity-building in cooperation with the private sector.
Agricultural Markets Support Programme (PAMA) and Rural Markets Promotion Programme (PROMER)	ESA	Mozambique	PAMA increased traders' skills and services to farmers. PROMER links agribusinesses and market opportunities. Call for proposals for private companies.
Smallholder Cash and Export Crops Development Project (PDCRE) and Project for Rural Income through Exports (PRICE)	ESA	Rwanda	First project forged a partnership between two tea-producing cooperatives and a private investor. New project aims to assist cooperatives in financing equity shares (30-40 per cent).
Participatory Smallholder Agriculture and Artisanal Fisheries Development Programme	WCA	Sao Tomé and Principe	Project linked small producers with five European companies and supported organic and fair trade certification.
Lower Usuthu Smallholder Irrigation Project	ESA	Swaziland	As part of a large-scale infrastructure project, the project focuses on diversification of high-value crops and links sugar growers to a mill.
Vegetable Oil Development Project (Phases I and II)	ESA	Uganda	The project negotiated a tri-partite collaboration among the Government, the private sector and an out-grower association. The private company provides a secure market and domestic production reduces national imports.
Market Infrastructure Development Project in Charland Regions (MIDPCR) and Finance for Enterprise Development and Employment Creation (FEDEC)	APR	Bangladesh	MIDPCR linked input suppliers, farmers and a high-value market. FEDEC supported poor micro-entrepreneurs through training and micro-loans.
Convergence of Agricultural Interventions in Maharashtra (CAIM)	APR	India	Cooperation with an agribusiness company linked small vegetable producers to markets in the United Kingdom. IFAD support helped improve the quality of produce.
Smallholder Livelihood Development Project in Eastern Indonesia (SOLID) and Rural Empowerment and Agricultural Development (READ)	APR	Indonesia	SOLID linked farmers with markets through federations. READ supports 4P for cocoa, which is led by Mars.
Productive Partnerships in Agriculture Project (PPAP)	APR	Papua New Guinea	Pairing private-sector partners with farmer organizations to improve small producers' technical and marketing skills.
Solomon Islands Rural Development Programme (SIRDP)	APR	Solomon Islands	With financing from the World Bank, AusAID and the European Union, the focus is on improving irrigation, social and agricultural services, and rural development.
Smallholder Plantation Entrepreneurship Development Programme (SPENDP)	APR	Sri Lanka	SPENDP links farmers to agribusinesses, providing them with inputs and loans.
Sustainable Land Management in the Semi-Arid Region Project	LAC	Brazil	Communities affected by land degradation were trained to meet organic standards for cotton production in cooperation with traders.
Value Chain and Market Access Project for Small-scale Producers (PROCAVAL) and Adapting to Changing Markets and the Effects of Climate Change (NICADAPTA)	LAC	Nicaragua	Both projects aim to support smallholder participation in value chains through a strategic alliance with private-sector buyers.
Empowerment of Rural Poor Organizations and Harmonization of Investments Project (Paraguay Rural Project)	LAC	Paraguay	Farmers' organizations are supported to finance business plans and then identify and implement business ventures. In some value chains, links with buyers have been established.
Rural Areas Development Programme (RAEDP) and Farmer Market Access Programme (FMAP)	NEN	Armenia	A revolving fund allows lending from the banking sector to farmers. An equity fund was also formed to finance equity investments in strategically placed companies.
West Noubaria Rural Development Project (WNRDP)	NEN	Egypt	Assists farmers with entering into formal contractual arrangements with private-sector companies. Since 2011, the project has been co-funded by USAID to achieve compliance with Global Gap and fair trade standards.
Projet de développement des parcours et de l'élevage dans l'Oriental, Phase II (PDPEOII)	NEN	Morocco	Consultation with all stakeholders has allowed them to forge PPPs aimed at building slaughterhouses and meat outlets. It includes training of cooperatives in marketing, etc.
Agriculture Revitalization Project	NEN	Moldova	Financial institutions invest 15 per cent in lending to deliver medium-term loans to SMEs for fruit tree plantation, storage, food processing, greenhouses and irrigation.
National Agricultural Development Programme	APR	Sri Lanka	Business plans submitted by companies and producers' organizations in response to a call for proposals.
Shiyan Smallholder Agribusiness Development Project	APR	China	Joint business plans submitted by companies and farmers' cooperatives.
High Value Agriculture Project	APR	Nepal	Business plans submitted by companies in response to a call for proposals.

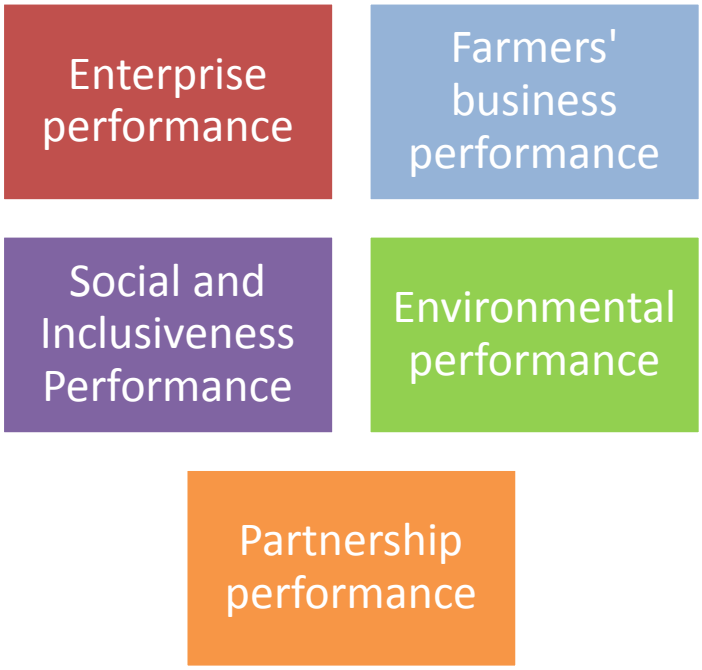
Source: IFAD and Public-Private Partnerships: Selected Project Experiences (2013).

Appendix 4: Example of a 4P business plan template

Executive Summary Description and objectives of 4P partners Description of market opportunities (4P business case) Description of the business model Proposed activities and targets Budget and sources of funding Implementation plan Financial analysis Risks analysis Gender equity and social inclusion strategies Environmental sustainability of production and processing practices Baseline and M&E indicators
Overview of 4P business partners Name, location and legal status
Description of market opportunities (4P business case) Opportunities for marketing and sales expansion (description of product/service, customers, target market strategy, sales forecast description) Description of 4P objectives and targets (overall and by 4P partner)
4P business model Number and profile of rural households involved Type of buying arrangement with supplier: e.g. group/individual contract, buy-back with inbuilt credit in kind, total raw material needed (volume, quality), delivery schedule, transportation, pricing formula, payment schedule and conditions, embedded services (e.g. technical assistance, credit)
Proposed activities and investments by 4P Partner Upgrade or establishment of production: required inputs (seeds, pesticides, fertilizers, labour, etc.) and equipment Source of extension and technical advice (public sector, private provider, producers cooperative) Post-harvest handling (e.g. sorting, grading, packaging) and transport Product/process certification, research and development Processing/marketing activities and assets Training and capacity building in organizational and business management Required improvements in public infrastructure
Budget by activity and sources of funding By 4P partner, activity and expense category Sources of funding (private company, producers, financial sector, etc.)

Financial analysis Financial assumptions with and without additional investment Financing requirement for production Valuation of business (evaluation of in-kind contribution) Calculation of net present value and internal rate of return Financing plan and cash flow estimation
Risks analysis (market, climate, social, political) **Gender equity and social inclusion strategies** **Environmental sustainability and climate change resilience** (production and processing practices) **Baseline and M&E indicators** (business, social, environmental)
Annex: Financial analysis supporting table

Appendix 5: Example of a 4P scorecard for M&E



The 4P scorecard is meant to track the baseline and performance of the 4P business case across **five dimensions** with the following 12 indicators:

1. **Enterprise performance**:
   - Total sales (volumes and value)
   - Profit growth (per cent)
2. **Farmers' business performance**:
   - Number of rural households involved in the 4P with increased income
   - Average 4P participant's rural household income increase (per cent)
   - Total sales (volumes and value) by producers involved in the 4P
3. **Social and inclusiveness performance**:
   - Number of new jobs (the definition of "job" should be included in a footnote) created within the 4P (disaggregated by gender)
   - Number of women and young people involved in the 4P as producers or workers
4. **Environmental performance**:
   - Percentage of produce in compliance with environmentally sustainable practices/standards[34]
   - Percentage of producers/value chain operators adopting climate change adaptation techniques/technologies
5. **Partnership performance**:
   - Level of investment by 4P funding source (public, private, producers, external financiers)
   - Number of producers selling to a 4P partner for two consecutive years
   - Level of side-selling outside the 4P contract (per cent of total volume)

[34] Produce can be measured in volume or value (depending on the data available) and can refer to primary production and processing activities (if applicable) along the value chain.

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