

# The Informal Knowledge Platform on Sustainable Agricultural Investments

Report from the First Workshop

8 November 2013, Brussels

## Introduction

With increasing global attention on food security, a new wave of international agricultural investments (especially in Africa) and an increasing role of private sector for development in general, there is a need for enhanced understanding of the key issues and players involved. The European Centre for Development Policy Management (ECDPM) brought together different stakeholders from Africa, Europe, and China, to explore opportunities for multi-stakeholder dialogue and for possible collaborations within an [‘informal knowledge platform on sustainable agricultural investments’](#).

This workshop, meant to be the first of a series of events, was specifically aimed at mapping out stakeholders’ interests and priority areas. Against the backdrop of the [Comprehensive Africa Agriculture Development Programme \(CAADP\) and the role of emerging economies in African agriculture](#)<sup>1</sup>, the workshop covered the roles of external assistance, corporate social responsibility (CSR), and public-private partnerships (PPPs) in contributing to sustainable agricultural development in Africa.

Present at the meeting were African, Chinese, European and other stakeholders from a wide range of fields including international development organisations, government agencies, businesses, development banks, business councils, academia and research institutions.

## Overarching questions:

- How can agricultural investments be more sustainable and further support smallholder farmers and overall agricultural productivity, growth and development?
- What lessons can be learnt from Chinese/European agricultural development models and investments?
- How can multi-stakeholder partnerships be fostered and contribute to the implementation and improvement of the CAADP?
- How can the implementation of CSR be improved to contribute to sustainable agricultural development in Africa
- What forms of PPPs, appropriate to more effective and sustainable agricultural investments, are needed?

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<sup>1</sup> See for example Lui, D., Rosengren, A., Roquefeuil, Q. de. 2013. *Emerging economies and the changing dynamics in African agriculture: What role for CAADP?* ECDPM Discussion Paper 145, Maastricht

## Theme 1: Agricultural investment and external assistance

### Background information presented:

Agriculture accounts for a large proportion of employment and GDP across the African continent, yet to a large extent there is still a lack of strategic agricultural investments. Tackling the constraints to sustainable agricultural investments requires a better match between the need to increase agricultural production and productivity and the needs of the vast majority of smallholder farmers. Effectively addressing small-scale farmers' low production levels, low productivity, over-reliance on rain-fed cropping systems as well as removing trade barriers and linking farmers to markets are necessary to reducing social and economic vulnerability and enhancing their resilience. Gender mainstreaming and strengthening human and institutional capacity in implementing agricultural policies are also of equal importance. All these areas require the indispensable support of African governments and international players in increasing agricultural investments with the aim to enhance economic growth and overall development objectives.

International agricultural development cooperation with Africa has prioritised food security, as well as sustainable natural resources utilisation, as issues of major concerns. The question of how to apply the value chain approach to bring more equitable distribution of benefits to smallholder farmers has now become paramount. Existing power relations and access to information and markets for smallholder farmers also remain to be further addressed. It will be essential to include the private sector in these processes and it is thus pivotal that the public sector allocates sufficient resources and support to facilitate their full engagement.

European donors are increasingly co-operating with the private sector, both at the local and the international level, in order to address issues such as value-chain development, trade facilitation and improved sustainability and development impact of foreign direct investments (FDI). As an example, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) has launched the German Food Partnership (GFP), which brings together private and public actors in projects based on three core principles: i) food security on quantitative and qualitative level through strengthening the agricultural sector; ii) a comprehensive value-chain approach with pull effects from the demand side, and; iii) sector-wide approaches including several partners such as Small and Medium-sized Enterprises (SMEs) and Multi-National Enterprises (MNEs).

The role of emerging powers, such as China, in African agriculture is increasingly being recognised due to their growing impact on the sector. Chinese investments are currently targeting important sectors such as plantations, livestock, fishing, forest logging and tropical crops. Yet, despite the important implications for local livelihood and environmental sustainability, the figures made available at the meeting on Chinese agricultural investments in Africa suggest that China's role often has been exaggerated by, for example, the media.

### Summary of discussions:

- Chinese aid and investment in African agriculture have primarily been state-led with a focus on large-scale farms, agricultural parks and technological demonstration centres. The Chinese government often provides financial support to these centres during their first three operational years, after which they are expected to be self-sustaining. Despite some successes, several farms and centres have found it challenging to remain profitable after the government funding was withdrawn.
- Private Chinese investments in African agriculture remain limited (and some believe it is unlikely to increase dramatically in the near future). As a consequence of the predominantly state-led Chinese assistance, focus has mainly been on capital intensive and large-scale operations. Chinese agricultural entrepreneurs operating on a smaller scale have been less attracted to the African markets, partly due to factors such as risk of

low returns along the value chains, cultural differences and too high market entry prices. Nevertheless, some increase has been noted in small-scale agricultural retail sales. These retailers can potentially either contribute to overall agricultural growth or prove a difficult competition to African small-scale retailers. The impact and magnitude of their activities need to be further studied though.

- Chinese investment in other sectors such as mining, infrastructure and public utilities and the secondment of Chinese technical experts to these sectors, have facilitated market entrance for Chinese agricultural investors.
- There is no consensus on the nature and value of China's agricultural aid to Africa. While being praised for its effectiveness and strong focus on technological transfer and local conditions, some also see it as too narrow given that it neglects dimensions such as the role of markets and civil society. Further studies are needed to understand the dynamics of Chinese aid and investment programmes.
- The Chinese government may also need to learn from other models of aid and investments, and help their investors set a longer time horizon for their investments. Chinese investors are not fully equipped to cross all the communicational, informational, institutional, social and cultural barriers on the African ground.
- An example of Brazil-Africa agricultural cooperation is the More Food Programme, which combines provision of credits to African countries interested in importing Brazilian agricultural machines combined with technical assistance and/or rural extension to smallholders and farmers, which receive the equipment at lower prices. Another example is the establishment of Brazilian centres for industrial learning (SENAI) in African countries, which intends to contribute to capacity building in several sectors.
- Efforts towards increasing local and international investments must be coupled with projects aiming toward the improvement of the overall business climate and the macro-economic foundations. Access to finance, land and information etc. remains a critical challenge for the private sector, which might influence the feasibility of PPPs as well as cross-sector cooperation.
- Land governance in Africa remains a particular constraint to foreign investment. Challenges include insecure land rights and the lack of sound land administration systems, which often result in weak government protection and land expropriations. Availability of land is very different from access to land. Future trajectories of land tenure are moving towards further privatisation and individualisation.
- More in general, according to some of the African stakeholders, too many efforts have been put into managing aid. It was suggested that instead of allocating resources and time to aid management, focus should primarily rest on attracting more investors and ensuring they provide decent employment and pay adequate tax.

## Theme 2: Corporate Social Responsibility

### Background information presented:

Despite the fact that there are several different interpretations of CSR and that we still lack a clear understanding of what defines a successful CSR model, most stakeholders agree that business practices which sustainably contribute to improvements at local level remains crucial for development. Yet, we are still experiencing insufficient incentives to implement CSR, lack of transparency in business operations, weak institutional support to further promote CSR activities, and inadequate dialogues with the civil society. Looking forward, it will be essential to further understand how CSR

can be linked more specifically to agricultural development, what viable models are more effective for a particular country or local context, and how countries can learn from each other.

Two examples of CSR implementation were presented as an introduction to this second session: the Dutch FMO – Entrepreneurial Development Bank, and the China-Africa Business Council (CABC). These introductory briefings aimed to facilitate exchanges of experiences and lessons in the field of CSR and in agricultural investments. In order to reflect the width of CSR approaches, we chose to focus on one European institution focusing directly on CSR activities, and one from China with motivation to look primarily at CSR exchanges.

### **Summary of discussions:**

- According to some of the participants, in general companies should focus on being profitable and paying taxes, while governments should be responsible for public goods (e.g. building schools). These are still their respective roles in development; however, in recent years governments and donors partnering with business is increasingly seen as an effective way to achieve developmental objectives. Hence various debates on CSR and how to promote and measure stronger responsibility of enterprises for their impacts on society have emerged
- Also in terms of agriculture, there was little doubt among the participants that the role of the private sector in contributing to sustainable agricultural investments is indispensable and that the public sector has to facilitate that role through effective regulations and other types of support if needed. Given such linkages, the implementation of CSR can certainly contribute to sustainable agricultural growth and food security. However, most participants still felt there were two interrelated dilemmas on CSR to be resolved:
  - How can CSR develop from occasional side projects into new 'systematic approaches to sustainability' as core business strategies that are an integral part of the companies' management?
  - How can we ensure that CSR becomes, and is perceived as, profitable instead of an obstacle to profits? In many contexts, including in African agriculture, integrating social, environmental and human rights concerns into business operations is very costly and can lead to a reduction of profits or an increase of consumer prices. On the other hand, increased consumer awareness about the importance of sustainable and ethical production has increased the demand for 'ethically approved' products, while simultaneously the increasing number of companies adopting CSR as their core business strategy might provide sufficient supply to make this a new potential market.
- To some extent, resolving such dilemmas would also require more systematic analysis and debate on different CSR experiences, at different levels. This session was a first small step, with participants from Africa, Europe and China learning from each other how CSR approaches were more (or less) effective in a particular country or sector.
- For many years now, several European companies have been actively involved in CSR activities, including in Africa. Despite anecdotal positive outcomes of individual projects at local level, the implementation of broader CSR approaches and the enforcement of minimum CSR standards for companies from different European countries seem more difficult. Proper impact measurement and case studies on CSR are still lacking.
- China is at a fairly early stage with regard to the development and implementation of CSR. More has been done by State-Owned Enterprises (SEOs) rather than at the level of individual private firms. Private companies rarely report the full extent of their operations, including their CSR activities. Nevertheless, CSR remains an issue of concern and increasing interest for the Chinese government. In February 2013, the Chinese Ministry of Commerce launched their government policy on "[Guidelines on Environmental](#)

[Protection in Foreign Investment and Cooperation,](#)” based on recommendations from the Chinese NGO Global Environmental Institute (GEI). Although with a core focus on environmental issues, the document also provides guidance in broader development issues, for example in article 3, which states that:

*“It is advocated that in the course of active performance of their responsibilities of environmental protection, enterprises should respect the religious belief, cultural traditions and national customs of community residents of the host country, safeguard legitimate rights and interests of labors, offer training, employment and re-employment opportunities to residents in the surrounding areas, promote harmonious development of local economy, environment and community, and carry out cooperation on the basis of mutual benefits<sup>2</sup>”*

However, the guidelines are non-binding and the Chinese government has not yet developed relevant tools to effectively monitor implementation and compliance processes.

- CSR debates are relatively new also in Africa, and to a large extent, perceptions and approaches towards CSR vary with different stakeholders. Companies may need significant time to properly develop their CSR activities, but local communities can be fairly impatient and expect rapid results. Foreign investors may already have implemented a range of CSR projects and look for further opportunities for CSR-sensitive investment in Africa, while local entrepreneurs still facing major challenges in basic access to credit may be more interested in the foreign capitals than in taking part of their CSR activities. Nevertheless, this can still create opportunities for spill-over and knowledge transfers.
- What seemed clear to all participants was that CSR should take a more comprehensive approach, moving beyond the ‘do no harm’ approach to further ensure both sustainability of business practices but also appropriate investment levels (which are badly needed in African agriculture). More opportunities and platforms for sharing of experiences and lesson-learning in the implementation of CSR should therefore be created for both public and private, local and foreign, actors with stakes in Africa. This is particularly important at a time when all international partners of Africa, in particular China but also increasingly European countries, are approaching development cooperation as a mix of trade, investment and aid policies, thus trying to combine economic diplomacy (to promote their own companies in Africa) with developmental outcomes.

### Theme 3: Public and Private Partnerships for sustainable agricultural investments: the role of domestic and international companies

#### Background information presented:

Public, private and civil-society partners are increasingly working together to jointly overcome barriers to private sector investment in African agriculture such as regulatory weaknesses, coordination failures, government policy implementation failures, geographical isolation and other challenges. Despite this growing interest in PPPs and the rhetoric of “FDI as an essential contribution to food security in Africa”, perceptions on and approaches to PPPs for sustainable agricultural investments are very different depending on the country and the stakeholder group.

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<sup>2</sup> Ministry of Commerce, 2013 “Notification of the Ministry of Commerce and the Ministry of Environmental Protection on Issuing the Guidelines for Environmental Protection in Foreign Investment and Cooperation”, Article 3, Democratic Republic of China

Good examples exist, as demonstrated by the Tanzania Horticultural Association (TAHA), which is successfully promoting PPPs by providing a platform for industry networking, and partnerships at both the local and international levels. But there are also many failures, and there is certainly a lack of a clear set of best practices for PPPs in agriculture. This is due to a number of factors. Understanding the context and conditions of successful PPPs remains difficult, for both the private and public sectors. In particular, uncertain social, cultural and political economy dynamics affect the incentives for investors to enter into partnerships.

Domestic companies are not a uniform, homogenous entity; they are divergent in terms of interest, size, capacity, etc. Thus, there may be different models of PPP for different companies, with different policy implications for the promotion of an enabling business environment. To a certain extent, international companies' incentives and interests in investing in African agriculture have also not been fully understood yet as many foreign investors still find it difficult to cope with uncertain and unexpected social, political, cultural and environmental challenges on the ground.

### **Summary of discussions:**

- Participants at the meeting agreed that one cannot overestimate the roles of domestic and international companies in partnership building and in contributing to sustainable agricultural investments. The agricultural sector has high potential for PPPs, due to the prevalence of weak markets with a lot of actors with limited profit margins. However, there is still a need to clarify the concept of PPPs and viable approaches and models of PPP in agriculture need to be better studied, explored and promoted at different levels.
- The question of how to exactly define the public and private sectors and whom they represent has implications for the conception of PPP. In the case of Chinese enterprises, for instance, the distinction between public and private entities is more blurred compared to Europe, and even when the Chinese government supports the African private sector it does so on a government-to-government level.
- International private sector networks or platforms often have better access to African governments than local entrepreneurs like smallholders. Solid stakeholder analysis should therefore be a prerequisite for proper selection of members of a PPP, taking also into account that the implementation of PPPs will require some time for learning, in particular for smaller firms.
- Indeed, weak organisation of local private sector in Africa is affecting agriculture investment, even when policy and partnership frameworks like CAADP and Grow Africa explicitly promote PPPs and joint ventures between domestic and international companies. Therefore, the African private sector should be further supported (including in terms of linkages between its national, regional and continental organisations) and brought into policy dialogues with the government about PPPs, to voice its needs and concerns. It will also be important to ensure the accessibility of proposed PPPs to local companies since the international private sector has often an advantage and easier entry into PPPs by being better organised.
- Not only political will but also enabling legal and institutional frameworks are key for the success of PPPs. Legislations and institutions need to be stable (as increased investment requires certainty) as well as explicit about the importance of sustainability in agriculture. In this the state and the political leaders should play a more active role in supporting PPPs over time, since policies often shift with changes in government and political regime. Moreover, many African government officials have often resisted public-private cooperation once they are to be implemented. Hence, not only is the investment part of PPPs important, but also the monitoring processes and policy dialogue.
- Of course, Africa should not only look to the Western PPP model, but also investigate what lessons can be learnt from the experiences in East Asia where partnerships between the

public and private, foreign and local, sectors look very different but where they overall have been a very successful driving force for economic development.

- In regard to this, participants discussed some relevant experiences for Africa to look at for possible lessons on (agricultural) investments PPPs, such as the case of China establishing and managing Special Economic Zones (SEZ), characterised by the use of a PPP approach to boost economic growth.
- Other cases include the Brazilian approach of combining trade, investments and aid in their agricultural development cooperation with Africa (based on Brazilian domestic successes in agriculture and food security). Examples of Brazilian PPP models for food security includes projects aimed at mobilising enterprises around the fight of hunger through activities such as the promotion of micro-credit initiatives, support to expanding the school meal programme (through implementation of managing systems), support to trading activities (through technical assistance, constructions of cisterns etc.), promotion of local certified agriculture and the creation and maintenance of food banks.
- If policy-makers can successfully replicate these PPP model, it could potentially contribute to more effective aid and collaborative foreign-local investment in African agriculture. However, while some of these policy instrument certainly can inspire and be useful in also for African agricultural policy development, it is important to remember that replication is very difficult and that it therefore is vital to properly understand the Brazilian or Chinese choices, bottlenecks and State-society dynamics prior to adopting their agricultural model.

#### Theme 4: The way forward – towards an Informal Knowledge Platform on multi-stakeholder partnerships for sustainable agricultural investment

In introducing this concluding session, ECDPM thanked all participants for the truly frank and enriching discussions throughout the day. The participants were themselves a significant demonstration that there is real demand in Europe, Africa, China and beyond for more policy dialogues and lesson-sharing on multi-stakeholder partnerships for sustainable agricultural investment. This first step was very encouraging and ECDPM stressed the importance that all the participants and other interested parties continue supporting this Platform in 2014.

There is a wider interest in this initiative, voiced by policy makers including the AUC and the New Africa Partnership for Africa's Development (NEPAD) Agency. Moreover, several other development partners and think-tanks have informally indicated willingness to engage in the Platform; especially if it can strengthen the analysis and dialogue on how multi-stakeholder partnerships can be fostered and contribute to the implementation and improvement of the CAADP. Given that 2014 is the AU Year of Food Security, other opportunities for engagement are likely to arise, especially on how various stakeholders from Africa, Europe and Emerging Economies can better coordinate within, and align to, the food security priorities and processes of African countries.

All participants agreed that the first meeting was an important initiative and that this Platform is a good idea. It can be especially useful for creating/strengthening networks, further analysing strategic issues and practical action, as well as bringing forth updates on relevant policy processes such as the CAADP. Most participants also indicated that they would like to promote the Platform more widely and participate in its future activities. The following suggestions were made to improve this 'informal Knowledge Platform on multi-stakeholder partnerships for sustainable agricultural investment':

- despite the good mix of people present at the first meeting, few additional key players should be involved in the future, for example: more representatives from African governments (including officials from Ministries of Agriculture and Ministries of Finance); policy makers from

all regions; AUC and NEPAD; all Regional Economic Communities (RECs) and the China Africa Development Fund.

- the Platform should find effective ways to build on and engage with existing platforms at global, continental, regional and sub-thematic levels, including: Committee on World Food Security (CFS); China-DAC Study Group; European Development Finance Institutions Platform; Young Global Leaders within the World Economic Forum Africa (gathering in May 2014 in Abuja, to talk about PPPs and China-Africa relations); post-harvest losses platform (led by Dutch Government and Wageningen University); Future Agriculture Consortium: an EU coordination group planned for 2014 by the EC on the role of private sector in agricultural cooperation; possibly electronic-based platforms (e.g. the Google+ Group on China-Africa) for further sharing of networks and research contents.
- next meetings of the Platform should focus on more narrowly defined key topics in terms of linking agricultural investment and multi-stakeholder partnerships with issues such as: adaptation to climate change and energy issues; land governance; intellectual property rights; agro-biodiversity; post-harvest losses; specific value chains bottlenecks and the role of financial institutions in sustainable agricultural investments.
- if wide interest and engagement opportunities continue, this Platform could be convened twice a year, rotationally in all relevant regions (Addis Ababa, Brussels, Beijing, and even Brasilia if Brazilian stakeholders are interested). The meeting should be sufficiently frequent in order to regularly share relevant information, lessons learnt and updates on relevant agricultural developments, for example of any emerging best-practices of CSR or PPPs in different continents or recent empirical papers on key topics.
- the next Platform meeting should be ideally held in Beijing in the first half of 2014 (to that end, Chinese participants as well as other interested partners will likely be approached by ECDPM for the needed support in organising the next Platform).

ECDPM is committed to continue working on these important topics and facilitate with partners the continuation of the Platform in 2014, building on the first meeting in Brussels as well as the above specific suggestions made by the participants.

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