



Netherlands Commission for  
**Environmental Assessment**

# Sustainability Advice

## Assessing the Sustainability of PPPs in Agribusiness: A Focus on Governance



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<b>To</b>	The Food and Nutrition Security team of the Inclusive Green Growth Department – Dutch Ministry of Foreign Affairs
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# 1. Introduction

The Food and Nutrition Security (FNS) team of the Inclusive Green Growth department of the Dutch Ministry of Foreign Affairs runs several programmes which facilitate the creation of Public–Private Partnerships (PPPs) in agribusiness, including 2SCALE<sup>1</sup> and G4AW<sup>2</sup>. The policy officers responsible for these programmes need to be equipped to express themselves on the sustainability of these modalities. There are various internationally accepted guidelines that can be used as Corporate Social Responsibility (CSR) assessment tools and to assess PPP protocols. However, these guidelines can be abstract and quite broad, making them difficult to apply in practice.

The FNS team seeks guidance on the following questions: what are the elements relevant to sustainable development that should be included in PPPs? Where do potential gaps in existing PPP sustainability assessments exist and how do they relate to international standards?

To be able to conduct assessments of PPPs in agribusiness, the FNS team has asked the Netherlands Commission for Environmental Assessment (NCEA) to help assess these PPPs from a broad sustainable development perspective. More specifically, the team asks the NCEA to provide a sustainability advice<sup>3</sup> on how PPPs can be assessed on their contribution to sustainable development.

## **The Challenge**

PPPs face numerous challenges, which include large differences in the nature, capacities, and resources of the different partners, meaning that partners can have different expectations and goals in the partnership. Also, a PPP is an instrument which does not have a long history in the field of Agribusiness, so the legal framework may not yet be fully established. The way in which PPPs are used in Agribusiness may not be as natural as in other sectors such as infrastructure.

For policy officers responsible for several programmes each containing multiple PPPs, keeping track of developments within each partnership and to render accountability of these can be a daunting task. Not only is the number of PPPs high, there are many areas in which problems can arise. Although this advice and other guidelines provide tools to map potential problems and indicate how to contain them, it should be recognized that the choice to support a particular PPP will always entail a (political) risk that certain standards are not always adhered to. This advice gives an overview of the elements to consider and provides references to a number of guidance documents and other tools.

## 1.1 Methodology

Because of the large body of literature and instruments already in existence, this advice does not aim to develop a new study or tool, but instead pinpoints the elements relevant for the FNS team. The team started with the question what dimensions are relevant for assessing the

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<sup>1</sup> [www.2scale.org](http://www.2scale.org)

<sup>2</sup> [www.g4aw.spaceoffice.nl](http://www.g4aw.spaceoffice.nl)

<sup>3</sup> Sustainability Advice concerns the integration of sustainability in short-to-medium-term policy development. See: <https://www.eia.nl/en/our-work/programmes/sustainability-advice-programme>

sustainability of agribusiness PPPs. Through a desk study, the most relevant literature has been analysed, and the elements important for assessing sustainability have been identified. In addition, several interviews with programme managers, advisors and policy officers working with PPPs in agribusiness have been conducted. The main aim of these interviews was to discover more about the practice relating to PPPs, including questions on what potential pitfalls exist and to identify main areas of concern for sustainability.

Some of the international documentation utilized for this advice include:

- the CSR guidelines for FNS interventions (most notably the [CFS Principles for Responsible Investment in Agriculture and Food Systems \(RAI\)](#));
- the [Voluntary Guidelines on the Responsible Governance of Tenure \(VGGT\)](#);
- sustainable development principles in general, for which the NCEA will apply the sustainability framework it developed for such purposes.

For its advice, the NCEA has assembled a working group consisting of an expert on CSR guidelines and MSP formation, an expert on agriculture in developing countries and international guidelines, and a technical secretary.

## 2. Main sustainability dimensions

### 2.1 Main sustainability dimensions to be considered in PPPs

PPPs have been extensively studied, and there is a vast body of academic and semi-academic literature with useful information on how to improve sustainability of partnerships. Various frameworks to assess overall sustainability of agriculture and agribusiness systems have been developed over the last decades. Notable examples include the FAO Sustainability Assessment of Food and Agriculture System Guidelines (SAFA) and the FAO guiding principles for developing sustainable food value chains. In addition, one should note the more practice oriented FDW and FDOV PPP facilities (see annex 4 for a full list of sources assessed).

In general, the overlap in these assessment tools can be summarized under four main dimensions: people, planet, profit, and governance. This chapter gives a short overview of the elements considered under these four dimensions. A more detailed list of sustainability elements is provided in annex 1, including references to key internationally accepted guidelines.

#### 1. People

PPPs need to make sure there are no negative social impacts (do no harm) and contribute to positive social impacts (do more good). To assess the social/people-related issues and impact it is important to include considerations of equity, livelihoods, labour rights, and consideration of affected people. Specifically:

- Equity; non-discrimination; mainstreaming of gender in concrete actions; support to vulnerable people;
- Decent livelihoods: quality of life, capacity development, fair access to means of production, food sovereignty;
- Labour freedoms and rights: employment relations, no forced labour, no child labour, freedom of association and right to collective action;
- Accessibility to all: no monopoly, no exclusion of groups, no privilege or rich;
- Cultural heritage/diversity, e.g. indigenous knowledge.

#### 2. Planet

PPPs must take environmental risks into consideration, have a plan for identifying potential adverse impacts, ensure responsible land tenure, and plan for risks.

- Ensure maintenance of environmental integrity: atmosphere, water, land, materials & energy, biodiversity, animal welfare, ecosystem services;
- Environmental and Social Impact Assessment (ESIA)—consult local legal framework to determine whether an ESIA is required;
- Analysis of the risk of disasters, measures in place to reduce these risks or to mitigate negative effects, define follow-up responsibilities.

#### 3. Profit

Are mechanisms in place to ensure fair distribution of financial risks and gains, and to ensure financial health of the PPP.

- Fair distribution of profit;
- Avoid debt traps;

- Risk management strategy to ensure stability of production, stability of supply, stability of market, liquidity;
- Sustainable inclusive economic development (Value creation, local procurement, relevant financial institutions as core partner in PPPs);
- Product Quality and Information available.

#### **4. Governance**

The micro and macro governance of the PPP must be well-arranged, including the assurance of checks and balances, shared goals and risks, adhere to laws, and effective cooperation.

- Functionality of the PPP (micro context):
  - Fair selection and representation of partners in the PPP,
  - Clear division of roles and responsibilities according to unique skills/capacity/expertise of each partner,
  - Intent, common understanding of the partnership & cooperation between members,
  - Monitoring and Evaluation;
- Enabling environment (macro context):
  - Country readiness such as sound and supportive regulatory and institutional frameworks, capacities/skills of public partner,
  - Strong regulatory framework for contract farming and risk sharing mechanisms,
  - Clear tenure rights, adherence to rule of Law / no corruption (legitimacy, remedy, restoration and prevention, civic responsibility, resource appropriation).

#### **Focus on governance**

During analysis of these tools and in interviews with respondents, it became apparent that the first three dimensions are most extensively covered in the literature, and that these three dimensions also are most often included in practically applicable tools (e.g. the OECD/FAO guidance for responsible agricultural supply chains and the CFS Principles for Responsible Investment in Agriculture and Food Systems).

The dimension of governance, however, was usually under-represented in existing tools. In some instances, it was not covered at all, while in others coverage was limited to Monitoring and Evaluation, Rule of Law or the Macro context. Even when governance is discussed more broadly, such as in the SAFA guidelines, the practical application of these guidelines is limited for the PPPs of the FNS team. Hence, in order to avoid duplicating useful work done on the first three topics and to fill gaps on the practical implications of governance for sustainable agribusiness PPPs, the NCEA has chosen to focus its advice on governance.

## 2.2 A focus on good governance

In assessing the sustainability of PPPs, the governance dimension is probably the most difficult to capture in an analysis or tool. However, based on several sources discussing governance, five elements have been identified: the enabling environment, the boundaries of the PPP, the mechanisms for stakeholder consultation, Rule of Law, and Monitoring and Evaluation.

Sources on governance and PPPs:

- UNESCAP: What is Good Governance
  - UNECE Guidebook on Good governance in PPPs
  - OECD – FAO: guidance for Responsible Agricultural Supply Chains
  - FAO: PPPs for agribusiness development
  - IADB: Governance of PPPs
- See annex 2 for definitions of Good governance

Note that PPPs do not have influence on all aspects of governance. For example, PPPs usually have limited influence on all enabling conditions in a country. However, it is important that the PPP is aware of these issues, and that they are taken into consideration when developing the partnership.

The essential questions on governance are:

1. Has the enabling environment been adequately analysed?
2. Do parties indicate a common understanding of the PPP?
3. Do parties indicate that Rule of Law is adhered to?
4. Are there mechanisms in place for effective stakeholder consultation?
5. Is there an adequate Monitoring and Evaluation framework in place?

### 1. Has the enabling environment been adequately analysed?

- a. Sound and supportive legislative and regulatory frameworks. Does the PPP indicate awareness of regulatory and legislative bottlenecks, and does it have a strategy to deal with those?
- b. Conducive institutional framework. Are there institutions and processes in place that support the preparation and implementation of PPPs and that facilitate the enforcement of law, regulations, and policies that concern the PPP? What is the maturity and authority of these institutions? Are there measures in place to strengthen those, if necessary?
- c. Fiscal and financing landscapes. Has the public party's financial capacity been assessed, as well as its ability to manage fiscal risk? Are there specific government support mechanisms available to PPPs?
- d. Security. Has the security situation (i.e. conflicts) been assessed and is it compatible with PPP implementation and its sustainability? Or how does the PPP contribute to mitigating local conflicts?
- e. Has the PPP taken relevant existing policies into consideration, and has it formulated a strategy to align its activities with these existing policies? Are duplications with other PPPs in the implementation of these policies avoided?

### Why it is important

The likelihood of success of a PPP depends to a large extent on the institutional environment where it takes place. This environment consists of the ensemble of relevant policies, laws, regulations as well as of the institutions and processes that should support both the preparation and implementation of a PPP.



Specific issues to look out for include earlier experiences with PPPs, policies aimed at facilitating PPPs, indicators of good governance in general, and the flexibility of the legal framework to adapt to new situations created through PPP activities. Likewise, the fiscal and financing landscapes are key components of the enabling environment. Finally, security issues linked to the presence of violent conflicts can present a no-go for the implementation of a PPP. In some cases, however, a PPP can help mitigate local tensions (e.g. between rival groups) if it leads to an increased availability and more equitable sharing of resources and benefits.

The PPP needs to be aware of these capacities and identify necessary measures to strengthen them, if possible. If there are potential bottlenecks regarding the above-mentioned aspects, the PPP must indicate if and how it will deal with them. It will not always be possible to resolve all issues, but awareness of these will aid formulation of responses to the challenges related to the enabling environment.

**Example: Supporting the enabling environment**

In Ghana, FDW supported the creation of a PPP to improve irrigation farming practices. In the process, the Government of Ghana established an authority (Savannah Accelerated Development Authority, SADA) to offer investment incentives and opportunities to mobilize the private sector's involvement in a new orientation of the value chain. SADA also provided indirect financial assistance in several ways by, for example, facilitating tax exemptions for imported goods. Although it certainly did not go without initial obstacles, the public party was instrumental in improving the enabling environment for the PPP.

Sources

- UNECE Guidebook on promoting Good Governance in PPPs
- World Bank Country Readiness Diagnostic for PPPs
- FAO, PPP for Agricultural development
- PPP lab, Ghana case study

**2. Do parties indicate a common understanding of the PPP?**

- a. Strategic selection of partners: Are there no double interests of private parties? Are business interests not in the way of sustainable development? Have short-term (private) interests been put into perspective with long-term (public) interests?
- b. Common understanding of the goals and contents of the partnership and its underlying values. Are there clearly defined and binding sustainability objectives and do the parties understand the overarching goals as well as goals of individual members?
- c. Clear division of roles and responsibilities. Are these shared according to unique skills/capacity/expertise of each partner?
- d. Are parties treated equitably in the partnership? Are measures in place to ensure that richer (private or 'Northern') parties do not dominate the partnership?
- e. Have (financial) risk sharing modalities been defined? Is the risk divided so that the strongest shoulders bear the heaviest burdens? See annex 3 for more information on this.

- f. Are needs of all parties understood? Have the different parties involved in the PPP enough capacity to carry out their respective roles? Are measures in place to strengthen capacities? These include requirements to be able to perform duties and adhere to laws. For private parties: ensure CSR compliance; for public parties: adhere to public good governance criteria as defined by UN. Are measures in place to respond to needs in this field?

Why it is important

A recurring risk in PPP governance is the possibility of one party dominating other parties. In some instances, this is a private party by virtue of its larger capital and more investments than public partners or smaller private partners. It might control information, resources, activities and decision-making. In other instances, the public partner might have a disproportionate influence on the activities undertaken by SMEs involved. Measures need to be taken to ensure that the PPP remains, in effect, a partnership.

This also means that risks should be shared equitably between partners, according to their respective capacities. Small partners with little capital should not run as much risk as other parties but they should not be exempted from responsibilities, either. The proposed PPP should give an indication that the partners have thought about how to manage and share (financial) risk and that agreement has been reached. This includes an assessment of risks and explicit division of responsibilities. This assessment should cover all phases of the PPP (conception, implementation and closure).

Related to this, partners need to share a common understanding of the objectives of the PPP and its underlying values or guiding principles. This includes having clearly defined and binding sustainability objectives (and means of verification). PPPs have limited time and resources and must prioritize where to utilize them. However, private enterprises are usually profit-driven, while the goals of the public partners tend to be social/ developmental. In addition, public parties might have wide-ranging goals, depending on the policy of their respective departments. These differences can lead to tensions between the partners. A good proposal needs to address these tensions, showing how both needs will be fulfilled (private and public), and what to do in case of disagreement.

Finally, to ensure effectiveness and efficiency of operations and to avoid implementation delays, it is fundamental to assess whether the various parties involved have sufficient technical and managerial capacity to carry out their respective roles. Otherwise, the PPP should include a specific component on capacity strengthening. Note that it is useful to identify needs and potential investments at an early stage, in order to avoid disagreements later. For this reason, partners need to identify potentially disparate needs and agree on prioritization.

Example: 2SCALE and common understanding

In its PPP protocol, the 2SCALE programme has included several instruments to enhance common understanding of the PPP:

- The development of the Theory of Change at partnership level, which encourages parties to agree on goals and procedures.
- The CSR guidelines require fair relationships between buyers and suppliers.
- Organisation of a Diagnostic & Design workshop, where roles and responsibilities of each partner are addressed.
- Clearly defined structures and roles, as well as a protocol for risk management in the partnership agreement.

### Sources

- SAFA FAO
- NCEA's sustainability assessment framework
- FAO PPPs for agribusiness dev
- PPP lab Insight Series no. 2: Building Partnerships
- Partnership Resource Centre (various tools)

### **3. Do parties give indications that Rule of Law is adhered to?**

- a. Do partners indicate commitment to all applicable national and international laws, regulations and standards? Do they voluntarily adopt any international standards, specifically those aimed at Good Governance?
- b. Do partners indicate commitment to not reduce the existing rights of communities? Are rights to land, water and resources respected? Do partners ensure that operations are carried out after adequately informing affected communities?
- c. Do partners indicate how accountability before the law will be addressed? Are effective remedy and adequate actions for restoration and further prevention are taken in case of infringement?
- d. Are tenure rights clearly defined? How do parties address uncertainty or a plurality of tenure rights?
- e. Is there a strong regulatory framework for contract farming (including labour rights)? If this is not present, are alternative measures in place?
- f. Are measures taken to avoid corruption (such as a zero-tolerance policy)? Is there a reporting mechanism?
- g. Do partners indicate commitment to transparency? For example, are annual reports available and do they include lessons learnt?

### Why it is important

Rule of Law is a central element to governance of PPPs. In a business context, an enterprise committed to the Rule of Law will only conduct legitimate activities. Among the key elements are accountability before law, legal certainty and legal transparency. For PPPs in general, this includes having a policy on corruption, commitment to transparency and arrangements concerning the respect of labour rights.

Enterprises in food and agriculture operate in a variability of legal frameworks, with different degrees of legal certainty and recognition of Rule of Law (see also enabling environment). Where states and judiciaries are weak, unclear or illegitimate situations can evolve. For

example, there can be uncertainties concerning ownership of land, clean water and other resources. Especially in these contexts, PPPs should refer to internationally accepted standards and guidelines.

Legislation and regulation concerned with contract farming agreements are critical for the successful implementation of agribusiness PPPs. The existence of a regulatory framework for contract farming serves for instance as a reference to assess whether crucial rights (e.g. labour rights) and equity aspects relevant to farming have been respected in the PPP's contract farming agreement. It might also provide dispositions on risk sharing modalities in case of *force majeure* or on how to handle and settle disputes. On the other hand, where the legal environment for contract enforcement is weak, private partners should look for ways of incentivizing farmers' loyalty, such as by providing high quality inputs and technical support services and ensuring that contracts are easy to read and transparent in relation to prices and quality determination clauses.

Of particular importance for PPPs in agribusiness is safeguarding against dispossession of legitimate tenure rights, as well as ensuring equitable access to and legal certainty over natural resources on which production depends. Second, stakeholders should be able to participate in decisions affecting natural resource use and access. Third, there should be complaints and dispute mechanisms to monitor, enforce and ensure access to justice (see below). And fourth, stakeholders should have legal empowerment.

**Example. Adherence to Rule of Law in difficult contexts**

In a PPP for Agribusiness working with very poor farmers in Malawi, ensuring adherence to Rule of Law is challenging: Local farmers are not interested in committing themselves to contracts, and the capacity of local government to maintain oversight is limited. However, one PPP-partner, a local NGO, deploys its field officers to not only provide training on technical aspects regarding crop production, but they also conduct regular checks regarding child labour, women's rights, and land rights. In some instances, farmers' clubs receive instruction on how to ensure their rights and to monitor this.

**Sources**

- FAO PPPs for agribusiness development
- FAO Principles for responsible contract farming operations
- FAO SAFA
- FAO VGGT
- NCEA's sustainability assessment framework
- UNECE

**4. Are there mechanisms in place for effective stakeholder participation?**

- a. Are there mechanisms and appropriate tools for engaging the local community in the co-design of specific activities? Have local perspectives been taken into consideration?
- b. Are information needs of stakeholders understood? Are there dispositions for making accurate, timely and relevant information available in an accessible way? Are there appropriate and sufficient time and resources allocated to awareness and outreach activities?

### Why it is important

Especially in PPPs that entail a change in public behaviour – e.g. the introduction of new crops and diets or change in established farming practices – mechanisms for effective stakeholder engagement and co-design as well as ensuring sufficient and appropriate awareness and outreach activities are crucial for success. The implementing partners should be aware of relevant local sensitivities.

In addition to informing themselves on local perspectives, the PPP members should be open to inquiries and inputs of local stakeholders. It should be clear to potentially affected peoples where they can gain information on the activities of the PPPs, and where they can file a complaint. Although the public party might play a relatively large role in this, it is the responsibility of all parties in the PPP to provide information in a transparent and accessible manner.

#### Example: Government as stakeholder

A PPP promoting the development of the sustainable energy production explained how participation of one key stakeholder—government—could vary enormously from country to country. In Burkina Faso, the government was interested from the beginning and it set up an agency to mobilize resources and improve consultation with other public parties. In Kenya, the government left the developments up to private partners, and their involvement remained very limited. Although lobby and advocacy was set up at a later stage to mobilize government support for strengthening the enabling environment, the effectiveness thereof remained limited.

### Sources

- FAO, SAFA
- FAO, RAI
- OECD/FAOs Guidance for Responsible Agricultural Supply Chains
- NCEA's sustainability assessment framework

### **5. Monitoring and Evaluation**

- a. Does regular reporting take place? Does reporting strengthen organization transparency and contribute to learning?
- b. Is there a complaints mechanism? Are potentially affected people aware of this mechanism and is it accessible? Are results included in reports?

### Why it is important

Appropriate Monitoring and Evaluation (M&E) is a key element for any enterprise or operation. It improves effectiveness and efficiency, supports learning and decision-making, helps assess performance against sustainability goals, ensures accountability and justifies expenditures. These reasons are all valid for PPP performance as well. However, an additional point of attention for PPPs is transparency. Regular, transparent reporting not only on the successes but also on the lessons learnt by the PPP is crucial to ensure accountability. Transparency is also important to justify the choices of partnerships and to avoid misunderstandings by organizations not selected for the partnership. M&E is also necessary to render account of the PPPs conduct with regards to Corporate Social Responsibility.

M&E also includes monitoring and learning from complaints about the PPP. These complaints can come from external sources, but also from members of the PPP and individual employees. To strengthen their credibility, PPPs in Agribusiness should promote access to transparent and effective mediation, grievance, and dispute resolution mechanisms.

**Example: Monitoring in Kenya**

Establishing a complaints mechanism is important especially for the weaker parties in a PPP. In an FDOV-supported PPP in Kenya, local farmers were supported in developing crops for export. The public partner (the Crops Directorate) oversees the contracts between farmers and private exporters. In addition, to ensure monitoring, the lead NGO involved in the PPP mobilized field officers who maintained regular contact with the farmers. Also, as a neutral party the NGO managed the complaints mechanism. On behalf of individual farmers, the NGO could approach the larger public and private parties to resolve the complaints.

Sources

- FAO, SAFA
- FAO, RAI
- UNECE

# Annex 1: Overview of Sources per Sustainability Dimension

All topics are linked to existing international guidelines and standards, in order to ensure continuity and adherence to international good practice.

## People

- **Equity** (non-discrimination; gender equality; support to vulnerable people) (RAI 3&4; FAO PPPs for agribusiness 6; SAFA FAO)
- **Decent livelihoods** (quality of life; capacity development; fair access to means of production) (FAO SAFA; UNECE principle 3)
- **Labour freedoms and rights** (employment relations; forced labour; child labour; freedom of association and right to bargaining) (FMO; FAO SAFA) Does the PPP ensure fair treatment of employees of all member organizations?
  - **Human health and safety** (workplace safety and health provisions; public health) (FAO SAFA)
  - **Collective action**: fostering collective action and capacity building increases the participation of smallholders in modern value chains while reducing the transaction costs for lead private partners (lesson from FAO PPP for agribusiness dev)
- Does the PPP ensure fair treatment of potentially affected peoples?
- **Accessibility** to all: no monopoly, no exclusion of groups, no privilege or rich (EC; IMVO kader RVO; FAO SAFA)
- **Cultural heritage/diversity**, e.g. indigenous knowledge, food sovereignty (RAI 7; SAFA FAO)
- **Communication** between partners (UNECE Guidebook; PPP Knowledge Lab)

## Planet

- Has the local **legal framework** been consulted to determine whether an Environmental and Social Impact Assessment (ESIA) is required? (Espoo Convention, NCEA country profiles on EIA legislation)
- Dealing with **social and environmental impacts** (RAI principle 6, 10; UNECE principle 8; FMO)
- Does the environmental assessment include an analysis of the **risk of disasters**, and are measures in place to reduce these risks or to mitigate negative effects? Is the chain related to follow-up clearly defined? (Reduce disaster risks RAI 6; VGGT pt. 6)
- **Environmental integrity**: Atmosphere, Water, Land, Materials & Energy, Biodiversity, Animal welfare (SAFA FAO)

## Profit

- **Investment** (internal investment; community investment; long-ranging investment; profitability) (FAO SAFA)
- **Avoid debt traps** (UNECE principle 10)
- **Risk management strategy** to ensure stability of production; stability of supply; stability of market; liquidity (FAO SAFA)
- Consider other **financial institutions as core partner** in PPPs (lesson from FAO PPPs for agribusiness no. 4)

- Among the VCD cases, the meso-level cases generally presented stronger **justifications** for **PPP interventions** than the micro-level ones (lesson FAO PPPs for agribusiness dev)
- **Sustainable inclusive economic development** (Value creation, local procurement) (RAI 2; FAO SAFA)
- **Product Quality and Information** (food safety; food quality; product information) (FAO SAFA)

### **Governance**

Has the enabling environment been adequately analysed?

- Assess country readiness such as sound and supportive **regulatory and institutional frameworks**, capacities/skills of public partner (WB country readiness diagnostic for PPPs; FAO PPPs for agribusiness dev; World Bank: Worldwide Governance Indicators)
- “Agri-PPPs may be applicable only in specific circumstances because they involve **high transaction costs** and are very **complex**.” PPPs need to assure that they will add value that cannot be achieved by an alternative mode. Project with high potential for socio-economic spill-over effects and achieving scale (FAO PPPs for agribusiness dev).
- ensuring open market access and fair competition; (EC guidelines for successful PPPs)

Do parties indicate a common understanding of the PPP?

- **Strategic selection of partners** (FAO PPPs for agribusiness dev)
- **Intent, common understanding of the partnership** (FAO PPPs for agribusiness dev, SAFA FAO)
- **Risk sharing**, different modalities according to type of agri-PPP (FAO PPPs for agribusiness dev)
- **Clear division of roles and responsibilities** according to unique skills/capacity/expertise of each partner (FAO PPPs for agribusiness dev)
- **Cooperation** between individual members of PPP
- Are partnership agreements transparent and output-oriented? (FAO PPPs for agribusiness dev)

Do parties indicate that Rule of Law is adhered to?

- **Strong regulatory framework for contract farming** and risk sharing mechanisms (lesson from FAO PPPs for agribusiness dev; FAO Principles for responsible contract farming operations; FAO contract farming for inclusive market access)
- **Rule of Law / no corruption** (legitimacy, remedy, restoration and prevention, civic responsibility, resource appropriation) (VGGT pt. 5; SAFA FAO) **Clear tenure rights** (FAO RAI 5, FAO VGGT)

Are there mechanisms in place for effective stakeholder consultation?

- **Transparency, participation** (RAI 9; SAFA FAO)

Is there an adequate Monitoring and Evaluation framework in place?

- **Monitoring and Evaluation** (VGGT pt.7; FAO PPPs for agribusiness dev; SAFA FAO), not only financial benefits but also long-term “soft” benefits (FAO PPPs for agribusiness dev)



## Annex 2: Defining Good Governance for PPPs

PPP governance consists of rules and procedures that define the incentives and restrictions guiding the strategies of the various stakeholders that participate in a PPP project cycle.

- [https://publications.iadb.org/publications/english/document/The\\_Governance\\_of\\_Public-Private\\_Partnerships\\_A\\_Comparative\\_Analysis.pdf](https://publications.iadb.org/publications/english/document/The_Governance_of_Public-Private_Partnerships_A_Comparative_Analysis.pdf)

Governance refers to the processes in government actions and how things are done, not just what is done. It covers the quality of institutions and their effectiveness in translating policy into successful implementation.

- <http://www.unece.org/fileadmin/DAM/ceci/publications/ppp.pdf>

Governance is essentially concerned with “doing the right thing”. The FAO considers governance to embrace “all the formal and informal rules, institutions and organizations and processes through which public and private actors articulate their interests; frame and prioritize issues; and make, implement, monitor, and enforce decisions”.

- FAO PPPs for agribusiness development.

Good PPP governance can promote PPPs that create social value and generate positive Value for Money

- IADB, The Governance of Public- Private Partnerships A Comparative Analysis

## Annex 3: A note on Risk Sharing Mechanisms

Risk sharing mechanisms are fiscal/financial government support instruments or financial liquidity, credit, insurance against economic, environmental and social risk. They enable the private party to withstand shortfalls in payment or they form safety nets (formal or informal). They can take the form of programmes, institutions, networks, social relationships and mechanisms that support the private parties to withstand any individual or systemic shock, for instance when the private party faces a lack of cash-flow and is not able to meet its short-term financial obligations.

The FAO PPPs for agribusiness dev includes some lessons learnt regarding Risk Sharing Mechanisms:

- “Many of the PPP schemes studied would not have worked without the involvement of a public or private financial institution. By incorporating financial institutions into the partnership agreement and coupling them with risk management mechanisms such as government guarantees and subsidized credit, access to finance for smallholders was improved, enabling them to afford the investments required to participate in the PPP. While this can be considered a positive outcome, consideration must be given to the design of the specific credit products to ensure that smallholders are capable of managing these loans and are not exposed to greater risks than they can manage.”
- “In meso-level PPPs, public partners may also ensure that some risks are transferred from smallholders through risk sharing between the public and the lead private partners. Bank guarantees and subsidized interest on loans to smallholders, when coupled with secure purchasing contracts and business management training for FOs, help to reduce the risk of default. Other risk sharing options available for incorporation in the design of partnerships include agricultural insurance and contingency funds.”

Examples of risk sharing modalities:

Market risk is typically carried by the lead private partner; for example, the buyer involved in contract farming agreements is responsible for securing the market for outputs, as are private partners involved in the development of new technologies and those responsible for managing market infrastructure.

The allocation of production risk varies; this risk can be carried by the farmers alone, or be shared with the public partner. Public partners sometimes established mechanisms for transferring some of the production risk away from farmers (e.g. by providing subsidized agricultural insurance, or co-funding contingency funds in case of force majeure).

Agri-PPPs often allow joint management and sharing of critical risks: In some PPPs, food safety risks for value chains such as horticulture and livestock can be shared between public and private partners, as both have vested interests in ensuring traceability and quality assurance of products for final consumers.

Source: FAO PPPs for Agribusiness, p. 129-131.

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