GMF and IPC conclude survey mapping of U.S. and EU public and private sector activity in southern & eastern African agriculture

From August until November 2010, the German Marshall Fund (GMF) and International Food & Agricultural Trade Policy Council (IPC) commissioned independent researcher Suzanne Zweben to compile information about the landscape of transatlantic public and private investment currently underway in the agriculture and rural support sectors in Mozambique, Rwanda, Tanzania and Zambia. This research was based primarily on publicly available documentation about public and private investments, supplemented by off-the-record conversations and interviews with several transatlantic stakeholders and investment or project managers.

The information collected concerned the dollar value of the investment and the breakdown in contribution from various multilateral, bilateral and corporate donors/investors; whether the project was a loan or a grant; whether, in the case of private sector involvement, these investments were part of a core business strategy or a corporate social responsibility (CSR) initiative, and in the case of the public sector, whether there was any cooperation with or involvement of private sector partners. The projects examined covered both rural and urban areas in all four countries, and focused on agriculture and rural support sectors (as defined in the footnote below) both for local and regional/international markets. The information was compiled into a series of files categorized by donor/company, and the intent was to gather as much information on as many players as possible, rather than on conducting a subjective analysis or evaluation of the merits (relative or absolute) of various investments.

Ultimately, the goal of the project was to gain a broad overview of public donor and private sector investments and activities in the development of agriculture and rural support sectors, allowing GMF, IPC and other organizations to identify potential partners and key issues related to agricultural and rural development policy going forward. Often in policy discussions surrounding food security and agricultural trade and development in sub-Saharan Africa, an understanding of the players involved, the depth of their involvement and the issue areas and sectors most heavily affected is poorly understood. This project was an attempt to begin to fill that information gap in these four “donor darling” countries. In an attempt to make the findings of this landscaping exercise as accessible as possible, the following executive summary highlights its key findings.

It is important to note that the information gathered was not a comprehensive survey but rather a stakeholder mapping exercise based primarily on publicly available information intended to set the stage for further work in this area. For further information on the project or its findings, please contact GMF Research and Program Assistant Kate Ritterspach at +1 202 683 2614 or kritterspach@gmfus.org.

1 Rural support sectors included storage facilities, infrastructure, water facilities, telecommunications and electricity and power.
1. The largest investments into these sectors to date have come from public donors, not private companies.

This includes bilateral donors such as the U.S. Agency for International Development (USAID), the U.S. Millennium Challenge Corporation (MCC), the U.K.’s Department for International Development (DFID) and others, as well as multilateral loans and grants from the World Bank and the African Development Bank. These findings stand in interesting contrast to the larger-picture fact that in recent years, private capital is worth more than the value of public donor investments on the continent as a whole. However, it is important to note that this research focused only on agriculture and rural support sectors in four countries, and that this observation applies to the size of single projects: public donors continue to finance large individual projects, while private investment projects may be smaller but more numerous.

2. In each target country, transatlantic donors have attempted to apply the principles agreed to in the 2005 Paris Declaration on Aid Effectiveness.

Broadly speaking, this means that the national government sets its own poverty reduction strategy and its development partners coordinate assistance to further aspects of the country’s plan, rather than development priorities being dictated or strongly suggested by the donors themselves. There are established donor coordination mechanisms for both Mozambique and Tanzania, while donor coordination for Rwanda and Zambia appears to be conducted on a more ad hoc basis.

3. The European Commission and African Development Bank have supported general budget assistance in these countries – as have many individual European member states.

There is an established group of development partners that provide direct budget support to Mozambique. Budget support is the industry term for funds given by donors in support of government budgets with the goal of addressing development concerns, rather than the more traditional method of financing a particular project. Budget support provides significantly more flexibility to recipient governments, and is an increasingly popular modality among European donors. Americans have been more reluctant to provide funding in this manner, partly because of concerns over monitoring and accountability. Members of the Mozambican budget support donor group are the African Development Bank (AfDB), Belgium, Canada, Denmark, the European Commission (EC), Finland, France, Germany, Netherlands, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom (UK), World Bank and Austria. The AfDB, EC and several of these European member states also provide direct budget support to Tanzania.
4. Other non-budget support partners, such as the United States and United Nations agencies, have still been actively engaged in donor coordination mechanisms and have contributed to co-financed projects and initiatives.

The World Bank has been able to mobilize significant support from other development partners for some of its largest projects in these target countries. One example is the Mozambique Roads and Bridges Management and Maintenance Program – Phase II, which broadly aims to stimulate growth and contribute to poverty reduction through improved road infrastructure, better sector policies and enhanced road sector management. As listed in the World Bank project database, the total project cost for this huge and multifaceted project is $1043 million, reflecting commitments from 16 donors including a $140 million pledge from the United States.1

5. The World Bank has also supported regional integration in these target countries.

Mozambique participates in two regional projects,2 Rwanda participates in four regional projects,3 and Tanzania benefits from 11 regional projects.4 The Bank also has a regional trade facilitation project in Zambia and is looking to leverage other funds targeted towards regional integration to benefit Zambia and its neighbors.5 The East Africa Trade and Transportation Facilitation Project is an example of a project where the bank is supporting a regional economic community, the East African Community (EAC), with borrowers listed as Kenya, Uganda, Tanzania and Rwanda, four of the five EAC member states.6

6. Public donors have increasingly supported innovative financing arrangements and mechanisms.

An important trend has been the proliferation of donor pooled funds, where several donors set the fund’s objective and provide financing but then task a host organization with the day-to-day management of the fund. One such mechanism receiving a great deal attention is the Global Agriculture and Food Security Program (GAFSP), often referred to as the global trust fund, which was seeded with funding from founding donors Canada, South Korea, Spain, the United States and the Bill & Melinda Gates Foundation and operates out of the World Bank. GAFSP is a multilateral financing mechanism that will allow the immediate targeting and delivering of additional funding to both public and private entities to support national and regional strategic plans for agriculture and food security in poor countries. Rwanda was one of the first five countries to benefit from the fund and has received a grant of $50 million to transform hillside agriculture by reducing erosion.7

These sorts of funds also enable smaller and more innovative ventures, which public
donors may not have the time or freedom to manage under their own organizations’ structures, to move forward. One example is the Africa Enterprise Challenge Fund (AECF), hosted by the African nonprofit organization the Alliance for a Green Revolution in Africa (AGRA). The AECF provides grants and interest-free loans to businesses that seek to implement innovative, commercially viable, high impact projects in Africa. Thus far, there have been four winning projects in Tanzania related to agriculture and rural support sectors.8 Another example of one of these next-generation ventures is InfraCo Africa, a donor-funded infrastructure development company, which largely takes on the risk of early stage development and increases the likelihood of private sector participation in the economy farther down the line. InfraCo’s capital is raised through a donor group comprised of Austria, Ireland, the Netherlands, Sweden, Switzerland, the UK and the World Bank.9

7. Several companies have sought out partnerships with public donors to scale value chain projects, reflecting an increased private sector interest in African agriculture.

Several companies work with farmers in specific value chains, providing equipment, training and other assistance in order to improve the consistency of supply and/or quality of a particular agricultural product, and help farmers increase their incomes by connecting them to global markets. SC Johnson, in partnership with Texas A&M University and USAID, is working with chrysanthemum farmers in Rwanda to supply the company with pyrethrum. Pyrethrum is a natural insecticide that can be extracted from chrysanthemums and is used in SC Johnson products and other consumer insecticides. This project has helped farmers increase pyrethrum yields, productivity and quality.10

In 2002, Unilever co-founded a partnership to increase the production of allanblackia oil—an ingredient in some of Unilever’s food spreads—in three African countries, including Tanzania. However, the ambitious targets for this program were scaled back due to difficulty securing additional funding and supply chain partners with both the required expertise and a commitment to a public-private partnership model. Unilever’s 2009 Sustainable Development Overview states that initial “discussions have indicated this is quite a challenge as it requires a long term-commitment to invest in a new cash crop where trees take five years to fruit.”11

8. Several private sector projects with the greatest potential are not about funding but rather technology transfer and development.

Several companies have initiated efforts to develop technology tailored to the needs of African farmers or to facilitate technology transfer. A few of these efforts involve this project’s target countries. Monsanto has launched a five-year partnership with the African Agricultural Technology Foundation to develop water-efficient maize for Africa. Partner countries include Mozambique and Tanzania.12 The General Mills Science
and Technology Transfer Initiative seeks to share General Mills’ food safety and food processing expertise with small and medium-sized mills and food processors in 15 sub-Saharan African countries including Tanzania and Zambia.13

9. Companies with African roots or core business operations in Africa have taken a long-term view towards investing in Africa.

Companies with the most significant core business operations in these target countries have African roots. These companies are more likely to view business opportunities in Africa as viable and have a long-term commitment to the sub-continent’s development. Examples include Illovo Sugar, Olam, SAB Miller and Standard Bank.

(Endnotes)

7 http://www.gafspfund.org/gafsp/
8 http://www.aecfafrica.org/
9 http://www.infracoafrica.com/about.asp
12 http://www.aatf-africa.org/wema
13 Pg 55 http://www.generalmills.com/~/media/Files/csr_2010.ashx
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