PPP LAB
FOOD & WATER

Working Document

Explorations 03

A portfolio scan of the Facility for Sustainable Entrepreneurship and Food Security (FDOV)

Colophon

PPPLab Food & Water is a four-year action research and joint learning initiative (2014-2018) to explore the relevance, effectiveness, and quality of Dutch supported public-private partnerships (PPPs). PPPLab is commissioned by the Dutch Ministry of Foreign Affairs and is driven and implemented by a consortium of the Partnerships Resource Centre, Aqua for All, the Centre for Development Innovation at Wageningen UR and the Netherlands Development Organization (SNV).

Comments and questions about this document are welcome. Please send them to: info@ppplab.org. For more information, please visit our website: www.ppplab.org

Executive summary

In 2012, the Ministry of Foreign Affairs of the Netherlands initiated two new financing instruments to stimulate Public–Private Partnerships (PPPs) for development. One, the Facility for Sustainable Entrepreneurship and Food Security (FDOV), supports PPPs in the field of food security and private sector development. It is seen as an innovation in Dutch development financing that assumes PPPs are an effective tool in achieving development objectives and a means for addressing challenges in ways that are different from, and (potentially) more effective than, instruments used to date.

We identify four categories of projects within the overall portfolio. These are distinguished on the basis of the partnership's core focus, partner composition, business case & financing approach, and intended outcomes. The four categories are:

Category A:
Primary production and supply
(19 projects, 40% of the portfolio)

Category B:
Services, inputs, and production technology
(13 projects, 25%)

Category C:
Integrated value chain development
(15 projects, 30%)

Category D:
Improved food products (2 projects, 5%)

Findings are based on an assessment of individual PPP proposals and a database of all PPPs.

The legal framework of FDOV

With the intention of awarding grants in multiple open tender calls between 2012–2021, FDOV responded to the government's agenda for aid, trade, and investment. That agenda focuses on two policy priorities: improving **food security** (eradicating hunger and malnutrition, promoting inclusive growth of agricultural sectors, and achieving ecologically sustainable food systems) and **private sector development** (law and regulation, infrastructural development, financial sector development, knowledge and information, and market access and market development). The FDOV facility addresses these objectives by promoting PPPs, which are understood as collaborative arrangements in which risks, responsibilities, resources, and competencies are shared to achieve a common objective. A collaboration qualifies as a PPP under FDOV if there is at least one public partner, one company, and one NGO or knowledge institute. All PPPs also need to be based on an explicit business case with a clear revenue model, and must be financially sustainable.

General observations about the portfolio

- There is widespread focus on improving the livelihood of small-scale producers.
- One key driver of partnerships is the push to sell, disseminate, and apply Dutch expertise, innovative technology, and relations in developing markets.
- Local partners also have significant presence in the PPPs; these include local companies, local subsidiaries of multinational firms, and local public actors.
- In terms of financing, there are very different public–private combinations. Private contributions range from strategically employed corporate social responsibility (CSR) funds to real commercial or investment capital. However, with only a few exceptions, the proposals generally provided limited details about the types of financing and underlying strategies.

Categorization of PPPs in the FDOV portfolio

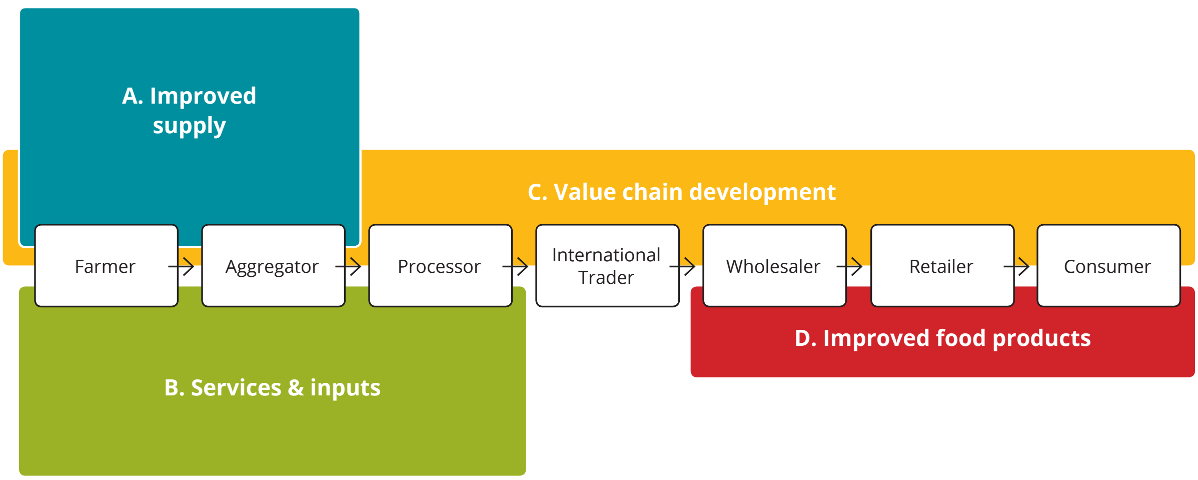
Based on their main activities and focus on change in the agricultural value chains concerned, the following four main categories of PPP are distinguished in the FDOV portfolio:

Category A: Improving supply
includes PPPs that focus on increasing or improving the supply of specific products of key interest to a local or international firm. All PPPs include a focus improving production; some also have a dimension on aggregating specific commodities (both local food crops and high-value export crops). The lead private partners work with NGOs, (other) local private sector, and knowledge partners to strengthen both the primary production process and farmer organizations as (business) partners. The intended development benefits of the projects include higher productivity and better marketing of produce, which leads to increased income for rural and farming households.

All these PPPs want to increase household income and/or to food availability, thus leading to greater food security. Most PPPs in this category plan to reach large numbers of beneficiaries: their objective is to roll out improvements within the context of the existing production situation. As most of these projects do not address broader market system dimensions, their potential to scale up is limited the existing market system. The majority of these PPPs are focused on export crops, and thus consider international or Northern consumer needs first.

Category B: Services, inputs, and production technology
These PPPs want to build a market among farmers for a particular service, input, or technology. The products promoted range widely, from microfinance to more direct production technologies like greenhouses. Here, farmers or their organizations are clients of the lead firm, while in other categories, farmers are mainly suppliers. The lead firms - mostly Dutch and local – are the source of the product or input. There is also a strong presence of Dutch NGOs and knowledge institutions in these PPPs, supporting the development of technology and embedding the technology in the local context. The intended development outcome of these PPPs is to create improved access to improved inputs and services for farming households, which in turn should lead to improved and more sustainable production and increased income.

This category is most interesting from the trade perspective, and not surprisingly has the strongest Dutch business presence. The key issue from a development perspective, however, is whether the inputs and services offered are appropriate to the current situation of targeted farmers. This category has the potential to contribute to greater public value if thoughtful contextual analysis identifies those situations where a technological leap could be catalyzed. It is not clear whether this is always the case in the present portfolio.



Category C: Integrated value chain development

PPPs falling in this category focus on getting value chains as a whole to operate more effectively and profitably; they thus focus on multiple activities and business models along a value chain. All of them include sourcing and input activities (as with A and B above), but this is only part of an overall “work package”. The PPPs consist of multiple private partners, either Dutch or local, each involved in a different link in the chain. Each company realizes that every business case in the project needs to be successful for any of them to be viable. Lead parties are equally often NGOs, knowledge institutes or companies. The development goals are to create stable, integrated value chains that strengthen a whole sector, rather than just the parts of a single value chain.

These PPPs combine the two perspectives of food security and private sector development in a productive way. A range of actors in these chains benefit from technological inputs from the Dutch firms. In this category, Dutch firms demonstrate a leading capacity of the Dutch agrifood sector namely, the ability to run efficient, complicated value chains. Integrated value chain PPPs this category could be worth targeting when both system change and food security are the main policy goals, in combination with system changes that create more conducive business conditions. Moreover, almost all partnerships focus on national markets and target products such as horticultural crops and animal protein (dairy, chicken, and fish) for low-income population groups.

Category D: Improved food products

This small category includes two PPPs that focus on the production and marketing of enriched food for poor consumers as part of a larger project initiated by the AIM consortium. The private sector is a combination of a Netherlands-based international producer of micronutrients and national firms producing consumer food goods. National government and public actors are expected to play a significant role in promoting the consumption of enriched food products among consumers. In this category the target group is not farmers, but rather low-income consumers — a unique feature of this group. The main development benefit for low-income consumers is greater access to affordable, more nutritious foods. For in-country manufacturers, the PPPs are meant to create structural markets.

This category is the only one that directly addresses nutrition security. However, the extent of private sector development through this category seems limited. Both PPPs started from Call 1 and are building up experience before further initiatives are taken on.

Relevance of the FDOV PPPs for the 'Aid and Trade' agenda

A key Dutch policy priority is to reduce poverty through business-driven initiatives. This includes direct farmer support and indirect benefits through support of SMEs relevant to farmer needs. The FDOV portfolio aligns well with this policy, as described below:

- Each PPP has activities that aim to improve production and economic returns at farm level, with general reference to low average incomes in the region where the PPP is active.
- Private sector development is stimulated directly in all the PPPs, with activities targeting increased farmer incomes, enhancing the business skills of farmer organizations, stimulating SMEs, etc.
- There is a strong involvement of knowledge-intensive Dutch businesses in most PPPs to strengthen learning and capacity development.
- Food security is tackled directly or indirectly as a spin-off. There is little analysis made of existing food security conditions.
- Almost all PPPs are directly focused on poor producers, without being specific about further categorization of socio-economic levels targeted. However, the specific pro-poor outcomes of many PPPs in general do not go much beyond increasing yield and thus income.
- The stages of innovation that the various projects deal with are quite different. While many of the products and solutions central to project activities have been tested under field conditions elsewhere, others are being trialed for the first time in the FDOV project.

Each category of public-private partnerships has its own benefits and trade-offs. Depending on where Dutch policy priority shifts to, it may be useful to target proposals from a particular category through call parameters or selection criteria. For example, stimulating more partnerships in Category A would be pertinent for rolling out proven systems to large numbers of farmers within established market systems; on the other hand, if the goal is greater market development for Dutch firms, Category B seems like a good choice.

As Dutch government funding in overseas development aid continues to face growing political reserve, as in many donor countries, increasing thought is needed to optimize public spending to contribute to policy priorities. Choices must be made, such as whether to help existing products or services reach greater number of people directly, or to focus on efforts to change food systems, which can create conducive conditions for even wider adoption. In all cases public money is intended to catalyse wider outcomes. How to think about scale of impact and system change is addressed in a separate PPPLab publication. This portfolio scan offers analytic angles that can support deliberate choices.

Contents

1. Introduction

In 2012, the Ministry of Foreign Affairs (MoFA) of the Netherlands initiated two new financing instruments with the aim of stimulating Public–Private Partnerships (PPPs) for development. The Sustainable Water Fund or FDW (an abbreviation of its Dutch name) focuses on stimulating public–private collaboration in the water sector in order to contribute to water safety and water reliability in developing countries. The Facility for Sustainable Entrepreneurship and Food Security (FDOV, again after its Dutch name) supports public–private partnerships (PPPs) in the field of food security and private sector development. The creation of these two financing mechanisms was seen as an innovation in Dutch development financing and assumes that PPPs are an effective tool in achieving development objectives It also expects PPPs to be a means to address certain types of challenges in ways that are different from, and more effective than, the instruments used to date. Both FDW and FDOV are operated by the Netherlands Enterprise Agency (Dutch abbreviation: RVO).

To learn about the relevance, effectiveness, and quality of Dutch-supported PPPs, the Ministry in 2014 funded the PPPLab Food and Water to learn more about the relevance, effectiveness, and quality of Dutch-supported PPPs. The PPPLab is a four-year (2014 - 2018) research and knowledge initiative. Its mission is to extract and cocreate knowledge and methodological lessons that can be used to improve both implementation and policy.

This PPPLab working document presents data, observations, and analysis of the portfolio of the 49 PPPs approved to date under FDOV (as part of Call 1 in 2012 and Call 2 in 2014). It seeks to understand the 'change logic' of these projects from a public–private partnership perspective. This analysis is then linked to an assessment of the portfolio's relevance to Dutch development policy. The findings are based on an assessment of PPP proposals and a database of related documents.

The Exploration begins by explaining the notion of 'change logic' and how it is used to understand the overall portfolio. This is followed by the legal framework of FDOV, including all relevant changes from Call 1 to Call 2. Four main categories of PPP are then identified, based on the key characteristics of the partnerships. This gives an in-depth understanding of the type of PPP that FDOV is comprised of.

Finally, the publication reviews the PPPs in terms of relevance and sustainability.[1] These are in keeping with the OECD DAC Principles for International Development Evaluations.

[1] This revised portfolio scan has been fundamentally influenced by, and benefited enormously, from intense interactions with the Royal Institute for the Tropics (KIT). In the first half of 2016, KIT carried out a Mid-Term Review of the FDOV portfolio. Joint analysis of the portfolio and the findings greatly enhanced the current version in terms of clarity and relevance.

2. PPP change logic: Key concepts and research methods

In this study, the term ***PPP change logic*** refers to the main way a PPP seeks to achieve its development objectives. The change logic of each project is analyzed in terms of the following elements:

- The **core focus** or **intervention of the partnership** in relation to the agricultural value chain.
- The type of **partners involved**, with emphasis on the **lead firm**.
- The anticipated **development outcomes** of the PPP.
- The underlying **business cases and financing approaches**.
- The **impact pathways** followed.

With these five elements, the analysis does not look at the specific theory of change for the issue concerned (for example, improving dairy products in country A or introducing crop rotation in region B); rather, the interest is on the 'meta- theory of change' with regard to public–private collaboration: how is a PPP used to create development results?

To get to grips with these PPP logics, eleven specific questions with sub-questions were posed to each project and used for a scan of the project proposals. These led to key elements of each individual project. An 'emergent' analytical process of simply listing the key common elements and differences between the projects was used. Relatively clear groupings of projects with related business logics was possible along the agricultural value chain.[2]

In the following chapters, the key elements mentioned above are used to distinguish and describe different categories of PPPs. These categories of PPPs are useful for better understanding and addressing the proposals and impact dimensions of (groups of) individual PPPs, as well as the overall composition of the PPP portfolio. First, however, a few concepts need to be clarified.

The term **lead private partner** is used to refer to the private partner with a key role in the business case or the financial sustainability of the project (this is not necessarily the applicant or the partner that provides the largest financial contribution). According to the broad FDOV definition, a private partner or business is *"any entity that performs economic activities, regardless of how it is financed. An economic activity consists of offering goods or services in a market economy. Even entities performing economic activities on not-for-profit or not-for-loss basis may qualify as private sector in the partnership".*[3]

Considering this broad definition for businesses, the private contributions to PPPs also vary in nature. In this working document, a distinction is made between four types of private contributions:

- **Corporate Social Responsibility or foundation money**. Contributions of this kind consist of grant money based on philanthropic motives and thus no return on investment is expected. However, it must be noted that CSR money is increasingly used strategically by companies – for example, to improve their reputation or socio-political 'license to operate'.
- **Business development or R&D money**. These contributions are used as investments to pilot or develop the products or services of the company concerned, with the ultimate purpose of marketing this product or introducing it to the market. No direct return on investment or specific rate-of-return is expected in the short term, but the investment is made to develop business for the company over a longer term and is thus weighed against other opportunities and their possible benefits.
- Investments that cover **additional operational costs for staff or for activities that the company is already deploying**. Often these are reflected in 'in kind' contributions. These are nevertheless commercially weighed by the companies in terms of their cost/benefit ratio – and thus in terms of the rationale behind actually

[2] In its simplest form, an agricultural value chain is linear, taking and transforming an agricultural product from the producer, through various steps, to the consumer. More complex representations integrate secondary and tertiary players and mechanisms that support and enable the primary chain. For a simple visual representation, see Chapter 3. [3] See the definitions used by the Dutch Ministry of Foreign Affairs at: http://english.rvo.nl/sites/default/files/2014/08/Definitions%20Facility%20Sustainable%20Enterprise%20and%20Food%20Security.pdf.

putting extra effort in – as they are part of the present primary business model and direct costs of the company.
- **Financial investments** aimed at strengthening the core business of the company. A direct return on such commercial investment is expected and the private actor runs more financial risk than if CSR/foundation money or BD/R&D money (not requiring a return) were used as a contribution to the project.

In this working document, the distinction described above is used in analysing private contributions. It can be expected that the type of private contribution has implications for the degree and character of private engagement, the nature of the business cases, and the financial sustainability of the projects.

According to the requirements of the FDOV, the projects should be based on a business case (that is, on a revenue model) and must be financially sustainable. It is important to note that the Ministry has used its own specific definitions with regard to these terms. A project is **financially sustainable** when all the activities that are to continue after termination of the PPP can continue without the subsidy of foreign donors. This continuation does not have to be based on commercial money, but may use (in-country) public funding. A project has a **business case** if the project, or part of it, is based on a revenue/earning model. A **business case** usually involves the engagement of a private actor to initiate and continue an activity (a product or a service) to create value and serve the market. One important detail is that within FDOV, a business case or **revenue model** is defined as the degree to which the project generates sufficient turnover to meet operational and maintenance costs, pay financial expenses, and possibly earn a profit or recover investments. Under FDOV rules, however, projects are not allowed to earn back the full investment within the first ten years. Finally, the term **business model** is different but closely related to the term business case. Business model is used in a wider sense, referring to the overall idea of how an entrepreneur or partnership expects to create value and to continue doing so.

The focus here is on an initial scan of the business case and the financial sustainability described in the proposal. A deeper look at these dimensions of the projects is presented in our Explorations 02: Business Models in Food and Water PPPs.

3. The legal framework of FDOV

With the intention to award grants in multiple open tender calls between 2012 and 2021, FDOV responded to the government's agenda for aid, trade, and investment ("A World to Gain") and to specific priorities in Dutch development policy, as laid out in various policy letters. Firstly, with regard to **food security**, FDOV aligned with the four objectives contained in the 2011 policy letter:

1. Enhance agricultural production/productivity;
2. improve household nutrition;
3. make markets work; and
4. improve the business climate.[4]

In 2014, this was adjusted to follow the objectives of the 2014 policy letter:

1. Eradicate hunger and malnutrition;
2. promote inclusive growth of agricultural sectors; and
3. achieve ecologically sustainable food systems.[5]

Secondly, in relation to **private sector development**, FDOV was directed at serving the objectives of the 2011 policy letter: (1) law and regulation; (2) infrastructural development; (3) financial sector development; (4) knowledge and information; and (5) market access and development.[6]

In addition to the food security and private sector development objectives, FDOV requires that **cross-cutting** issues – such as gender, climate change, good governance, and the environment – are addressed. The relevant target groups are specified as poor households, small-scale farmers or fishers, vulnerable groups, local SMEs, and local civil servants. The facility addresses these objectives by promoting PPPs – which are understood as collaborative arrangements in which risks, responsibilities, resources and competencies are shared to achieve a common objective. A collaboration qualifies as a PPP under FDOV if there is at least one public partner, one company, and one NGO or knowledge institute. At least one of these partners must be legally registered in the Netherlands and at least one partner must be legally based in the country where the activities are being implemented. While the Ministry of Foreign Affairs is an official partner in each PPP, involvement by a "local" government body is desirable, though not mandatory.[7] The maximum project duration is seven years.

Two calls for PPPs have taken place so far – one in 2012 and one in 2014 – through two Official Notices (Government Gazettes); a third call is still to be announced.[8] Applications are assessed by RVO and grants are awarded under the Ministry of Foreign Affairs Grant Regulations (2006). The Facility has a long list of rules regarding the financial conditions of applications. The most important of these concerns the own contribution of partners, which mandates a "private" contribution of at least 50% of the project value. The facility does not finance commercial investments by companies, but offers support where the market falls short because the risk is considered too high.

Funding of proposals is awarded on the basis of specified PPP objectives for which the applicant organization (the grant recipient) bears legal responsibility, and which falls under the monitoring responsibility of RVO. Accordingly, any changes in the PPP during the project's implementation are subject to approval by RVO to ensure that the initially agreed-upon objectives are met.

Among others points, all PPPs need to be based on an explicit business case with a clear revenue model and must be financially sustainable. Partnerships are also assessed on other sustainability criteria according to criteria set in the FIETS approach to financial, institutional, environmental, technological, and social sustainability.

The 2014 call for proposals implemented a number of changes in the requirements related to the content of the projects and the composition of partnerships (see Table 1). Proposals focusing on financial sector activities (excluding insurance systems) and those focusing exclusively on nonfood crops no longer qualified for funding. Concerning the composition of the PPPs, as of 2014 the participation of an NGO or knowledge institute

[4] Kamerbrief "Voedselzekerheid", October 2011 [5] Kamerbrief "Kamerbrief over Nederlandse inzet voor wereldwijde voedselzekerheid", November 2014 [6] Kamerbrief "Ontwikkeling door duurzaam ondernemen", November 2011 [7] This differs from FDW, where the Dutch Ministry of Foreign Affairs is not officially part of the partnership in the projects. [8] Government Gazette 2012 no. 7531, and Government Gazette 2014 no. 17261.

is mandatory and the participation of local NGOs and SME is highly desirable. The participation of multinationals is subject to conditions (Government Gazette 2014).

Table 1. Overview of key differences between Call 1 and Call 2

	FDOV I (Call 1, 2012)	FDOV II (Call 2, 2014)
Number of accepted proposals	29 [9]	20
Thematic scope	Food security and private sector development	• Food security and private sector development • + PPPs need to demonstrably contribute to better local/regional availability of food (reduced likelihood of MNC involvement) • + Proposals focused on financial sector and improved food products no longer qualify
Specifications for partnership configurations[10]	• At least 1 company and 1 public body • Cooperation with NGO and/or knowledge institute possible • At least one partner based in the Netherlands and one based in the country of implementation	• At least 1 company, 1 public body and 1 NGO and/or knowledge institute • At least one partner based in the Netherlands and one based in the country of implementation • Cooperation with local public body and/or local NGO is desirable • MNC involvement only allowed in combination with the involvement of a local SME (max. turnover of EUR 500,000)
Private contribution	At least 50%, of which the private sector (businesses) must contribute 25%	• At least 50%, of which the private sector (businesses) must contribute 25% • In-cash contribution by private sector at least 10% of total eligible costs
Grant range	EUR 1,000,000 – 20,000,000	EUR 500,000 – 3,000,000
Proposal selection process	Initial formal call for proposal summaries, initial selection based on summaries. Second phase of selected proposal development with high likelihood of final selection.	Informal feedback given by RVO based on submitted concept notes. No preselection but selection among the full proposals.

[9] In Call 1, 29 projects were approved. However, three projects were terminated prematurely on request of the applicants. These are not included in this portfolio scan. Furthermore, one project consists of several "work streams" (standalone projects/partnerships). These have been included separately to avoid skewing the analysis. [10] The FDOV has developed a specific set of definitions for private, public, NGO, and knowledge partners; these are available in the following publication form the Ministry of Foreign Affairs: http://english.rvo.nl/sites/default/files/2015/01/Begrippenlijst%20Faciliteit%20Duurzaam%20Ondernemen%20en%20Voedselzekerheid%20%28Dutch%29.pdf.

4. General observations about the portfolio

Before diving into the four categories of PPP, some general observations can be made about the portfolio as a whole.

A major driver of projects in the FDOV portfolio is the push to sell, disseminate, or apply Dutch expertise (from firms, knowledge institutes, and NGOs), innovative technology, and relations in developing markets.

It is remarkable that there are large **differences in scale** among the projects, which range from providing services to 150 selected farmers to projects targeting over 175,000 farmers. This scale is largely dependent on the specific focus of the PPP; this will be further discussed in in the categorization of PPPs in the next chapter.

Regarding the composition of the PPPs, **the private sector** has the largest representation in the partnerships (47% in absolute numbers). The second-largest representation in FDOV is that of NGOs (28%). These two groups are also the most prominent as applicants; NGOs (49%) are most often the applicant, followed by companies (47%). None of the projects have a public actor as applicant.

In 34 of the 49 projects, **local companies** from the developing countries are partners in the PPP. These often contribute financing and resources. In addition to local companies, local subsidiaries of multinational firms are represented in 16 of the 49 projects. **Public actors** are also involved (apart from the financial engagement of the Ministry): local public agencies are part of the PPP partnership in 23 of the 49 projects.

In numerous cases, a strong role is played by **service providers** (from the civic, commercial, or knowledge realms) who do not contribute financially but who gain income by providing their services. In several cases, these are the applicants, who provide the long-term strategy behind the program or serve as the project manager or coordinator.

In terms of financing, there are very **different public–private combinations**. Private contributions range from strategically employed corporate social responsibility (CSR) money to real commercial or investment capital (see the list in the previous section). However, in general, proposals provide limited details about **financing strategies**.

5. Categorization of PPPs in the FDOV portfolio

Four main categories of PPP can be distinguished in the FDOV portfolio (with the total numbers of PPPs per category indicated in parentheses):

Category A: Improved supply (19)
Category B: Services, inputs, and production technology (13)
Category C: Integrated value chain development (15)
Category D: Improved food products (2)

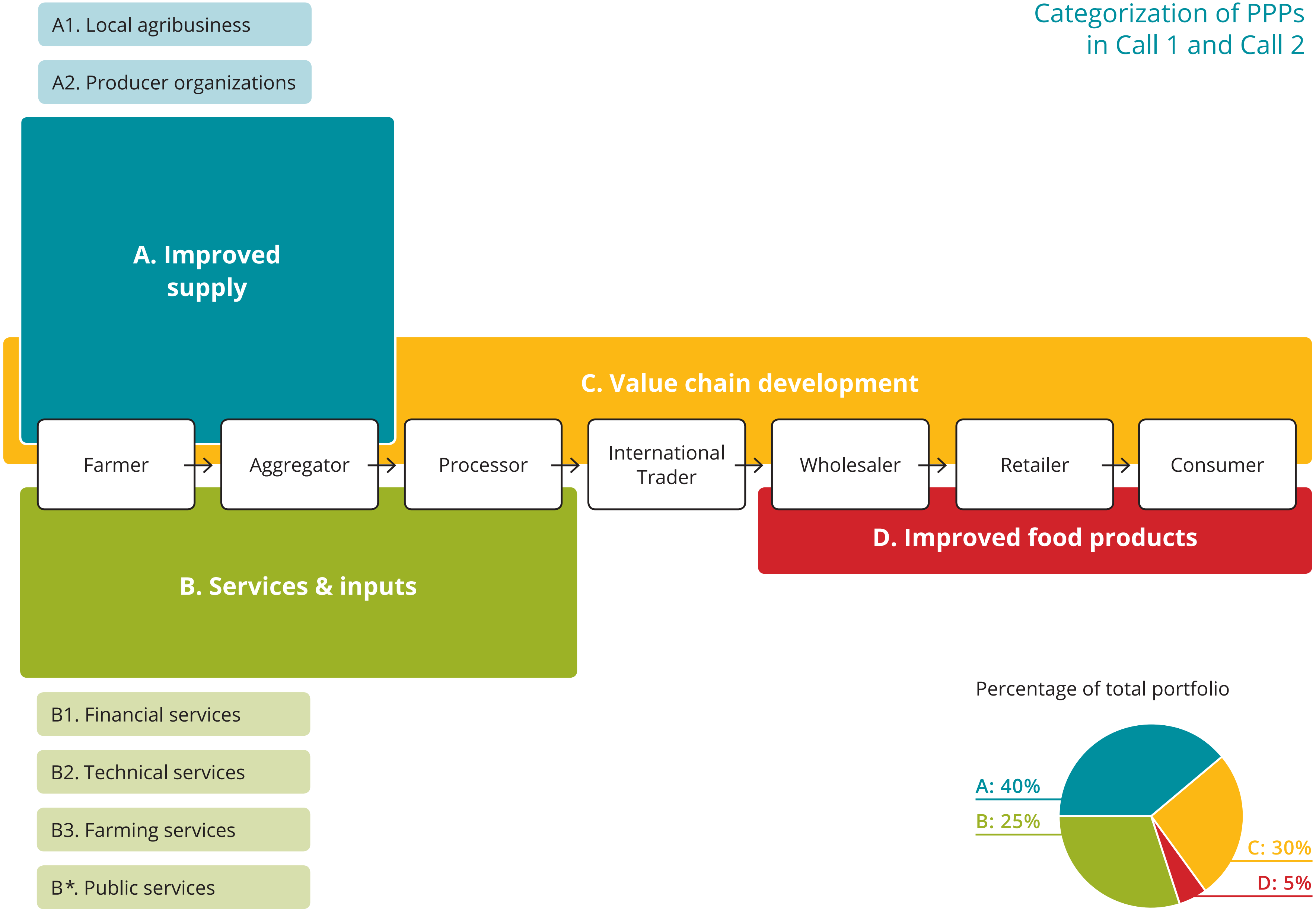
Placing these on a typical value chain, each of these categories of PPP has a specific position. The reasons for this and the relevance of this understanding this position will be discussed below.

The PPPs within each category do not only share their positions in the value chain; we also find that they show similarities in partnership arrangements, business models, and financing strategies. This is useful knowledge for assessing future proposals, and particularly for determining whether they are designed to address the key issues that they intend to tackle in relation to the value chain as a whole.

While almost all PPPs in categories A and B focus on improving multiple elements of the value chain in one way or another, in practice, almost all of their investments go to either sourcing or input activities. The proposals often refer to other chain-wide activities, but close reading reveals they generally do not focus on follow-ups or spin-offs outside of the partnership's sphere of activity. The PPPs in category C, however, attempt to strengthen value chains as a whole, focusing on multiple activities and linkages along the value chain.

Conclusions on the relevance of the different categories to Dutch policy, and therefore the potential value of the categories, are described in Section 3.4.

Categorization of PPPs in Call 1 and Call 2



5.1 Category A: PPPs focused on improved supply

This is the largest category in the overall portfolio, including 19 PPPs or nearly 40% of all PPPs. Thirteen are located in Africa, four in Asia, and two in Latin America.

Partnership and partners

The focus of the partnership is on increasing or improving the supply of specific products of key interest to the lead private partner. This is done by improving various dimensions of production or aggregation of one or more commodities (including local food crops and high-value export crops).

Most of these PPPs do have a value chain context – that is, the supply they generate is meant to connect to further value addition steps in a specific value chain but, contrary to category C partnerships (see below), actors up and down the value chain are not likely to be included in the partnership itself. They also often do something with inputs, as in category B, but only as a by-product.

The lead private partner is a **local or international firm** directly engaged in buying and processing or trading the commodity or combination of commodities on which the partnership focuses. They seek an assured supply source and want to improve the stability, volume, or quality of the commodity. Three types of lead firms can be distinguished: processors, traders, and retailers. The financial margins and interest in investing locally can vary greatly depending on the company profile and on their specific market strategy or niche. For example, processing firms that create significant value addition have larger margins than traders, whose large trading (financial) volumes may be impressive, but who may be very sensitive to even small price differences. Retailers, who sell directly to consumers, have interests and margins that differ from those of processors and traders. Considering these differences, the type of lead firm can affect other characteristics (such as interventions and other partners) as well.

The lead firms work with NGOs, (other) local private sector actors, and knowledge partners to strengthen the productivity, profitability, and sustainability of primary production and of aggregation and storage. Many of these PPPs also seek to **strengthen farmer organizations** so that they can become better (business) partners in the future. The focus is on strengthening collective management of improved supply by providing production inputs and services, training and capacity development, and financing. There is only one PPP with a farmer organization as an actual partner.

Table 2. Types of local partners in sourcing PPPs

	A1. Local agribusiness (clusters) (4 PPPs)	A2. Producer organizations (cooperatives or otherwise) (15 PPPs)
Type of intermediary working with farmers	Lead private partner works with local private sector/businesses to link to farmers.	Lead private partner works with local cooperatives/producer organizations to link to farmers.
Provides access to	Relatively strong focus on access to technology and hardware (mechanization, drying facilities, warehouses, production technology) through the private sector.	Relatively strong focus on access to services and knowledge for farmers by training them and developing their capacity.
Type of applicant	All applicants but one are from the private sector.	10 of the 15 applicants are NGOs or not for profit.
Ownership	All business models created through the PPP will be owned by companies, in-country or international.	Diverse pattern of ownership of business models (private sector, farmers, cooperatives, NGOs).

Of the sourcing projects, **53% of the applicants are NGOs** – a considerably higher proportion than in categories B and C. Several of these NGOs are building on previous collaborations between themselves and lead firms. These activities tend to link up with broader Dutch ambitions regarding sustainable and green value chains. The NGOs see major opportunities in these sourcing projects in terms of social development objectives.

Interestingly, and unlike the PPPs in category B, none of the projects in the sourcing category have a research institute as an applicant. There does, however, seem to be a correlation between the extent to which a PPP is investing in generally applicable knowledge and learning results – such as well worked out general business models or farmer extension approaches – and the strong presence of a research institute in a PPP. The sourcing projects on the whole have a copy-paste approach to applying a farmer training program to large number of farmers. Category A seems to be the least focused on innovation and system change.

Business case and financing

The business case and financial sustainability underpinning the projects is a combination of a) the lead firm investing in securing its supply and b) creating a better or more attractive business case for primary producers by improving the quality or quantity of production and increased farm gate sales. The lead firm not only buys products from farmers, but also seeks to support and strengthen existing production systems by providing the farmers with production inputs and services, training and capacity development, and financing.

The basic driver of the private sector is the need to ensure a sustainable supply. This not only concerns sufficient volume, but also building up stable local relationships, securing longer term (financial) sustainability, and addressing the risks to sustainability caused by poverty in the supplying areas and communities. Two-thirds (13 of 19 projects) focus on improving existing sourcing activities, while the other third (6 projects) are attempting to set up new supply bases. Those developing new sourcing areas aim to set up new value chains (such as patchouli, moringa, and sweet sorghum) that are often based on the existing infrastructure of established value chains.

In most cases, the greatest financial contributions come from local processing or trading firms or large multinational firms. The exact source of these financial contributions is difficult to determine from the project documents. In some cases, they seem to be commercial investments carried out by the firm, and in other cases they are grants from CSR-type funds; in yet others, they seem to be operational costs that the lead firm makes in working with its suppliers. The source of these contribution matters, as it relates to the additionality of partnerships.

The contributions of other partners mainly involve project management, building the capacity of farmers and providing connections and networks (by NGOs), development and dissemination of knowledge and networks (knowledge institutes), embedding project activities in local policy environments (local public agencies) and, in some cases, marketing studies and activities (by consultancy firms and NGOs).

In several cases, the FDOV project builds on earlier projects between the lead firm and the NGOs concerned.[11]

Intended outcomes

The potential development benefits of the project include higher productivity, increased and higher-quality production, and increased income and employment for rural and farming households – often in combination with broader improvements to the chain in various dimensions, such as chain governance, the engagement of the local private sector, and better environmental management and climate adaptation. Where local food commodities are concerned, potential outcomes include improved access to nutritious food and food security or safety.

The ambition to address social and sustainability issues is a driver behind many of the sourcing projects. Usually this is connected with the interests of the lead commercial partner.

Call 1 versus Call 2

There is a clear difference in the type of lead firm between the two calls. **More than half of the lead private sector players in Call 1 are large multinationals**. Moreover, of the local companies involved, a significant number are subsidiaries of large international companies. As their turnover and profits are controlled by their international parent firms, the impact on the local economy may be smaller or less direct than in the case of locally owned lead firms. By contrast, all eight sourcing projects in **Call 2** are **led by either Dutch or locally owned companies,** including one local subsidiary of a multinational company (MNC). This is clearly the result of the altered requirements.

While five projects in Call 1 focused on coffee and cocoa, no such projects are found in Call 2; this seems to be due to the new requirement that projects must demonstrably contribute to better local and regional availability of food, and should no longer focus on export commodities exclusively.

In Call 1, four of the 11 PPPs in this category worked through private firms to link with farmers. In Call 2, projects worked exclusively with or through farmer organizations in order to aggregate produce or disseminate information or other inputs. This may reflect a growing need to have strong farmer organizations to make the value chain or business case work in the long run.

[11] *Sometimes FDOV projects are even part of a bigger project or cooperation between the PPP partners. A more elaborate discussion of what FDOV exactly finances can be found in the FDOV Mid-Term Review.*

5.2 Category B: PPPs focused on services, inputs, and production technology

This category of PPPs consists of 13 PPPs, of which 11 are located in Africa, one in Asia, and one in Europe – just over 25% of the total portfolio. These PPPs focus on the beginning of the value chain – that is, on the production, aggregation, and processing. There are no partnerships providing services or inputs relevant to the marketing or trading of agricultural produce.

Partnership and partners

The partnership focus is on **building a market for a particular service, input, or technology to farmers**. This is not commodity-specific, although the partnerships do tend to focus on a primary sector or commodity as entry point. There is a fundamentally different relationship with farmers and producer organizations in this category. Here, farmers and their organizations are clients of the lead or intermediary firm, while in categories A and C farmers are the primarily suppliers.

The services, inputs, or technologies promoted are wide-ranging, from microfinance and laboratory facilities, to more direct production technologies such as tractors or greenhouses. Category B can thus be divided into three subcategories, each with a different type of service and level of engagement with the actual agricultural process (see Table 3).

Table 3. Type of services by category B partnerships

	B1. Access to finance through lead firm (2 PPPs, Call 1 only)	B2. Technical services by agribusiness (4 PPPs)	B3. Farming services by agribusiness (5 PPPs)
Type of service	(Micro)finance services or an intermediate platform for these	Tractors for plowing, laboratory analysis for dairy and banana for farmers	Seeds, hatcheries and greenhouses
Link with agricultural process	Not engaged with production technology	Technical services relating to production process, but no direct input during cultivation.	Access and use of production technology in the actual cultivation process
Providing services through	Local banks (partners in the PPP) or platform for microfinance institutions	Franchise models in two out of three cases.	Direct to farmer groups or cooperatives (Access to (micro) finance is also part of the projects)

There is one outlying category in B, indicated by B*: this contains two PPPs that focus on investing in local public services but which are not focused directly on the agrifood sector. One is a PPP in Burundi with an integrated approach to investing in public institutions, such as microinsurance, production improvement, and health services to strengthen community resilience. The other in Kenya provides a business development trajectory for health SMEs to deliver public health services.

The private sector is the lead applicant in most category B PPPs; only one PPP is led by an NGO. The lead private partner is a national or Dutch firm that provides a (technological) service, input, or production model for farming or other rural-based economic activities, with the Dutch firms being the source of the new input, service, or technology.

The national firms in this group are independent and local, and are not subsidiaries of large multinationals. They wish to market the product or service to farmers, households, and SMEs. The lead firms work through their own outlets and networks to market the product to individual farmers.

Generally, there is a strong presence of (Dutch) NGOs and knowledge institutions in these partnerships. Knowledge institutes mainly support the development and dissemination of technology, including collecting evidence on adoption and impact. NGOs mostly take on the role of embedding the technology in the local context (both in terms of the local providers and the users) and are also engaged as project managers.

Business and financial model

The business model and financial sustainability underpinning the projects is based on establishing, improving, or expanding the market for the service, input, or technology of the lead firm. Partnership activities are thus focused on demonstrating a clear value proposition to farmers or local distribution companies.

The nature of the financial contributions of the various private partners is difficult to assess on the basis of the project proposals. As in category A, contributions ranging from commercial investments to CSR funds are used to foster the primary interests of the lead firm (market entry or increase in market share).

Almost all these PPPs have budgeted for the technical component of inputs, such as equipment for laboratories, software or software development, seeds, drying facilities, field machinery, breeding equipment, and production plants or facilities. Capital investment is therefore a key requirement in making such PPPs possible.

Intended outcomes

The projected development outcome of these PPPs is to create improved access to inputs, services, or technology for farming (and other) households, which in turn may lead to improved and more sustainable production, and increased income and employment. Additional benefits may include strengthening the local service sector and economy, better management of natural resources, and increases in the resilience of local farming systems or communities.

A key question with all these PPPs is to what extent the innovative measures connect with the reality of the farming population. Can farmers make the 'leap' and effectively use what is offered? In general, a good analysis of the match between technology and the various types of farmers (and their organizations) is lacking in the proposals.

Call 1 versus Call 2

There is no significant shift in this category between the two calls. One detail in Call 2 is that three of the five PPPs are related to developing long-term markets for seeds, compared to one out of eight in Call 1.

The two projects in B1 focusing on access to finance were approved under Call 1. This type of project has not reappeared in Call 2, as it was no longer eligible for a subsidy.

5.3 Category C: PPPs for integrated value chain development

Category C is the second largest and consists of 15 PPPs: 12 in Africa and three in Asia. This is slightly over 30% of the current portfolio.

Partnership and partners

The **primary focus** of these partnerships is to ensure that one or more value chains as a whole can operate more effectively or profitably. The partnerships thus work on multiple activities along a value chain. All include sourcing and input or service activities (as with A or B above), but these are part of an overall "work package" of partnerships. This implies that the partnerships always include links in the value chain to beyond primary sourcing and aggregation.

Examples of such chain-oriented activities include improving or setting up processing, packaging, storage or marketing activities, developing local service providers' networks, and setting up knowledge or multistakeholder platforms.

The **lead private partner** may be primarily involved with one link in the value chain, but is aware that multiple links must be made to work simultaneously for any one of them to be viable. All PPPs consist of multiple private partners, each involved in a different link in the chain. Among the lead private partners, we see both Dutch and local companies, and only one project is led by a large multinational enterprise. In most (11) cases, Dutch and local companies are working together on strengthening a chain; we rarely see PPPs with either a Dutch or a local company involved in this category.

Generally there is a strong presence of NGOs in these partnerships due to the technical assistance needed at farmer level and support required for farmer organizations. Setting up formal collaboration structures between multiple parties is usually part of the partnership focus. In some cases, the project builds on already existing relationships between the partners. Where projects do not cover all links in the chain, they connect to established links, such as an established retail chain or wholesale point. Knowledge institutes are represented in ten of the 15 the partnerships, taking on several roles, such as developing curricula, training farmers or providing technical knowledge to (contribute to) the development of a solution/technology, and adjusting that new technology to the local context. Local governments are formally involved in the PPP in half of the cases, usually taking care of embedding the project in local regulations. Furthermore, this category also contains two projects that formally include farmer organizations in the partnership, which is rare in the FDOV portfolio.

Business and financial models

There are always multiple business models underpinning the projects, as there is one for each link of the chain that the project deals with. This means that private partners often have (partly) different incentives to participate in a specific project, as each tends to focus on its own business case. However, as mentioned before, the partners do realize that every business case needs to be successful for any one of them to be viable.

These category C PPPs are thus the most complex partnerships found in the portfolio scan. They need to create multiple viable business cases simultaneously, in such a way that they are coordinated and may be mutually reinforcing as intended. Any weak link will immediately affect all the others.

The business cases for the individual farmers and their organizations usually constitute the foundation of these PPPs, and are often further developed to include additional business cases for intermediaries, processors, input or service suppliers, or traders. In two cases, the focus is on the market development of completely new value chains, while other PPPs aim to strengthen value chains with an already existing demand. The largest financial investments come from Dutch and local companies. In most cases, this seems to be not CSR money, but rather commercial money intended to sustainably improve linkages within a chain.

The majority of the projects (12 out of 15) focus on business cases for domestic markets. These projects deal with poultry, fruits, vegetables, maize, potatoes, rice, and crickets. Only three projects have a primary focus on strengthening chains for export markets (cashew nuts, spices, and coffee).

5.4 Category D: PPPs for improved food products

Intended outcomes

The projected **development benefits** of the PPP are to create stable, integrated value chains that provide incentives for all players along the chain. These PPPs aim to strengthen a whole sector, rather than parts of a single value chain (as is generally the case in category A and B).
The projects in this category have benefits for intermediaries, sourcing companies, and input and service suppliers, as well as at farmer level. It therefore becomes more complicated to employ numbers when discussing 'value for money': the numbers of direct and indirect (potential) beneficiaries may be quite different.

The efforts of these PPPs are aimed at long-term benefits that go beyond the project. Activities for integrated development contribute to greater sustainability, greater efficiency, or an improved enabling environment for the value chain. In some cases, knowledge or stakeholder platforms are set up to ensure on-going collaboration and improvements in the chain. Some projects expect this integrated approach to lower the risks for other private parties to step in.

Call 1 versus Call 2

In Call 2, more attention is given to influencing the system within which value chains must operate. While Call 1 includes only one project that aims to (also) set up a sector platform, half of Call 2 projects include activities related to national platforms, regulations, or standards. This is not to say that the Call 1 projects in general are less focused on the impact of the (institutional or policy) environment: these projects usually also include a strategy to influence government policy on VAT, for instance, or the requirements with regard to the quality of products, or the role of (regional) government-owned institutions, such as MFIs in Ethiopia.

This category consists of two PPPs located in Kenya, comprising just under 5% of the PPP portfolio.[12]

The two PPPs in this category are part of a larger project initiated by the AIM consortium, which introduces nutritious food to the consumer at the base of the pyramid (BoP) in Africa. These PPPs focus on the production and marketing of enriched food for poor consumers.

Partnership and partners

The primary focus is to nationally produce and locally market improved, enriched, or fortified food products, and to sell these to consumers who are close to, or at the BoP. A significant part of both projects focuses on the creation of a demand for fortified food products.

The lead private partners in these PPPs are a combination of Netherlands-based (international) producers of micronutrient premixes, and national firms producing food items for the consumer market. In both projects, one specific Netherlands-based multinational firm is the source of the micronutrients. Both projects work through national lead firms that are nationally owned (there are no subsidiaries of international firms). Knowledge institutions are absent from these PPPs (with knowledge provided by the Dutch lead partner), and one of the two projects engages NGO partners.

There is frequent mention of the role of the national government and public actors, especially when in promoting and backing the production and consumption of enriched food products, and in reducing VAT on the products developed and promoted. Such an emphasis on public organizations is fairly unique within the FDOV portfolio. The private sector partners work with local public agencies to improve the outreach and acceptance of their products in the local consumer market.

[12] *Initially there also was a similar PPP in Ethiopia; however, this was quickly terminated due to the early withdrawal of the lead partner (who happened to be the same partner as in the two PPPs mentioned below). This aborted PPP was similar in most respects and was also affected by the developments described here for the two PPPs in Kenya.*

The main elements of this overall project are marketing, advocating, and embedding enriched food products in local diets. Because it is acknowledged that the target consumers are not used to the food items, projects include (experimental) activities and studies on the marketing and retail side, as well as advocacy aimed at the policy level and behavioral change campaigns aimed at consumers. Through the creation of (institutional and consumer) demand, it is expected that a viable market for the food products will be created and that business activities can continue after the projects end.

Business case and financing strategy

The business case and financial sustainability underpinning the projects is based on a) the viable production and marketing of new, fortified food products by the national firms, and b) the associated sales of micronutrients by the international firm.

There are no details available on the budget of the larger AIM PPPs. It is to be expected that the lead national and international firms will make business development investments, as through these projects they are attempting to develop a market for their nutrients or enriched food products. The private partners benefit directly from the demand creation initiated by the PPPs. The Kenyan national government is significantly contributing to one project by guaranteeing to create a demand for the fortified food products in the first years of the projects. This offers the private partners an opportunity to begin viable operations in the enriched food products market. Eventually, it is expected that this institutional demand will gradually convert into consumer demand.[13]

Intended outcomes

The target group in category D is neither farmers or producers, but (very) low-income consumers – a unique feature in this portfolio. Both projects are from Call 1, as no projects of this type were funded under Call 2.

The intended development benefits for consumers include increased access to nutritious food at affordable prices. Direct benefits are also created for national companies that build a market, and for farmers who are trained to provide the quality ingredients needed.

The category D PPPs have faced slow starts, due to the size and complex nature of the partnerships and the accompanying governance challenges. It is thus not yet clear to what extent the intended benefits are panning out in practice.

Call 1 versus Call 2

This category of PPPs can only be found in Call 1, as GAIN was getting underway at the start of Call 1. By Call 2, GAIN was dealing with a number of challenges. As all actors working with improved food products collaborate under GAIN, there were no individual parties who applied for Call 2.

[13] *In the aborted Ethiopian case, this role was actually taken up by a UN organization (WFP).*

6. Relevance of FDOV PPPs for Dutch policy and the 'Aid and Trade' agenda

This closing section reflects on the relevance of FDOV for Dutch development policy in general, as well as to the Aid & Trade agenda. It draws on the categorization used here (A, B, C, and D) to reflect on the particular relevance of each category. If considered appropriate for a future call, targeted efforts could be made to prioritize particular categories further.

FDOV coinvests in public–private-partnerships as one means of reaching development goals. Naturally all facilities, and any adjustments from one call to the next, are formed by the overall Dutch policy regarding development goals. A key feature is that the Dutch government explicitly distinguishes three categories of development issues: those critically dependent on public sector support, those deserving some public support alongside private sector investment, and those primarily driven by the private sector. FDOV sits in the middle of this range.

Furthermore, the facility targets both private sector development (sustainable entrepreneurship) as well as food security policy priorities. As mentioned in Chapter 3, **private sector development** was directed at serving the objectives of improving (1) law and regulation; (2) infrastructural development; (3) financial sector development; (4) knowledge and information;[14] and (5) market access and market development. It was also meant to use Dutch expertise to address development issues, and use trade investment to stimulate Dutch trade.

With regard to **food security**, FDOV aligned with (1) enhancing agricultural production and productivity; (2) improving household nutrition; (3) making markets work; and (4) improving the business climate.[15] For the second call, it adjusted to follow the objectives of (1) eradicating hunger and malnutrition; (2) promoting inclusive growth of agricultural sectors; and (3) achieving ecologically sustainable food systems.[16]

6.1 Relevance to Dutch policy

A key Dutch policy priority for private sector development is to reduce poverty through business-driven initiatives. All but two partnerships in the current portfolio have some activities that aim to improve production and returns at the farm level, with general reference to low income levels in the individual context analyses. The private sector development priority is addressed directly, where appropriate, in all the PPPs – in the form of activities targeting increased farmer incomes, enhancing business skills of farmer organizations, stimulating SMEs, and so on.

Food security is tackled directly or indirectly as spin-off. Clearly the proposals have not been sharply screened on this. Stimulating private sector development and engaging (new) Dutch partners was the greater priority, to see whether new dynamics and types of programs could be stimulated.

For future purposes, it is worth noting that, in general, there is little proper analysis of the existing food security conditions behind the claims or plans for food-security-related activities. In comparing the whole portfolio against the four dimensions of food security,[17] we note the following:

- The majority of partnerships intend to increase food **availability**. However there is generally limited analysis of a normal diet, what is poorly available, and what gaps are being deliberately targeted by the PPP.
- Most projects do aim to make food more **accessible** by increasing net incomes in some manner that should make food needs more affordable. Apart from the PPPs in Category D, there are none that calculate the daily cost of food or the amount of extra food that should become accessible through partnership activities.
- Only Category D partnerships directly stimulate the **utilization** of nutritious products.
- There are only a few examples of an analysis of the existing stability of food supplies, and how this will be specifically influenced by the project.

[14] Kamerbrief "Ontwikkeling door duurzaam ondernemen", November 2011 [15] Kamerbrief "Voedselzekerheid", October 2011 [16] Kamerbrief "Kamerbrief over Nederlandse inzet voor wereldwijde voedselzekerheid", November 2014 [17] See http://www.fao.org/docrep/013/al936e/al936e00.pdf.

With regards to the pro-poor focus, there is a distinction between poor producers and poor consumers. While reducing poverty for producers usually focuses on increasing income, for consumers it means reducing the cost of food. Almost all PPPs are directly focused on poor producers.

While women are mentioned in most projects as being necessary to engage with, this generally does not go much further than indicating the number or percentage of women who will be involved in training or other activities. None of the proposals have comprehensive gender-specific activity strategies and plans, and neither did they seem to have been developed during the inception phases. Nearly half of the PPPs in Call 2 do pragmatically mention the strong presence of women in the sourcing base, and plan for women's inclusion as an important aspect of securing supply.

Apart from ubiquitous investment in capacity to make use of evolving technology in the agrifood sector, some effort is made to introduce adapted technologies and solutions to poor(er) segments of the market or farming population. In practice, it is likely that it is the relatively better-off farmers who will be reached, rather than those in the poorer strata of the rural population, especially in the case of some of the high-end technical and production projects. However, this is not an issue for these PPPs alone: it is a widespread issue in agricultural development projects.

Another objective of Dutch policy is to create employment opportunities, in particular for youth. As a whole, the PPPs do not convincingly formulate plans to address youth. Only a small number of PPPs in category C explicitly intend to create jobs through new processing or other value-chain activities. However, the numbers are in the hundreds, as compared to the tens or even hundreds of thousands of small-scale farmers that most PPPs aim to help through sourcing improvements.

Twelve of the 19 projects in category A focus on improvements in export crops, and thus depend mostly on international and Northern consumers. In general, over the last ten years, international value-chain development efforts have been dominated by such commodities. In more recent years, however, increased attention has been put on commodities that are more relevant to food security of (poor) people in the developing countries themselves. These different types of chains thus have fairly different socioeconomic benefits, with local food chains giving a potential direct benefit to local food security; and export chains having primarily economic effects in the local sphere through increased income from farming and job opportunities through private sector development.

By contrast, all but two of the 15 projects in Category C focus on value chains for national markets, and target products such as horticultural crops and animal protein (dairy, chicken, and fish) for low-income population groups. Therefore, within the value chain projects, there is a clearer intended and spin-off benefit for smaller scale farmers, and poorer consumers (and possibly other similar effects in the local economy), whether this is explicitly stated in the proposals of the PPPs or not.

6.2 Relevance to Aid and Trade objectives

The type of Dutch company involved differs quite a bit across the four categories of projects. Only 13 out of 49 PPPs have a Dutch lead company. This includes three large multinationals in six projects, with the rest coming from the medium-sized Dutch business community. These distinctions may be an entry point for looking more explicitly at the mix of Dutch business interests served through FDOV.

In terms of drawing in and creating opportunities, and thus trade, for Dutch companies, the service and input-related PPPs (category B) are by far the strongest. This category shows the greatest presence of Dutch companies as applicants and as lead firms. This builds on key strengths of the Dutch agrifood sector – namely, the development of leading technology, service models, and inputs. In particular the Dutch (potato and horticulture) seed sector is an active player. Their business models are based on long-term scenarios, and FDOV makes it possible to build the long-term markets necessary to make business sense. This holds potential for long-term trade opportunities.

6.3 Using Dutch expertise to tackle development objectives

Dutch expertise in the agrifood sector is noted for product, production, and processing innovations. Half (14 out of 29) of the PPPs in Call 1 are working on some form of innovation in production or products. The nature of the innovation in Call 1 projects varies quite considerably, ranging from improving local agricultural production methods and introducing new techniques or services, to testing or adjusting foreign technology to local circumstances, more BoP-oriented delivery models, or the enrichment of consumer products.

In Call 2, however, there are no PPPs with this kind of innovation focus; they are all concerning with introducing known technologies or applying known (business or value chain) processes in specific contexts. Depending on definition, this adaptation to specific contexts can be considered an innovation.

It can be noted that the innovation challenges and the stages of innovation that the projects deal with may be quite different. One major difference can be seen between the majority of products and solutions, which have already been tested under field conditions elsewhere, and those that are being tested and developed for the first time in the FDOV project. Given the size and length of the PPPs, it is worth considering whether it might be more appropriate to focus on the widespread application of relatively well-known approaches and technologies, rather than promoting short-term innovation efforts.

Another segment of Dutch "business" is the development service sector, where Dutch NGOs and knowledge institutes have strong capacities in innovative practices, ethical ways of working, good process skills and in-depth agricultural knowledge. By default, FDOV requires some kind of Dutch partner engagement. In over half of the PPPs, there is an active Dutch NGO or knowledge partner involved. Through this, FDOV contributes substantially to the use and spread of Dutch development, management, social, and technological expertise.

We close by reflecting on the potential relevance of the various categories of PPP for Dutch food security policy, private sector development policy, and the promotion of the use of Dutch expertise through the PPP approach of FDOV.

Category A: Improved Sourcing

All of the PPPs in this category work to improve the primary food production base. Categories B and C also include some dimension of enhancing primary production. All the PPPs intend to contribute to increasing income (through sales of more, better produce) or food availability (by producing more, cheaper, higher-quality food), and thus to increasing the food availability level of food security. There is no demonstrable deeper food security foreseen for most PSD PPPs yet – for example, by increasing access to specific quality food to targeted categories of people. For most food security PPPs, the outcomes have not yet been clearly demonstrated. This is to be expected, as the period of implementation has been relatively short, and the delays considerable.

The PPPs in this category are usually those intending to reach larger numbers of beneficiaries. This is understandable, as these PPPs are working towards improving the existing production situation, rather than creating something new. Therefore, in terms of the numbers of potential beneficiaries reached, these can be attractive to invest in from the perspective of the Dutch government.

The potential for growth, on the other hand, will be limited to the scale of operation of the lead firm and its potential for upscaling the processing of the relevant commodity. As most of these projects do not address wider market system dimensions, their scaling potential could be considered to be more limited than those in the other categories.

There are only a few lead Dutch firms in this call. Dutch engagement is mainly through NGO engagement or other service provision.

Category B: Inputs and services

As mentioned, this category has the strongest Dutch business presence. Thus, from the Trade perspective, this category is very attractive. The key issue from an Aid perspective is whether the inputs and services offered are appropriate to the current situation that farmers are starting from. There are indications of technological optimism – that farmers can and are willing to take on much greater risks in return for much greater returns – despite the fact that their livelihoods are often precarious and risk avoidance is a major livelihood strategy.

At the same time, this category could prove interesting if thoughtful contextual analysis were added – rather than the input or service-supply driven approach alone – so as to identify situations where a technological leap could be catalyzed. Certain subsectors may be more interesting from the private sector development point of view (employment creation in supply systems), while others may be more interesting from a food security point of view (for instance, high quality, small scale intensive horticultural systems).

Category C: Value chain development

Over half of the PPPs in the category include a lead Dutch firm. Thus, this category is also highly relevant to stimulating Trade opportunities relevant to Aid: these PPPs actually seem to combine the best of the two perspectives of food security and PSD. Various actors in these chains benefit from technological inputs from the Dutch firms.

Furthermore, Dutch firms can in this category demonstrate another leading capacity of the Dutch agrifood sector: namely, the ability to run efficient, complex value chains. This includes logistical skills, as well as collaboration and business alignment skills. In combination with the system change and the long-term scaling potential of value chain PPPs, this category could be worth stimulating when both system change and food security are the main policy goals.

Category D: Improved food products

This category is the only one that directly addresses nutrition security. Also, in both PPPs in this category (and in the aborted ET project), the market development of a single, leading Dutch multinational and its local partner private firm is supported. Given their global leading role and key input, the involvement of the Dutch MNC is relevant from a Trade perspective.

Nonetheless, the development of the Private Sector through this category seems limited. These PPPs are among those that are struggling most to implement their plans, and thus it may be better to build more experience here before prioritizing this again in future calls.

Each category has its benefits and trade-offs for all parties involved. Depending on where Dutch policy priority shifts to, it may be possible to stimulate more proposals within any one particular category or to deliberately select them. For example, to roll out proven systems to large numbers of farmers within established market systems, the choice of Category A would be pertinent; greater market development for Dutch firms might lead to a preference for Category B PPPs. There is presumably an increasing interest in Category C partnerships, as there is a growing need to tackle complicated problems in complex issues in an integrated way. Finally, Category D projects will be interesting to revisit once they have gone through their longer start-up phases, for their lessons on working directly with consumers.

7. Sustainability of FDOV PPPs

FDOV requires that the PPPs reflect on the sustainability of project activities in terms of Financial, Institutional, Environmental, Technical, and Social (FIETS) criteria. Based on the proposals alone, no clear picture is available of the extent to which the projects have deliberately been designed to address all these criteria.

It can be reasonably assumed that financial sustainability has been well thought through, as the direct business interests of the private (lead) sector parties drive the PPPs. Investment priorities will presumably have been carefully assessed.

Financing combinations and patterns are difficult to deduce from the proposals. The PPPs show quite a variation in terms of the types of private sector financing: CSR, business development, investments that cover operational costs, and commercial investments are all included to various degrees. The information available in the proposals does not allow the precise analysis of the specific type of money contributed. All the projects make clear that they need public finance or donor money to be able to further develop a new solution, as well as help in taking certain risks or scaling the project. It remains a challenge to assess why the specific amounts of public money requested are needed.

Institutional sustainability varies considerably. Across the FDOV portfolio, attention is paid to scaling and sustainability, but the degree of specification on this varies considerably by project. Quite a number of projects are aiming to have a wider impact than the immediate project results – for example, by strengthening collaboration across the value chain through setting up multistakeholder or knowledge platforms. Other PPPs work together with public agencies to influence local policy frameworks and have even formulated explicit strategies to change the rules of the game in a value chain and the economy. At the same time, many proposals solely focus on activities within the project period, and do not elaborate on any possible continuation or scaling of the project activities.

FDOV has clear ambitions to contribute to 'scaling'. In this context, it is relevant to consider whether PPPs address more systemic constraints and improvements – for example, in the broader value chain governance, related policy and regulation issues, multistakeholder dynamics, and so on. There are clearly a number of PPPs that have ambitions in such direction: a separate PPPLab study is looking at this in more detail In terms of the longer-term effect of FDOV investments, it is interesting to reinforce such dimensions in present or future projects.

In addition, it is difficult to get to grips with the balance between the international and national economic benefits of the PPP, as this is also a point that is barely described in the proposals. Apart from certification of certain commodities, it seems that local value addition (for example, by introducing local processing) in the international value chain projects has not been given much attention in Call 1 projects (or perhaps is not made explicit), while such attention has slightly increased in the projects of Call 2.

Appendix: Categorised list of projects

The analysis above is based on the following division of projects across distinct categories.

In the list below, the term **lead firm** is used for the main private partner with a key role in the business case or financial sustainability of the project. They may not necessarily be the applicant or the partner that provides the largest financial contribution.

Category A: Improved Sourcing

A1. Local agribusiness (clusters)

FDOV12GH07

Country: Ghana
Title: Building a Sustainable Cocoa Sector in Ghana
Lead firm: Continaf BV and Adwumapa Buyers ltd.
Commodity: Cacao

FDOV12RW02[18]

Country: Rwanda
Title: Sugar: Make it Work
Lead firm: Kabuye Sugar Works
Commodity: Sugar

FDOV12VN03

Country: Vietnam
Title: Dairy4Growth
Lead firm: Friesland Campina Nederland Holding BV
Commodity: Dairy

FDOV12VN05

Country: Vietnam
Title: Growing out of Poverty with Potato
Lead firm: PepsiCo Vietnam
Commodity: Potatoes

A2. Cooperatives or other forms of producer organisations

FDOV12GH01

Country: Ghana
Title: Sustainable Maize Programme in North Ghana
Lead firm: Wienco
Commodity: Maize

FDOV12KE06

Country: Kenya
Title: 4S@scale
Lead firm: Ecom Agroindustrial Corp
Commodity: Coffee

FDOV12ML01

Country: Mali
Title: More Food Feed and Fuel for Smallholder Farmers through Sweet-Sorghum-based Farming Systems in Mali, West Africa
Lead firm: Mali Biocarburant SA
Commodity: Cotton, maize, groundnuts and soy

FDOV12MW01

Country: Malawi
Title: Going Nuts
Lead firm: Stichting Humana and Afri-Nut
Commodity: Groundnuts

[18] *This is essentially an irrigation/water management project, but one driven by the supply needed for a factory, and so it can be added to this category.*

Category A: Improved sourcing

FDOV12NI01

Country: Nicaragua
Title: Access to Sustainable Markets and Food Security for Nicaragua's Coffee and Cocoa Producers
Lead firm: ECOM Group/Exportadora Atlantic
Commodity: Coffee and Cacao

FDOV12RI07

Country: Indonesia
Title: Dairy4Development: Development of Sustainable Dairy Villages in Indonesia
Lead firm: FrieslandCampina Nederland Holding BV and PT Frisian Flag Indonesia
Commodity: Dairy

FDOV14BF26

Country: Mali and Burkina Faso
Title: She Sells Shea
Lead firm: Olvea Burkina Faso
Commodity: Shea nuts, sesame, moringa

FDOV14BI23

Country: Burundi
Title: Stimulating cooperative entrepreneurship by introducing irrigation and cash crops in Makamba, Burundi
Lead firm: Elaga SA
Commodity: Patchouli

FDOV14BT46

Country: Bhutan
Title: Inclusive milk supply chain development to increase food security in Bhutan
Lead firm: Zimdra Foods Pvt. Ltd.
Commodity: Dairy

FDOV14GH04

Country: Ghana
Title: Strengthening the horticulture sector in Ghana
Lead firm: GAVEX
Commodity: Horticulture

FDOV14GT03

Country: Guatemala
Title: Every bean has its black: implementing supply chain ICSR and sustainable production techniques in a smallholder peas and beans value chain in Guatemala
Lead firm: Grupo CEIS
Commodity: Beans, peas

FDOV14KE63

Country: Kenya
Title: Food for all projects in Kenya (F4APK)
Lead firm: Meru Green Horticulture
Commodity: Vegetables, dairy

FDOV14MW16

Country: Malawi
Title: Macadamia Value Chain Enhancement
Lead firm: Intersnack Procurement B.V.,
Commodity: Macadamia nuts

FDOV14ZW37

Country: Zimbabwe
Title: Development of sustainable bean value chains for smallholders to increase food security in Zimbabwe
Lead firm: Gebroeders Bakker Zaadteelt & Zaadhandel BV
Commodity: Dried beans

Category B:
Inputs, services, and production technology

B1. Access to finance through lead firm

FDOV12CG01
Country: Congo
Title: I-Bank Microfinance Bank
Lead firm: I-Bank
Commodity: Finance

FDOV12ET05
Country: Ethiopia
Title: Access to Rural-Based Financial Services
Lead firm: Kifiya Financial Technology plc
Commodity: Finance

B2. Technical services by agribusiness

FDOV12ET01
Country: Ethiopia
Title: Appropriate Solutions for Mechanisation of Agriculture in Ethiopia (ASMA)
Lead firm: TGT Enterprise
Commodity: Non-specific

FDOV12KE01
Country: Kenya
Title: Providing Analytical Services for Informed Farming in Kenya (PASIFIK)
Lead firm: BLGG Research
Commodity: Mobile laboratories (non commodity specific)

FDOV12PH01
Country: Philippines
Title: PromoBanana: Protect and Modernize Philippine Banana Production
Lead firm: NEH Philippines
Commodity: Bananas (through laboratory services)

FDOV14ET33
Country: Ethiopia
Title: Dairy Farm Equipment, Ethiopia
Lead firm: Paul Mueller Company
Commodity: Dairy (processing, measuring, cooling equipment)

B3. Farming services by agribusiness

FDOV12ET09
Country: Ethiopia
Title: Innovative Business Model (IBM) on High Value Crops in a Farmer-based Crop Rotation in Ethiopia
Lead firm: Solagrow PLC
Commodity: Vegetables and cereals

FDOV12TZ01
Country: Tanzania
Title: Seeds of Expertise for the Vegetable Industry of Africa
Lead firm: East West International BV and Rijk Zwaan
Commodity: New vegetables (not specified)

FDOV14ET01
Country: Ethiopia
Title: Fair Planet five-year plan for Ethiopia
Lead firm: Syngenta Seeds and East West International
Commodity: Seeds for vegetables

FDOV14MD07
Country: Moldova
Title: Organic Farming Unleashed: A Joint Effort to Build an Enabling Environment for Organic Farmers in Moldova
Lead firm: Prograin SRL and The Organic Village
Commodity: Organic seeds and grains

FDOV14ET53
Country: thiopia
Title: Seeds to Feed Ethiopia
Lead firm: Incotec Group
Commodity: Seeds for cereals, sorghum, maize, wheat and barley, field legumes and oilseed sesame

Category B: Inputs, services, and production technology

B*. Microinsurance, production improvement, and health services

FDOV12BI01
Country: Burundi
Title: Fanning the Spark: Towards Increased Food Security in Burundi
Lead firm: Achmea
Commodity: Health insurance

FDOV14KE18
Country: Kenya
Title: HSME Business Development Project (HSME BDS Project)
Lead firm: Medical Credit Fund
Commodity: Health SMEs

Category C: Integrated Value Chain development

FDOV12KE02-B1
Country: Kenya and Tanzania
Title: Amsterdam Initiative against Malnutrition (AIM): B1, Nutritious Vegetables
Lead firm: Rijk Zwaan
Commodity: Vegetables (not specified)

FDOV12KE02-B5
Country: South Africa
Title: Amsterdam Initiative against Malnutrition (AIM)
Lead firm: Rijk Zwaan
Commodity: Vegetables (type not specified)

FDOV12KE03
Country: Kenya
Title: Food Tech Africa (FTA)
Lead firm: Nutreco
Commodity: Fish

FDOV12KE04
Country: Kenya
Title: Food Security through Improved Resilience of Small-Scale Farmers in Ethiopia and Kenya (FOSEK)
Lead firm: Nestlé
Commodity: Coffee

FDOV12KE09
Country: Kenya
Title: Flying Food
Lead firm: Basenene Dealership and Development Association (BADDA)
Commodity: Crickets

FDOV12RW04
Country: Rwanda
Title: SMASH Smart Adaptive Sustainable Horticulture: A Public–Private Partnership
Lead firm: Greenport Holland International (GHI)
Commodity: Tomatoes

FDOV12SA03[19]
Country: South Africa
Title: Agribusiness Innovation and Sustainable Entrepreneurship in South Africa
Lead firm: Manombe Cooperative Trust
Commodity: Maize

FDOV12TZ04
Country: Tanzania
Title: Commercializing Food Security in Tanzania
Lead firm: Quality Food Products Ltd. and New Boogaloo Ltd.
Commodity: Maize

[19] It should be noted that this PPP also works with a cooperative, but the main focus is to improve the operations of a mill. This project is therefore assigned to the A1 category.

Category C:
Integrated Value Chain development

FDOV14BJ54

Country: Burkina Faso and Benin
Title: Cracking the nut: Towards inclusive value chain collaboration in the cashew sector in West Africa.
Lead firm: Trade Development International BV
Commodity: Cashew nuts

FDOV14EG42

Country: Egypt
Title: From Farm to Fork: improving food security for both small scale farmers and consumers in three governorates in Egypt
Lead firm: Spice Kingdom and Egyptian Farmers
Commodity: Potatoes, dairy

FDOV14ET06

Country: Ethiopia
Title: Potato processing in Ethiopia: the missing link in the value
Lead firm: Veris Investments BV
Commodity: Potatoes

FDOV14IN49

Country: India
Title: Reducing Food Wastage in India
Lead firm: Future Enterprise Consumer Limited
Commodity: Vegetables and fruits

FDOV14KE58

Country: Kenya
Title: Food security by vertical integration in a new Kenyan potato chain
Lead firm: Migotiyo Plantation
Commodity: Potatoes

FDOV14MM45

Country: Myanmar
Title: Sustainable and Affordable Poultry for All (SAPA)
Lead firm: De Heus and Belgabroed
Commodity: Poultry

FDOV14RI20

Country: Indonesia
Title: Production and Marketing of High Premium Rice in Central Java Indonesia
Lead firm: Bank Jateng
Commodity: Rice

Category D:
Improved food products

FDOV12KE02-B3

Country: Kenya
Title: Amsterdam Initiative against Malnutrition (AIM)
Lead firm: Phillips Health Services
Commodity: Dairy (micronutrient powders)

FDOV12KE02-B4

Country: Kenya
Title: Amsterdam Initiative against Malnutrition (AIM): Fortified Milk Product
Lead firm: DSM
Commodity: Dairy

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