



Corporate Farming and Public-Private Partnership

In the context of Pakistan's corporate farming and public-private partnerships (PPPs), there is growing recognition of the potential to unlock agricultural growth, inclusion, and transformation. Both the public and private sectors are increasingly seen as essential players in driving innovation, productivity, and sustainability within the agriculture industry. This constructive collaboration is particularly critical, considering the challenges posed by limited government resources and expertise in certain areas of agricultural development.

Corporate Farming: Definition and Importance

Corporate farming is the practice of large-scale agricultural operations managed by private companies or investors, consisting the potential which is imperative for attracting FDI, technological advancement and strengthen market linkages to promote agriculture sector in Pakistan. However, the successful implementation of corporate farming models may require strategic collaboration and partnerships with public entities to address regulatory frameworks, policies for land-use environmental considerations, and social impact assessments.

Public-private partnerships (PPPs) can be seen as a strategic mechanism to bridge the gap between corporate farming initiatives and public sector objectives. These partnerships can pool resources, share risks, and leverage expertise from both sectors to create a conducive environment for sustainable and inclusive agricultural development. They can also address crucial issues such as smallholder inclusion, resource efficiency, value chain integration, and rural livelihood improvement.

Pakistan Specific Scenario: Policy Framework and Initiatives

The Pakistan Vision 2025 and the National Agriculture Policy acknowledge the importance of PPPs in promoting

corporate farming while ensuring social inclusivity, environmental sustainability, and economic viability. Through initiatives like the Public Private Partnership Authority (PPPA) and sector-specific working groups,

Pakistan intends to facilitate dialogue, collaboration, and coordination among corporate entities, government agencies, civil society, and development partners.

Lessons learned from successful corporate farming ventures and PPP models in other countries can provide valuable insights for Pakistan's policymakers and stakeholders. The Food and Agriculture Organization (FAO), in collaboration with relevant ministries and industry associations, can play a key role in documenting best practices, developing guidelines, and building capacity for effective corporate farming and PPP implementation.

The technical guide developed by FAO, customized to the context of corporate farming and PPPs in Pakistan, can serve as a practical roadmap for designing, negotiating, and monitoring partnerships that benefit both corporate entities and public interests. By facilitating transparency, accountability, and mutual benefit, these partnerships can unlock the full potential of corporate farming to contribute to food security, rural development, and economic prosperity in Pakistan. While safeguarding the interests of smallholders and vulnerable communities.

Uncovering the potential for agricultural growth, inclusion, and transformation in Pakistan requires a strategic approach involving public contribution and private investment in the agriculture sector.



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Given the scenario of scarce government resources and expertise, there is a growing global recognition of the role of public-private partnerships (PPPs) as a tool to pool resources, reduce risks, improve productivity, and promote growth in the agriculture and food sectors. This trend aligns with Pakistan's considerations for agricultural development and emphasizes the need to understand and utilize the potential of PPPs in agribusiness development (agri-PPPs) to achieve transformative goals.

The rationale for promoting PPPs in agribusiness development is based on addressing market and policy failures in delivering public goods, including food security, environmental protection, and rural socio-economic viability. By leveraging the resources and capabilities of both public and private partners under a transparent legal and regulatory framework, PPPs offer opportunities for the government to achieve economic and social interests beyond what it could accomplish alone.

Benefits of Agri-PPPs in Pakistan

Specifically, agri-PPPs in Pakistan can benefit in following ways:

- 1) **Leverage financing:** The scale of financing needed for agricultural development in Pakistan exceeds what the public sector can provide alone. PPPs can gather funding from various sources, including financial institutions, to control funding limitations and improve access to finance for smallholders and agribusinesses.
- 2) **Promote risk sharing:** Agri-PPPs can diminish entry barriers for agribusiness entities by sharing risks among stakeholders, including investors, smallholders, and the government. This enhances private sector investment in agriculture, considering the high risks associated with the sector.
- 3) **Increase in innovation and market access:** PPPs smooth access to innovative technologies, management expertise, and market linkages present in the private sector. This enhances innovation, improves productivity, and addresses challenges such as post-harvest losses, impact of climate-change, and market access barriers.
- 4) **Increased financial inclusion:** Agri-PPPs can promote inclusion of small-holder farmers, women, youth, and small and medium agricultural enterprises (SMAEs) in the agrifood sector. By enhancing capacity development, creating employment opportunities, and promoting entrepreneurship, PPPs contribute to social stability and well-being in rural areas.

- 5) **Optimize public infrastructure:** PPPs enable the effective usage of public infrastructure and services, aligning with rural industrialization agenda and ensuring that public investments in infrastructure benefit agribusiness development.

However, realizing these potential benefits requires careful consideration, considering issues such as risk management, inclusiveness strategies, and monitoring and evaluation mechanisms.

Types of Agri-PPP Projects

The Food and Agriculture Organization (FAO) (2016) has projected four common agri-PPP projects:

- 1) **Value Chain Development (VCD):** PPPs aimed at developing new or upgrading existing value chains through combined efforts along the entire value chain.
- 2) **Innovation and Technology Transfer (ITT):** PPPs focused on enhancing the production function of the value chain by utilizing research, innovation, and technology transfer, including digital transformation.
- 3) **Market Infrastructure (MI):** PPPs designed to improve product flow through market organization, such as the establishment of collection centers, feeder roads, and warehouses.
- 4) **Business Development Services (BDS):** PPPs facilitating access to business support services to build linkages among farmers, small and medium enterprises (SMEs), and input/output/service market partners.

Additional types:

- 1) **Water and sanitation PPPs,** including irrigation PPPs, are critical and can help improve water management and agricultural productivity.
- 2) **Green energy PPPs** promote the use of renewable energy technologies like biogas, reducing environmental impact and enhancing sustainability in agriculture.
- 3) **Agricultural insurance PPPs** are relatively new and focus on increasing smallholders' access to insurance programs, primarily found in Asia, providing financial security against crop losses.
- 4) **Agri-linked manufacturing PPPs** coordinate value addition along the agricultural value chain, connecting manufacturers with producers and SMEs to enhance product quality and market competitiveness.

World's first public private partnership (PPP) irrigation project – Guerdane, Morocco: A Success Story

The Guerdane perimeter in Morocco plays a vital role in the country's citrus crop production, contributing 50% of the total output. However, unsustainable farming practices have led to depleted groundwater levels, threatening the region's agricultural sustainability.

In 2004, working with the International Finance Corporation (IFC), the Moroccan government undertook a transformative initiative: the world's first public-private partnership (PPP) irrigation project. The 30-year concession was awarded to a business association formed by Omnium Nord-Africain (ONA), one of Morocco's industrial conglomerates. This PPP gathered

about USD 40 million in investment from the private sector, revitalizing irrigation infrastructure and creating local job opportunities.

A transparent and dynamic bidding process ensured a lower-than-expected unit water price, benefiting both farmers and the government. The project also facilitated technology transfer, improving irrigation practices and providing a model for similar PPPs in the region.

More than 1,900 individual farmers have experienced better irrigation and improved access to facilities, leading to increased agricultural productivity and a reduction in water scarcity challenges. The Guerdane irrigation project stands as a testament to the success and potential of PPPs in promoting innovation, investment, and socio-economic development in the agriculture sector.

A summary of differences between Agribusiness versus infrastructure public private partnerships

Attribute	Traditional Infrastructure PPPs	Public Private Partnership (Agri-PPPs) for Agri-business Development
Level of Investment, Cost, and Risk	Investments of 7-9 figures is common	Reduced scale of investments (minimum investment of USD 100,000 considered for this study)
Sharing, and Estimation of Revenues	The investment must be in-goods or in the form of money. There is binding on private partner to contribute equity. The private partner gets ROI from project revenue or fee collected from users. Private partner bears commercial risks.	No binding for financial equity investments in the PPP; in-goods contribution may be enough. Private revenues not necessarily considered; risks are optional to be shared between both private and public partners.
Partners	Government entity and private companies	May include small and medium agricultural enterprises (SMAEs), product organizations, community groups. Working jointly with government agencies, donors, international technical agencies, and agribusiness firms.
Regularization of Arrangements	Regular contractual agreement between core public and private partners. More advanced contract modalities favoured. Transparent bidding process for partner selection. Unsolicited bids discouraged.	Simplified modalities such as memorandum of understanding often used; contract farming agreements commonly.
Management Process and Governance	Pre-feasibility and feasibility research before selection of partner, and contract negotiation.	Feasibility studies assess economic, social, environmental effects, often including analysis of value chain.
Involvement	Transparent bid process for private-sector partners selection.	Open bid process urged, with un-solicited bids from private sector, if possible, especially for innovative projects.

Industry Standards for Public–Private Partnerships in Agribusiness Development

Following standards and their components provide a comprehensive framework for developing and implementing successful public private partnerships in agribusiness sector.

Standards	Description
Standard 1: Sector-specific guidelines	Paraphrase existing PPPs legislation and/or regulations if applicable, to assist users in understanding and implementing PPP laws.
Standard 2: Core national public partner	Includes ministries of agriculture, national programs, local authorities, public research institutes, state banks, or other publicly funded agencies aligned with sustainable agricultural development objectives. Responsibilities involve project concept development, feasibility studies, transparent selection process for private partners, risk-sharing processes, coordinating negotiations, regulatory compliance, funding contribution, infrastructure access facilitation, technical assistance, and monitoring and evaluation.
Standard 3: Core private agribusiness	Committed to agricultural sector transformation, preferably domestic firms with strong market ties and relationships with the public sector and farmer communities. Roles include market analysis, funding contribution, project implementation, management, market procurement, technical assistance, business training, linkages to business services, technology commercialization, and monitoring.
Standard 4: Smallholder involvement	Recognizes small-holder producers and entities as independent private sector partners, ensuring their consultation and active participation. Roles may include intermediary functions, raw material supply coordination, technology trials, quality standard implementation, business administration, and involvement in PPP field activities.
Standard 5: Transparent evaluation	Involves solicited proposals based on national agricultural objectives, some unsolicited private sector proposals, value for money Standards, due diligence, and value for people criteria. Selection processes may be governed by core public partners, other public agencies, or independent third parties, with preference given to domestic agribusiness entities or proven foreign entities working effectively with smallholder farmers.
Standard 6: Systematic partnership	Detailed agreement among core public and private partners, including additional agreements with stakeholders like financing institutions, NGOs, donors, etc., addressing IP rights, ownership, and operational responsibilities.
Standard 7: Defined public-private targets	Establishes clear and transparent targets for public and private benefits, aligned with national agricultural policies and socioeconomic objectives. External experts may assist in defining public interests and their alignment with smallholder interests.
Standard 8: Joint investment contributions	Specifies joint monetary investments by public and private partners, defining investment shares, modality (equity, in-kind, grants, loans, etc.), and smallholder contributions like in-kind support, land availability, technology adoption, and potential financial investments with public sector backing.
Standard 9: Risk sharing mechanisms	Includes tools for risk transfer, such as guarantee funds, agricultural insurance, capacity building, and technical assistance, to mitigate risks for vulnerable partners, especially smallholders, against climate change and other hazards.
Standard 10: Environmental and social sustainability	Assesses sustainability during design and implementation, identifies inclusion targets for smallholders, women, and youth, and engages specialized human resources to meet these objectives.
Standard 11: Monitoring and evaluation	Develops a monitoring and evaluation strategy for corrective action, conflict resolution, and transformative impacts assessment during PPP implementation. A team-based management approach is often necessary due to complicity and level of agri-PPPs.
Standard 12: Exit strategy	Develops a phased-out exit strategy for public sector support, transitioning to a regulatory role, and ultimately handing over operations to agribusiness firms and producer entities where appropriate.
Standard 13: Dialogue participation	Engages in national public private dialogue forums for productive discussions among public and private sectors, addressing concerns, and creating an encouraging environment for agri-PPP projects.

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