2016

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International Scholars Journals

African Journal of Agriculture and Food Security ISSN 2375-1177 Vol. 4 (2), pp. 153-156, February, 2016. Available online at www.internationalscholarsjournals.org © International Scholars Journals

Perspective

The global agriculture and food security program: An evaluation of the Public Private Partnership in Malawi

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Accepted 20 December, 2015

Chronic food security issues in Africa have recently spurred an increase in public–private partnerships (PPPs), as governments across the continent look to stimulate agricultural productivity. Through multiple international channels, PPPs are implementing various programs within the agricultural sector as a means to promote both nutrition and food security. However, there are some constraints that may impede the success of PPP in the near-term such as inadequate legal and regulatory framework for PPPs; lack of technical skills to manage PPP programs and projects; unfavorable investor perception of country risk, small market size, limited infrastructure and limited financial markets. Additionally, the success of agricultural public–private partnerships are yet to be proven and concerns exist among global philanthropic organizations, who are wary of the potential for investments to meet their objective in lieu of returns to investors. This paper will explore one initiative, the Global Agriculture and Food Security Program (GAFSP), specific to its objective "to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity" ("About GASFP," n.d.). Following an overview of the organization, the paper will discuss the short-comings and issues related to the implementation of GAFSP's directive using a single country example, Malawi and will then conclude with a summary recommendation related to the GAFSP program execution. The paper will provide a basis for a reevaluation of GAFSP's alignment between objectives and implementation.

Key words: Food security, Private-public funding, global hunger, Malawi.

INTRODUCTION

The Global Agriculture and Food Security Program (GAFSP)

The Global Agriculture and Food Security Program (GAFSP) has been referred to as a "critical component" (Wakins, n.d.) of the United States government's Feed the Future Initiative, the U.S. government's global hunger and food security program ("Feed the future," n.d.). The objective of GAFSP is "to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity"("About GAFSP," n.d.). The fund's principles are aligned to the L'Aquila Food Security Initiative (AFSI), a program that was launched at the 2009 G-8 Summit in L'Aquila, Italy. "There, global leaders agreed to reverse a decades-long decline in investment in agriculture and to 'do business differently' by taking a comprehensive approach to ensuring food security, coordinating effectively, supporting country-owned processes and plans, engaging multilateral institutions in advancing efforts to promote food security worldwide, and delivering on sustained and accountable commitments" (U.S. Department of State, 2012).

GAFSP, which is in essence a fund, is structured as a financial intermediary fund with the World Bank as administrator for both capital and disbursements. The ultimate decision making body of the GAFSP is its Steering

Committee, which was established in April 2010 ("About GASFP," n.d.). The Steering Committee is composed of an "equal number of voting donor and recipient representatives, and non-voting representatives from: the Trustee (World Bank), United Nations (UN) agencies, potential Supervising Entities (Multilateral Development Banks (MDBs), World Bank, International Fund for Agricultural Development (IFAD)), and Civil Society Organizations" (CSOs) ("About GASFP," n.d.). CSOs include trade unions, faith-based organizations, indigenous peoples movements, foundations and many other similar groups (The World Bank, n.d.).

The fund's operations are based on a public-private sector cooperative model and are structured to meet the needs of the developing world through targeting the incentive structure of the private sector, namely profitable growth (Ferroni, 2009). The public sector component assists in the deployment of resources to country or region specific initiatives and oversight of the public sector is conducted by the Steering Committee. The private sector component is designed to provide long- and short-term loans, credit guarantees and equity to support private sector activities for improving agricultural development and food security. "It is managed separately by the International Finance Corporation (IFC) with the annual investment plans submitted to and endorsed by the Steering Committee"("About GASFP," n.d; Maryknoll Office for Global Concerns, 2012). Private sector awards are made with the caveat of a required rate of return. For foreign operators, no specifics are provided with respect to repatriation ("About GASFP," n.d.).

At the establishment of GAFSP ten donors pledged a total of $1.4 billion (USD). As of November 30,2014, $1.37 billion (USD) had been received (Lew & Kerry, 2014). The U.S. government was the single largest donor and was active in soliciting funds from other countries. In a letter dated April 11, 2015, signed by both Secretary of State John Kerry and Secretary of Treasury Jacob Lew issued a challenge to domestic and foreign official recipients:

Recognizing the potential of the GAFSP model and the need for additional funding, the United States issued a challenge to other countries in 2012: for every $2 from other donors, the United States is committed to contribute $1 to GAFSP, up to a total U.S. contribution of $475 million. To date, other donors have committed $230 million in new pledges. An additional $720 million from other donors is required to meet our funding challenge. We hope your government will join the United States and other donors by pledging funds to GAFSP to help boost agricultural incomes and reduce global hunger (Lew & Kerry, 2014).

The theme of the two-page letter conveyed the unique private-public partnership of GAFSP and advocated that the letter's recipient be a donor to GAFSP as a means of proactively addressing climate change and population growth estimates for 2050 ("GASFP Annual Report," n.d.).

Implementation of GAFSP: The case of Malawi

Information on GAFSP programs including financial outlays can be found through a combination of sources including the World Bank, IFC ("IFC Projects Database," n.d.) and the GAFSP. However, detail related to both direct expenditures to vendors and returns as they relate to project outcomes remain limited. With the exception of the IFC, the information provided is more aligned with the appearance of marketing material, containing no financial statement analysis, in opposition to expectations given the private sector involvement (Maryknoll Office for Global Concerns, 2012). The limited funding transparency has raised questions on the part of CSOs regarding the merits of the public-private partnership. Further, these organizations have openly questioned whether private incentives can be sufficiently incentivized to appropriately meet the stated objectives of GAFSP (Maryknoll Office for Global Concerns, 2012).

Public and private investment in Malawi provides an example of GAFSP information flow, which is largely limited to the fund's advocacy of its own success. The discussion that follows provides a foundation for the assessment of areas for improvement by the fund, specific to meeting articulated goals. Malawi Mangoes is an example of a private investment where by definition of the GAFSP program, initial oversight for investment was held by the IFC and final review provided by the Steering Committee. The Smallholder Irrigation and Value Addition Project (SIVAP) is an example of a public sector investment in Malawi where the Steering Committee maintained sole oversight responsibility.

Malawi Mangoes

GAFSP and IFC each invested $5 million in Malawi. Given the joint investment, detail on the project was made robust by IFC disclosures relative to the communications provided by GAFSP. The following discussion will highlight the differences between GAFSP and IFC and will also point out potential inconsistencies between the funded projects discussed and the *intent* of the objective of GASP, as provided above.

GAFSP describes the Malawi Mangoes project in both the 2014 Annual Report and on a dedicated page to the project on the fund's website ("GASFP Annual Report 2014," 2015; "Malawi Mangoes," n.d.). The description of the project from GAFSP provides a broad perspective on the rationale for the funding without addressing the financial expectations and rural development benefits. The Annual Report states the following as the expected development impact:

- Expected to reach at least an incremental 2,000 small-scale mango farmers over the next five years, thereby improving sustainable income streams along these value chains.

- Penetration of modern farming practices and sustainable land use in farming communities in Malawi.
- Development of improved natural resource management techniques, especially water resource efficiency through promotion of drip irrigation.
- Contribution to wider regional development in terms of jobs, infrastructure, education, health and other socio-economic parameters ("GASFP Annual Report 2014," 2015).

The IFC documents, available from the IFC website, provide more detail, ("IFC Malawi Mangoes," n.d.) specifically noting the ownership management of the company as Craig T. Hardie and Jonathan D. Jacobs, neither of whom is a native or citizen of Malawi. Further the IFC report on Malawi Mangoes provides insight into the Malawi Mangoes business model, which arguably, through job creating, is not directly aligned with fostering improvement in the "incomes and food and nutrition security in low-income countries by boosting agricultural productivity" ("About GASFP," n.d.).

The proposed investment consists of a financing package to Malawi Mangoes Limited, a Mauritius headquartered holding company. The company, at the time of application, had an operation in Malawi that produced and marketed mango and banana not from concentrate fruit puree, juice concentrates and fresh fruit, primarily for export to markets in Africa, the Middle East and Europe. The Malawian entity was a wholly owned subsidiary of Malawi Mangoes, MM Limited (MM). MM established operation in Malawi in 2009 and was described in IFC narratives as a vertically integrated business. However, of note is that the description was not consistent with the reality at the time of application; the business infrastructure was not implemented completely at the time of the funding submission. Additionally, for the vertical integration to be promoted the entity required the scale development of plantations to produce the fruit that would then be sold as not from concentrate fruit puree, juice concentrates and fresh fruit ("Malawi Mangoes," n.d.).

The funding application for Malawi Mangoes Limited was based on the company's desire to transition into its next stage of growth by adding production volumes and product diversity. The plan submitted "focused on fully realizing the mango and banana potential of the Company's existing farms and its out growers, diversifying its product base with the development of one new crop (pineapple), and expanding its processing capacity."The IFC and GAFSP investment of $10 million (USD) was requested to support the expansion of MM's processing / production capacity in the Salima District in Malawi. Detail of the expenditures funded included: the development of the Nyu Nyu Farm, including installation of a drip irrigation facility; installation of 5 additional ripening chambers; an addition of a second 8 metric ton per hour processing line; expansion of storage capacity, construction of farm buildings and other related equipment. Following meetings with company management, the IFC approved the request, signing the authorization in June of 2014 and disbursing the funds in May of 2015 ("Malawi Mangoes," n.d.).

At the present time, there is little to report on the progress of Malawi Mangoes as it relates to the MM expansion project. However, a news article written two months before the GAFSP/IFC approval highlighted the expansion of the MM operations (Nadu, 2014). Malawian President Dr. Joyce Banda lauded the 600 jobs created by the operation (Nadu, 2014). The Malawian leader was quoted as saying, ""The birth of this company is a testimony of many achievements my government has done during a two-year tenure and I congratulate the two co-founders of this company for working tirelessly to achieve this success story" (Nadu, 2014). The remarks of the President create a synchronicity of needs on the part of MM and the government but the outcome may be incongruous with the initial intent of fostering long-term sustainability through the promotion of nutrition and food security.

In reviewing the basic elements of the proposal that was approved, there does appear to be discrepancies between the realizable outcomes of MM operations as these apply to GAFSP funding intent. First of all the product that the investment will promote is extremely water intensive. Though Malawi does have abundant water resources, lack of clean water along with travel to and from fresh water wells is a significant issue (Gambatula, n.d). According to Water For People, a non-profit operating in Malawi and other geographies, Malawi's water quality is poor; large sectors of the population do not have adequate access to clean drinking water and proper sanitation (Water for the People, n.d.). An estimated 2 million people do not have access to clean water and 10 million do not have access to adequate sanitation (Gambatula, n.d.). Lack of clean drinking water in the primarily rural country has been connected to the transmission and death of at least 3,000 children per year (Water Aid, n.d.). These are significant numbers given Malawi's population approximates 16.8 million (World Bank, 2014). Another issue related to the MM investment is whether investment spending will remain in Malawi or be able to be expatriated. Further and more significant is how the operation will promote nutritional and food security to Malawi. Job creation is not sufficient and the dependency on competitively priced commodity products for export, arguably does not promote economic stability.

Smallholder Irrigation and Value Addition Project (SIVAP)

The Smallholder Irrigation and Value Addition Project (SIVAP) is a public sector focused project that was funded by a GAFSP grant in the amount of $39.6 million.

Though the project was funded in 2012, as of mid 2015, the project remains in the implementation stage. The purpose of the project is to increase agricultural productivity "through intensification of irrigation, crop diversification, value addition and capacity building through sustainable land and water management, and crop diversification and value chain development" (GAFSP Annual Report 2014, 2015). The project is estimated to provide 2,050 hectares of irrigation and to rehabilitate another 1,295 hectares by replacing currently failed systems (GAFSP Annual Report 2014, 2015). The project target areas overlap with Malawi Mangoes as the project description specifically states that the outcome"will lead to increased water-use efficiency and expansion of land under irrigation for cultivation of both food and cash crops… (and) will also help to mitigate the negative climate change effects in the targeted districts of Karonga and Salima. The farmers (70,100 farm families (420,000 people)) targeted in the project, 50 percent of whom are female, will be given appropriate training on the best farming practices, including timing and planting/harvesting techniques, to maximize crop potential (GAFSP Annual Report 2014, 2015). The latter statements of the project description promote the marketed rationale for GAFSP; however, limited detail is provided in the African Development Bank Appraisal Report (African Development Bank Group, 2013). The issues with the investment process noted are not necessarily related to the project objective, which align with those of GAFSP, but rather in the progress of the project and the alignment between the Malawi Mangoes private investment. With respect to the former, given the noted irrigation issues, it would have appeared appropriate to hasten the resource allocations related to the project. In 2010, the speed of funding and development of infrastructure supports had been the stated catalyst for the creation of GAFSP relative to the use of traditional aid organizations already in existence ("GAFSP Annual Report," 2012, 2012). Further, specific to the almost simultaneous investment in Malawi Mangoes, the question as to whether the public sector is subsidizing private enterprise is surfaced. This is a valid question given that Malawi Mangoes has already garnered governmental support and the company's production process is already established. These characteristics position Malawi Mangoes well, specific to being a marketed "success story" and thereby, potentially eliminating the project due diligence focused initially on the small farmer.

An overall remark related to SIVAP is in the how the allocated funds are spent. The funding provided is used to purchase everything from vehicles to irrigation supplies through contracts with multinational corporations and other companies on the World Bank procurement list (World Bank Group, n.d.). To the extent that the prices charged do not reflect discounting in support of philanthropic goals there is an issue with respect to the profit taking from aid-based enterprise. This characteristic has been an issue for some groups, the most vocal of whom has been the Mary Knoll Office for Global Concerns ("About GAFSP," n.d.).

Enabling an effective GAFSP Framework

In the above discussion, a brief overview of GAFSP was provided followed by a more detailed assessment of Malawi's experience in the public-private cooperative fund. For the sake of brevity a few inconsistencies were pointed out along with concerns from the Mary Knoll Office for Global Concerns, a CSO representing the views of 15 other faith-based organizations. The issues and concerns stated highlight the disconnect between the intent of the GAFSP, which in its language appealed to the majority of parties, and the application of GASFP, which in its apparent ad-hoc implementation seemingly lacks the cohesive strategy to truly enable intent.

The latter issue may be related to the lack of strategically implemented converging of public and private interests. Simply stated, the public interests are long-term and by definition, cannot be capitalized in the short-term as they are representative of long-term investments. Private sector returns are typically driven on a quarterly basis. Without investor enthusiasm for a long-term pay back period, private investment will not be temporally compatible with the public welfare or the access and availability of common goods. Perhaps the method for success and elimination of the appearance of special and non-aligned interests may be found in the requisite experience and strategic deployment of the project manager and country specific oversight function. The significance of the singular oversight of public and private investment project to ensure synergies is requisite in the implementation of a public private investment strategy. Additionally, an area for further exploration and implementation is the establishment of non-market based mechanism in the evaluation of successful implementation as well as objectives related to private investments in countries that would be potential candidates for GAFSP funding. These countries by definition of their development status may not have the cultural bias toward the implementation of standard market mechanisms. As a result, success may and arguably should be determined based on the objectives of the investment funding alone: "to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity" ("About GASFP, n.d.).

CONCLUSIONS

The evaluation of the public private partnership discussed in this paper is consistent with the deployment of public-private partnerships across a multitude of international organizations including the UN and specific to adaptation and mitigation funding in the Paris Agreement ("Adoption of the Paris Agreement," 2015). Though the intent of the partnerships may appear to be consistent with an ideology congruous with providing support and funding to assist resource constrained countries, the implementation of the programs does not appear to include the seemingly most significant characteristic for success, alignment of incentive systems. To the extent that the realization of the intent is the goal of the contributors and facilitators of public private partnerships, there is potential for significant improvement, which can be readily attained through at minimum, initial unidirectional alignment of the private implementation to the public initiative. From an economic perspective this would require an explicit understanding of the potential adverse impact related to the establishment of a common good, which in the Malawi example provided was safe drinking water. The urgency of the provision of the resource and the alignment with the initiating needs appeared to be inconsistent with the final application of funding.

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