

## Global Food Security Strategy Technical Guidance for Private Sector Engagement

*This is one of 18 technical guidance documents for implementing the U.S. Government's Global Food Security Strategy. The entire set of documents can be found at [www.feedthefuture.gov](http://www.feedthefuture.gov) and [www.agrilinks.org](http://www.agrilinks.org).*

### Introduction

The private sector<sup>1</sup> is fundamental to enhancing and sustaining growth and scale across the developing world. The most intractable international development challenges require collective action across sectors to leverage the required skills, assets, technologies, and resources to deliver effective and sustainable development. For the U.S. Government (USG) in the agriculture, food security, and nutrition sectors, engagement with the private sector is a fundamental aspect of development programming, and partnering with the private sector should be the default initial step when designing development interventions.<sup>2</sup> Feed the Future, guided by the U.S. Government's Global Food Security Strategy (GFSS), can call on and combine various USG agencies and departments' complementary resources, tools, and authorities in order to engage and leverage private sector investment. Through partnerships, the USG can use foreign assistance strategically to catalyze domestic resource mobilization and private sector-driven trade and economic development.

**Partnering with the private sector will be essential to achieving all GFSS Objectives, but will play a particularly prominent role in achieving:**

**Objective I:** Inclusive and sustainable agricultural-led economic growth.

**Cross-Cutting IR1:** Strengthening global commitment to investing in food security.

**IR 1:** Strengthened inclusive agriculture systems that are productive and profitable

**IR 2:** Strengthened and expanded access to markets and trade

**IR 3:** Increases employment and entrepreneurship

### Terminology and Context

The *private sector*, defined in this context as profit-making businesses and private grantmaking foundations or philanthropic entities, is an important stakeholder in global development, representing 91 percent of financial flows into emerging markets and driving global capital markets, which total over \$200 trillion.

*Private sector engagement*, as defined by the Donor Committee for Enterprise Development, is:

an umbrella term for the increasingly systematic efforts of development organisations to work with business to achieve development results. For donor agencies, private sector engagement represents a shift away from a focus on bilateral work with developing country governments. It also differs from traditional ways of working with business, in two major ways: It focuses on more equal, longer-term and strategic relationships between development organisations and business; and it uses a wider range and more flexible forms of support.<sup>3</sup>

*Partnerships*, as defined in the GFSS, are “efforts in areas where we can leverage complementary resources and expertise and support capacity development with the private sector, other donors, producer organizations, cooperatives, civil society, faith based organizations, and agricultural research and academic institutions.”<sup>4</sup>

Within the context of an overall agricultural market systems approach, engaging the private sector and

catalyzing private investment through partnerships is essential to sustainable, well-functioning markets and addressing the significant resource shortfall—estimated at \$260 billion annually—to achieve the Sustainable Development Goals on hunger and food security<sup>5</sup> (please also refer to GFSS Technical Guidances on Finance: Unlocking Capital Flows and Market Systems and Value Chain Programming).<sup>6</sup>

A second but equally important reason why much of our food security efforts must be implemented through partnerships is that many of the challenges local, regional, and multinational businesses face are intertwined with the development challenges GFSS addresses. By working together, partners often view problems in new ways and then develop better solutions together through leveraging resources, expertise, and know-how. The private sector is at the heart of the market system, and GFSS must focus efforts—through partnerships—to align incentives in a way that will sustain growth and benefit-sharing between investors and value chain actors in the system. Engagement can also help to steer the private sector toward adhering to practices espoused in the Principles for Responsible Investment,<sup>7</sup> the Committee on World Food Security (CFS) Principles for Responsible Agricultural Investment,<sup>8</sup> and in the Economic Cooperation and Development (OECD)-Food and Agriculture Organization (FAO) Guidance for Responsible Agricultural Supply Chains.<sup>9</sup>

Partnering with the private sector and other non-governmental actors should become the norm for doing business under the GFSS, and the private sector should be considered a critical stakeholder group in any analyses conducted for strategy or project designs. Key principles in developing new GFSS activities include the following: partnering as the default approach, making catalytic investments, and supporting graduation toward sustainability. Therefore, for new GFSS activity planning in which private sector facilitation and partnerships are not a central component of activity, implementation will require additional rationale to explain why that type of approach is not being pursued.

A growing number of companies are forming partnerships with governments, multilateral organizations, and bilateral aid agencies to share resources, expertise, and networks. Supply chain companies are increasingly considering vertical integration and developing direct relationships with smallholder farmers because of product scarcity, quality concerns, insecure land tenure rights, lack of access to land, low productivity, disease, and weather variability. Consumers are demanding product traceability, fair trade, and fair labor, and companies are responding to these market signals to increase transparency and control within their supply chains. Partnering with development actors can help companies take steps to implement these changes, which on their own would be more difficult because they often lack the relationships with farmers, host country governments, and/or on-the-ground technical knowledge.

## Designing Interventions

### *Partner Archetypes*

As you reference this guide, keep in mind that there are three major categories of private sector partnerships, which are broadly defined by their motivation for partnering with Feed the Future:

**Philanthropy/Corporate social responsibility:** Describes a corporate partner's interest in collaborating with Feed the Future in a manner that creates goodwill but is separate from the company's core business interests.

**Future commercial interests:** Describes a corporate partner who is interested in collaborating with Feed the Future in a manner that does not affect present business operations, but which may help the partner as a market development effort that paves the way for future operations.

**Shared value:** Describes a commercial partner—including small- and medium-sized enterprises (SMEs)—who is interested in collaborating with Feed the Future in a way that will advance the company’s core business interests while contributing to the USG’s development objectives.

Experience shows that the USG can typically gain the most development value from shared value partnerships. Companies that are motivated by commercial interests offer the USG an opportunity to leverage market forces by aligning corporate incentives with those of key beneficiaries — such as smallholder farmers, SMEs, youth, and women — to broker sustainable relationships that result in benefit-sharing over the long-term. However, partnerships with companies motivated by future commercial interests or by philanthropy should also be considered in situations where shared value partnerships are not possible or when the partner has something of unique value to bring to the table.

### ***Tools for Identifying and Creating Partnerships***

Private sector partnerships are a fundamental component of programs to achieve development objectives under GFSS. Partnering is a means to an end rather than an end in itself. Once countries identify their target value chains — including consultations with the private sector as a core driver for selection — partnership landscape analysis and subsequent strategy development should begin. The questions below outline how to identify both the pathways and the program areas in which private sector partnership can help achieve Feed the Future goals and objectives in any given country. The Market Facilitation and Partnership Prospecting questions can be used at the beginning of a country’s strategy development phase to identify the general areas where partnership should occur. The Partnership Design as well as the Sustaining Results and Monitoring questions can be used once a shortlist of individual partnerships has been approved for development.

### ***Market Facilitation (please reference the GFSS Technical Guidance for Market Systems and Value Chain Guidance for linkages to private sector development):***

- What are the main obstacles to facilitating investment within the target value chains, defined by the corporate partner in question?
- Are there opportunities for U.S. companies and agri-business to become involved in market development in Feed the Future countries?
- Does strong dialogue and coordinated action between public and private stakeholders around key enabling environment issues for each of the target value chains exist?
  - Is there a well-functioning public platform to address key constraints to investment facilitation in each of the target sectors? If not, how can the USG support the creation or strengthening of a platform?
  - How can the USG facilitate trust between investors and public agencies under the GFSS?
  - Is there agreement from government on a list of priority issues to improve the enabling environment for investment in these sectors? How can the USG coordinate action around this?
  - How can the USG support effective and regular meetings to advance action of priority issues?
  - Do stakeholders follow-up on dialogue and discussion through coordinated actions?
  - Do high quality multi-stakeholder strategy and policy documents exist to support the priority issues? Do the government agencies responsible for driving policy on key issues demonstrate strong capacity in thought leadership, strategy development, and problem solving to support the dynamic needs across the target value chains? How can the USG build capacity of key host-country government agencies to cultivate these qualities?
- Do government agencies demonstrate willingness for greater strategic focus in the collective effort to remove investment obstacles? How can the USG nurture this commitment and orientation?
  - Are the various staff members within relevant organizations able to clearly articulate their strategy and how their work connects to it? How can the USG nurture and groom staff talent?

### ***Partnership Prospecting:***

- What is the market structure and who are the main enterprises and investors in each target sector who are currently in the priority country? Generate an exhaustive list and indicate each private sector actor's market share.
- What USG agencies can help add value to the efforts of the private company? How would the private company contribute to the USG's goals? What equities and resources exist? Are there existing relationships or expertise to build on or challenges to avoid?
- What are the potential opportunities or challenges for U.S. agriculture in the partnership? Is the entity a U.S. company? Would the engagement potentially lead to competition with U.S. agribusiness interests?
  - Speak with each company identified to determine how the company is currently engaged in the country.
- What is the company's business model? Is the company a volume or value player?
- What is the company's growth strategy? What are its weakness and threats in the country?
- Where do the company's core business interests most align with GFSS objectives?
- Who are the main enterprises and investors in each target sector who are industry leaders but not yet in the priority country? Generate an exhaustive list of American and global companies.
- Why are these global industry leaders not currently in the target country? What is the company's growth strategy and how can entering the country help to achieve goals under that strategy? What would need to be true to incentivize the industry leader to enter the country?

### ***Partnership Design:***

- How can the company's expertise, capabilities, and experience be assets to advancing the USG's development priorities in the targeted country and sector?
- How is Feed the Future uniquely suited to address the problems and challenges as well as the interests and objectives the corporate partner is seeking to address?
- What are the modalities and activities through which the USG and the corporate partner might address those problems and challenges as well as pursue opportunities together?
- What kind of engagement, knowledge, and resources must the USG commit to through the life of the partnership to serve the corporate partner's needs?
- What is the USG's expectation of the corporate partner regarding engagement, knowledge, technologies, intellectual property, and other resources?
- In what form are the resources being committed (funding, staff time, assets, technologies, etc.)?

### ***Sustaining Results and Monitoring:***

- What must the USG do to broker relationships in a fair and sustained way within the market?
- How is the USG facilitating choice for its stakeholders (for example, enabling farmers to make informed decisions about what prices they should accept)?
- What are other gaps in the value chain that need to be addressed outside of the partnership?
- How is Feed the Future ensuring that the integration of smallholders into commercial supply chains is effectively being used by households to diversify income generating activities, thereby mitigating risk against economic and other shocks?
- How can metrics help narrate a story in a way that builds corporate partner enthusiasm?
- What is the impact and development story Feed the Future wants to tell through the intervention? How can progress be linked to indicators and ensure that the corporate partner's interests are measured?

## **Key Lessons Learned**

**Lesson 1:** *Be strategic.* To the extent possible, aim to be proactive rather than reactive with respect to partnership opportunities. Focus on understanding better the full range of partnership options that could

best contribute to program objectives at the outset of an office's strategic planning process to generate the best development value. Potential partnerships should be assessed on how they can help to advance the USG's overall program objectives as well as how they can best leverage public and/or private capacity in partner countries as well as the USG's broad range of strengths. In doing so, it is important to ask how to better make use of *convening power* and *influence* to improve business practices in global supply chains and in local markets that will lead to more prosperous outcomes for key actors along the value chain. Furthermore, in being more strategic, Feed the Future can help to ensure that alliances, financial guarantees, facilitation and introduction to new markets, and/or investments with the private sector will not simply leverage financial and intellectual resources but will also serve to broker fair, long-term, and productive relationships between corporate shareholders and rural communities. In this way, specific geographies can graduate from assistance, and Feed the Future can adjust focus to other countries or regions in need and of key strategic interest to the United States.

**Lesson 2:** *Leverage.* As a general rule, partnerships should mobilize and leverage substantial private sector assets, expertise, capabilities, and resources (financial, intellectual, in-kind, or otherwise). The financial and/or non-financial resources mobilized from the private sector should support and be applied to the alliance in a manner that clearly fosters extensive, important, and inclusive results. Partnerships should require high-impact private sector resource investments, and these investments must clearly be channeled toward activities that further the goals of the GFSS, in addition to a company's proprietary assets.<sup>10</sup>

**Lesson 3:** *Go beyond the contracting/agreement officer's representative role or project manager role to cultivate enduring relationships that are founded on the basis of co-creation, implementation, and financial transactions.* Partnerships are a way by which Feed the Future can work more effectively; they are not just "nice to do" add-ons to scopes of work. Teams should consider the role of the private sector as a default starting point in the program design process. Further, USG staff should fundamentally view their roles as relationship managers, seeking to maintain productive and enduring relationships with companies, built over time, and not exclusive to a single partnership or transaction. To ensure the effectiveness of partnerships and the cultivation of strong institutional relationships, USG relationship managers need to go beyond traditional roles as project managers—providing oversight to ensure that implementation is being executed according to contract or agreement—and behave more like equal collaborators and thought partners with non-government counterparts.

A productive co-creation process between USG and corporate relationship managers during the prospecting and design phases of a partnership can contribute to greater rapport-building and trust that will strengthen relationship health and that can also set the stage for later effective problem solving. The co-creation process should also be seen as an opportunity for the USG to learn from the corporate partner regarding its motivation for partnership as well as its organizational priorities and constraints. Identifying these elements can help the USG relationship manager confirm alignment around common goals, inform how the partnership and decision-making processes should be structured, and signal regular touch points for engagement throughout the life of the partnership.

**Lesson 4:** *Relationship health is an integral ingredient for partnership success.* Consistently investing in the "people side" of partnerships positively influences their relational health, and the cultivation of the following relationship attributes starts at the prospecting and partnership design phase. The six factors that most impact relationship health are as follows:<sup>11</sup>

- Alignment – shared understanding of objectives, working culture, and expectations
- Commitment – shared satisfaction with each partner's engagement level, dedication to the relationship, and dedication to the goals of the partnership
- Trust – mutual belief in the truthfulness, competence, and reliability of each partner
- Mutuality – reciprocal dependence built upon shared rights and responsibilities

- Performance – shared perceptions of progress toward the partnership’s outcomes; and
- Efficiency – mutual ability to accomplish activities in a partnership with a minimum amount of unnecessary time, resources, and effort.

**Lesson 5:** *Defining institutional strengths and assets early in partnership design can help generate alignment on partner roles and responsibilities.* Early definition of USG and corporate partner strengths is critical for leveraging and maximizing each institution’s assets beyond their financial contributions to any single partnership. Overall, the USG can most often contribute technical development expertise; strong national and local government relationships; long-term country presence; credibility and goodwill; a network of local, regional, and global partners for implementation; and convening power. Corporate partners can often contribute skills, services, and products; access to global supply chains and markets or local market information and access; a market-driven approach to initiatives; technology and intellectual property; relationships with local business actors; communication and marketing acumen; and purchasing power. Identifying the strengths and expectations of each partner in the prospecting and design phases will help to generate alignment around roles, responsibilities, commitment, and mutual accountability as well as help partnership beneficiaries to extract the most value from the USG and the corporate partner.

**Lesson 6:** *The partnership agreement tool or mechanism should reflect desired levels of control, contribution, and information flow of each partner.* Early identification of each partner’s desire for participation in partnership activities, influence over how resources are spent, and influence over decision making should help drive the partnership agreement tool that is selected. For example, a corporate partner whose staff are directly executing certain partnership activities, who wants to understand and influence how resources are being expended, and who wants to actively participate in decision making over technical programming might be better served by funding the partnership implementing partner in parallel to the USG, through their own agreement. Alternatively, a partner who does not wish to be as engaged in day-to-day management may prefer to directly channel their funding through a U.S. agency’s contract with the implementing partner. Regardless of chosen mechanism, formal avenues for decision making—such as a project steering committee—as well as informal but regular communication touch points between partners should be identified during the partnership or investment design phase.

## Programming in Practice

**Partnership with World Cocoa Foundation (WCF):** This partnership with the WCF and its member companies aims to increase the sustainable cocoa productivity of smallholder farmers in West Africa. The African Cocoa Initiative Phase II aligns leading private sector partners on increasing the availability and use of high quality cocoa planting materials as well as improving cocoa farmer access to financial services. The partnership has demonstrated that engaging the private sector is essential to increasing smallholders’ access to sustainable, well-functioning markets and simultaneously addresses some of the supply chain challenges businesses face. By working together, global companies—including Barry Callebaut, Cargill, The Hershey Company, Mars, Inc., Mondelēz International, and Nestlé—can partner with the USG and host country counterparts in the implementation of this program in Cameroon, Côte d’Ivoire, Ghana, and Nigeria. Together, these partners identify problems in new ways and then develop better solutions together through leveraging resources, expertise, and know-how.

**Partnership with DuPont-Pioneer:** The Advanced Maize Seed Adoption Program (AMSAP), a three-year public-private partnership between the USG, DuPont, and the Government of Ethiopia was designed to sustainably increase more than 100,000 smallholder farmers’ yields and enhance income potential, while also improving nutrition outcomes in 16 districts over three regions across Ethiopia. In the first two years, the program reached 250,000 smallholder farmers in 53 districts, helping them adopt new technology and implement smarter agricultural practices, far surpassing the original program target. Prior to this program, farmers were harvesting 2.2 metric tons per hectare. In districts where AMSAP was

administered, they now harvest 7.5 metric tons per hectare. Since its launch, participating farmers have achieved an almost 300 percent increase, on average, in their maize yield productivity. They are also more efficiently connected to markets, which has helped boost incomes as much as \$1,500 per farmer, per year. This is an example of a partnership that demonstrates several of the key lessons learned, including leverage and defining institutional strengths, which contribute to the outsized impact we can have when the U.S. development community teams up with America's leading companies.

## Additional Resources and Tools

- Feed the Future Partnerships: [www.feedthefuture.gov/partnerships](http://www.feedthefuture.gov/partnerships)
- Feed the Future Private Sector Engagement Hub: <http://feedthefuture.gov/private-sector-engagement-hub>
- USAID Partnerships: <https://partnerships.usaid.gov/>
- Global Development Alliance: <https://www.usaid.gov/gda/global-development-alliance-annual-program>
- From Smallholders to Shareholders, A Guide to Optimizing Partnerships with the Private Sector for Smallholder Impact: <http://partneringforinnovation.org/smallholders-shareholders.aspx>
- USAID's Public Private Partnerships. Global Economy & Development Working Paper: <https://www.brookings.edu/wp-content/uploads/2016/07/WP94PPPReport2016Web.pdf>
- Partnering for Innovation: <http://www.partneringforinnovation.org/meet-our-partners.aspx>
- Partnership to Support Colombia's Coffee Farmers: <https://blog.usaid.gov/2013/08/new-partnership-to-support-colombias-coffee-farmers/>
- Partners in Food Solutions: <http://www.partnersinfoodsolutions.com/feed-future-partnership-boost-africas-food-security>

For further assistance related to this Technical Guidance, please contact [ftfguidance@usaid.gov](mailto:ftfguidance@usaid.gov).

## References

<sup>1</sup> "Private sector" refers to the following: private for-profit entities such as a business, corporation, or private firm; private equity or private financial institutions, including private investment firms, mutual funds, or insurance companies; private investors (individuals or groups); private business or industry associations, including but not limited to chambers of commerce and related types of entities; private grantmaking foundations or philanthropic entities; or private individuals and philanthropists.

<sup>2</sup> Partnering for Innovation, From Smallholders to Shareholders, A Guide to Optimizing Partnerships with the Private Sector for Smallholder Impact, [http://www.partneringforinnovation.org/docs/Fintrac\\_PIModels\\_Toolkit\\_14Oct14\\_fin\\_web.pdf](http://www.partneringforinnovation.org/docs/Fintrac_PIModels_Toolkit_14Oct14_fin_web.pdf)

<sup>3</sup> <http://www.enterprise-development.org/implementing-psd/private-sector-engagement/>

<sup>4</sup> <https://www.usaid.gov/sites/default/files/documents/1867/USG-Global-Food-Security-Strategy-2016.pdf>, pg. 36

<sup>5</sup> United Nations Conference on Trade and Development. (2014). Investing in SDGs: An action plan for promoting private sector contributions (Includes only capital expenditure and not operating expenditure). In World Investment Report 2014.

[http://unctad.org/en/PublicationsLibrary/wir2014\\_en.pdf](http://unctad.org/en/PublicationsLibrary/wir2014_en.pdf)

<sup>6</sup> GFSS Technical Guidance for Finance: Unlocking Capital Flows and GFSS Technical Guidance for Market Systems and Value Chain Programming <https://feedthefuture.gov/resource/global-food-security-strategy-guidance-finance>

<sup>7</sup> Principles for Responsible Investment <https://www.unpri.org/>

<sup>8</sup> CFS Principles for Responsible Investment in Agriculture and Food Systems <http://www.fao.org/cfs/cfs-home/activities/rai/en/>

<sup>9</sup> OECD-FAO Guidance for Responsible Agricultural Supply Chains <http://mneguidelines.oecd.org/rbc-agriculture-supply-chains.htm>

<sup>10</sup> Global Development Alliance Annual Program Statement

[https://www.usaid.gov/sites/default/files/documents/15396/GDA%20APS\\_APS-OAA-16-000001\\_2016-2018.pdf](https://www.usaid.gov/sites/default/files/documents/15396/GDA%20APS_APS-OAA-16-000001_2016-2018.pdf)

<sup>11</sup> USAID Global Development Lab - Center for Transformational Partnerships (CTP), "Private Sector Partner Relationship Health Guide," September 2015