



Food, Agriculture and Forestry (FAFD) ASEAN Economic Community

POLICY BRIEF

Leveraging Investments through Public-Private Partnerships: Agrinnovation Fund in ASEAN (AIF)

Executive summary

- The lack of support for promoting agricultural innovations within the smallholder, small and medium-sized enterprises (SMEs) and agri-cooperative sector provides strong impetus for exploring diverse and creative ways of encouraging agricultural investments.
- Cooperation agreements such as the Agrinnovation Fund in ASEAN (AIF) is a form of public-private partnership that offers a viable, transparent and impactful model for harnessing private sector capacities to explore agricultural innovation projects.
- The design of a partnership framework such as the AIF entails a close consultative process that clearly sets out the objectives and aims of the partnership, as well as mutually agreed roles, responsibilities and expectations. Critical to its viable implementation are a comprehensive communication and knowledge management strategy, as well as a sound monitoring and evaluation plan.

- A public-private partnership designed as a cooperation agreement such as the AIF offers strong opportunities not only for harnessing respective partners' expertise but also for encouraging wider knowledge exchange and peer learning among SMEs, cooperatives, smallholders and public institutions.

Policy recommendations

- Strengthen public-private-partnership (PPP) frameworks to improve strategic implementation of the ASEAN Economic Community Blueprint 2025
- Emphasis the nature of PPPs as a cooperation agreement like in the ASEAN Public Private Partnership Guidelines (ERIA, 2014) and ASEAN public-private partnership regional framework for technology development in the food, agriculture and forestry (FAF) sectors 2017.
- Develop a comprehensive monitoring and evaluation plan.
- Strengthen communication and knowledge management strategy.
- Highlight opportunities for knowledge exchange and peer learning.



Introduction

Promoting agricultural innovations calls for considerable investment and support. While in developed countries, funding has been poured into agricultural research and development (R&D), the opposite has been the case for developing regions where R&D investment has seen a relative decline (World Bank, 2019). The poor management of research and extension systems in these regions (Asenso-Okyere, et al., 2008) is further compounded by the reluctance of farmers and other agricultural actors to adopt certain innovations, partly due to lack of access and partly because these innovations do not truly respond to their needs (Gustafson, 2022).

Such a landscape provides strong impetus for exploring diverse and creative ways of bolstering investment and support, which are intended both to generate and to facilitate the adoption of agricultural innovations. Public-private partnerships are one such mechanism that offers substantial potential for improving research quality and piloting good agricultural practices because of the synergistic expertise that such an arrangement brings. It also enables the complementary use of skills and resources, and overall, reduces costs and risks in the development of innovations and services (Hartwich, et al., 2008).

The AIF was initiated by the Promotion of Sustainable Agricultural Value Chains in ASEAN (ASEAN AgriTrade) project on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

The AIF is based on a multi-sectoral principle of cooperation with the aim of fostering market-driven innovations along the agricultural value chain, while ensuring quality and sustainability standards.

The Fund is currently being implemented in Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV), supporting twenty-nine (29) projects with innovative ideas for improving agricultural practices. The innovations range from digitalisation and good agricultural practices to processing methods and climate-related initiatives.

Activities undertaken in the Fund's implementation phase since May 2021 have yielded significant lessons, as well as insights for scalability and potential replication in the wider ASEAN region. This policy brief seeks to present the challenges identified and insights gained from the practices of the Fund, as well as to provide critical recommendations for designing similar funding strategies anchored in public-private cooperation.

The information contained in this brief is based on a review of the Fund documents by the GIZ regional team and other AIF-related information gathered from desk (online) research, and interviews with the Fund's technical advisors in the four countries concerned.



AIF partner in Viet Nam, Chiang Hac community, produces fruits processing using Solar Dryer Dome. Photo: GIZ / Vu Chau Ngoc.



Profile: Agrinnovation Fund in ASEAN

The Agrinnovation Fund in ASEAN (AIF) is delivered as part of the ASEAN-German cooperation project, **ASEAN AgriTrade**, whose overarching objective is to improve the framework conditions for the implementation of sustainability standards in agricultural value chains with a focus on climate-relevant aspects in the ASEAN region.

The AIF supports market-driven interventions designed to address climate-related issues, although other focus areas also include production and processing, marketing and market access, cooperation along the value chain and digital solutions. The Fund operates in line with three approaches:

- **Innovation and development** – supporting innovations, enhancing existing good technology and practices, and supporting resilience and climate change adaptation.
- **Mutual cooperation** – supported projects are designed together with public partners (in-country/national implementing agencies) and private partners (agricultural enterprises and groups that receive support from the AIF), and implemented along with other third-party service providers (e.g. independent consultants, trainers, etc.); requires equal matching contribution from the private partner (monetary or in-kind)
- **Of benefit to all** – the Fund design seeks to achieve broad-scale objectives in the agricultural sector, including improving business performance, leveraging private expertise and funds for public policy goals, improving livelihoods, and empowering young people and women in the agricultural value chain.

Central to the Fund's operation is collaboration with identified implementing partners at country level, as follows:

- **General Directorate of Agriculture** (Cambodia)
- **Department of Agriculture** (Lao PDR)
- **Myanmar Fruit, Flower and Vegetable Producers and Exporters Association** (Myanmar)
- **Ministry of Agriculture and Rural Development** (Viet Nam)

In its current form, the Fund supports the following value chains in each country:

- **Cambodia:** chili, mango, agricultural products, vegetables, herbs and spices (13 projects)
- **Lao PDR:** watermelon, banana, butterfly pea flowers (6 projects)
- **Myanmar:** chili, ginger, pomelo, mushrooms (6 projects)
- **Viet Nam:** mango, lychee (4 projects)

The Fund specifically targeted private partners:

- **Smallholder producer organisations** seeking to innovate and scale-up their operations;
- **Processors and exporters** working with outgrower programmes focused on quality and higher quality/premium for growers, and interested in linking up with market demand and local suppliers with innovative approaches to comply with quality standards, certification and traceability;
- **Retailers** interested in providing high-quality and safe products to consumers and/or that wish to raise awareness of the benefits of sustainable products for their customers and supplier;
- **Input and service providers** that wish to promote inputs and services of more sustainable quality for the agricultural sector.



The **prerequisite criteria for applicants** were identified based on two key factors: technical criteria, and social and environmental responsibility.

Technical criteria	Social and environmental responsibility
<ul style="list-style-type: none">Registered member-based producer organisation with at least 10 members; orregistered company with at least one staff member in the field of production, processing, marketing domestic/export/wholesale/retail of agricultural products, digital and technology enthusiasts; orregistered company with at least one staff member working in service provision and other fieldsDemonstrated capacity to execute and lead projectsExisting engagement or planned transition as part of the project to sustainable agricultural practices/productsWillingness to make fund matching contribution equivalent to proposal budget (either in-kind or monetary contribution)Support only available in focus countries (CLMV)	<ul style="list-style-type: none">Demonstrated commitment to sustainable and inclusive business practicesWillingness to work for mutual benefits in the value chain, especially with regard to smallholder farmers, producer organisations, youth and womenApproaches are conducive to reducing GHG emissions and/or supporting resilience and adaptation to climate changeWillingness to share experience and learning with other stakeholders through peer-to-peer learning and exchangeContributions to sustainable development in agriculture, natural resources management, rural development and food security

The **final selection criteria** were as follows:

- Potential for impact** – proposals should document how the project can positively impact (directly or indirectly) resilience and sustainability in the value chain in one or more focus countries.
- Innovation** – proposals should put forward new innovative ideas for systems and products that are yet to be implemented in the area, country or region.
- Inclusiveness** – proposals preferably demonstrate how the project can engage and benefit young people and women in the community.
- Replicability** – proposals preferably provide a sufficient level of replicability in other areas, countries or regions
- Scalability** – proposals preferably provide a vision for future scaling up of products and systems developed within the Fund.

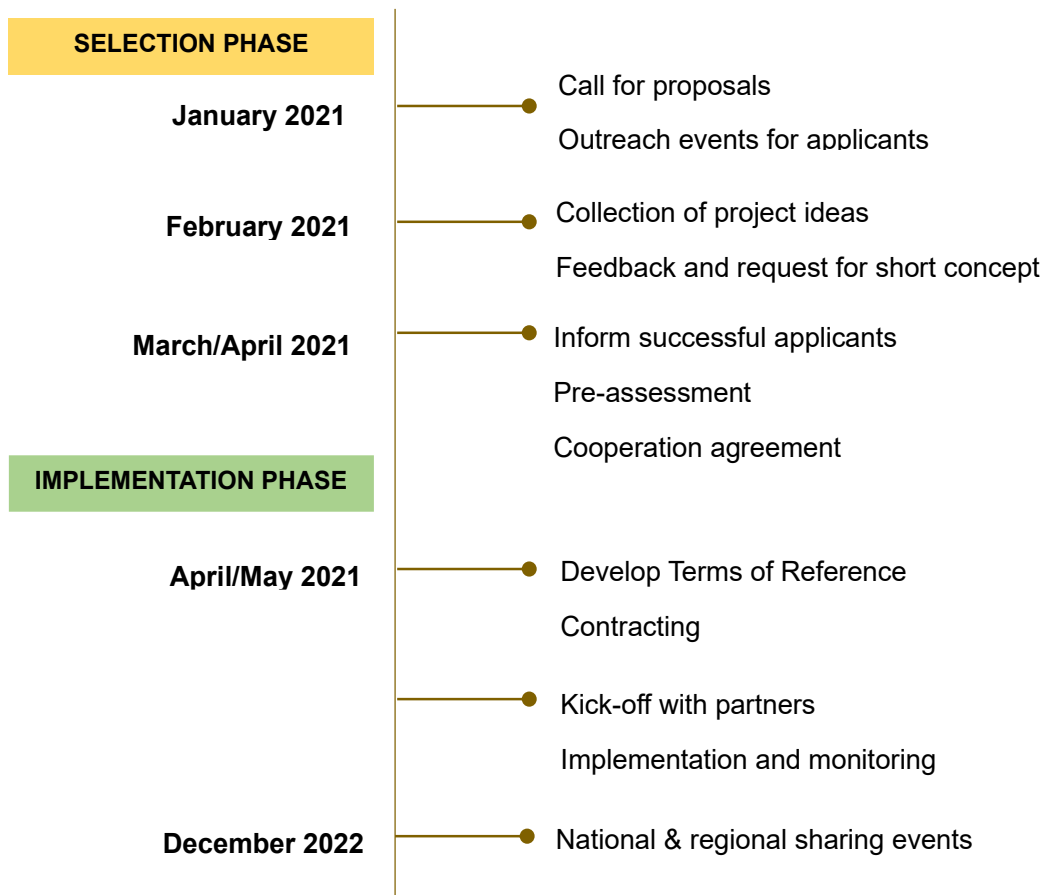


Figure 1 AIF timeline

Partnerships for agricultural innovations – insights from AIF implementation

The AIF’s PPP framework is based on GIZ’s concept of integrated development partnerships with the private sector (iDPPs) – joint undertakings between GIZ and one or more private partners that are integrated into a technical project (in this case AgriTrade) (Fig. 2).

The AIF utilises cooperation agreements where the public sector budget is managed by GIZ and the private funding by the respective SME, cooperative or smallholder. GIZ handles contracting of third-party service providers or other technical inputs, allowing the private sector partner to benefit from the capacity, network and expertise of GIZ and thereby achieve the goals of the technical project in a more efficient and sustainable manner.¹

¹ *Integrated development partnerships with the private sector: a hands-on, step-by-step guide for the preparation of iDPPs. 2020 October, GIZ.*

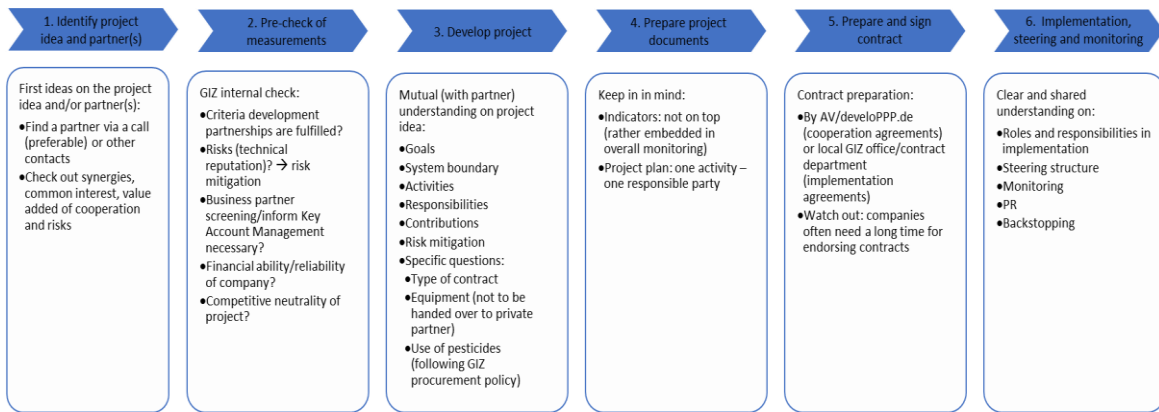


Figure 1 Preparation process of iDPPs (GIZ, 2020)

This section provides key insights and best practices from AIF implementation, as well as recommendations and prospects for scalability and replication.

A mechanism for promoting multi-sectoral partnerships

Public-private partnership models such as the AIF have been identified as one of the most important and strategic ways to mobilise the private sector and capitalise on their resources and expertise to pursue, develop and transfer new technology and services, particularly in developing regions (Asian Development Bank, 2009; Rashed et al., 2011). At the same time, the challenge of engaging multiple actors that bring to the table different, albeit not necessarily conflicting, organisational values, codes of conduct and operational procedures, can make PPPs more intricate and time-consuming (Batjargal and Zhang, 2021).

Lessons learned from implementing the AIF show the benefits of reaching out to existing networks and engaging in-country implementing partners at the outset and throughout the implementation phase. These partners have been instrumental in providing technical expertise, access to local communities, networks and resources and, particularly for government/public sector partners, in bringing political weight to bear within the cooperation arrangement. They can play an important intermediary role as facilitators and go-betweens of the regional team and the private sector partners.

Their presence adds weight to the partnership particularly when they are engaged, for instance, as witnesses to the cooperation agreement (Lao PDR), reviewers of project proposals during the selection and application phase (Vietnam), and technical experts/advisors in field missions during implementation (CLMV).

Establishing a clear and mutually agreed understanding of the roles, expectations and rules for the partnership is critical and can make it more robust and dynamic. The benefits of engaging in a technical cooperation project that operates by means of a grant-matching/counterpart contribution also allow the in-country implementing partners to better position themselves within the wider framework of the partnership.

Similarly, the participatory and consultative manner in which the AIF project proposals were developed with the private partners points to the importance of the co-creation process. Fund applicants were first asked to submit project ideas and later, short concept notes. Part of the vetting process was a field visit that also engaged the in-country- implementing partners. Terms of reference that lay out the scope, outputs, activities and budget for the proposed project were later developed together with the selected private partners.



Recommendations and directions for scalability and replication:

- *A close and consistent consultation process that identifies the needs and jointly defines the objectives, scope and criteria of the Fund with partners should be undertaken at the inception of the partnership. During this period, the steering committee structure should be defined.*
- *Clear standard operating procedures that lay out the roles, expectations and responsibilities of the collaborating parties at different levels and stages of the cooperation, as well as a process flow of pertinent Fund operations i.e., procurement, etc., should be developed prior to implementation and properly discussed with in-country implementing partners and private partners (projects).*
- *For further scaling up, a partnership communication plan that lays out strategic approaches for positioning messages to certain different stakeholders should be considered (World Bank, 2014). This communication plan should map out internal and external communication strategies.*

At the internal level, this plan can provide clear messages concerning Fund operations and processes, roles of stakeholders, etc., to reduce miscommunication and address specific partner concerns and queries. At the external level, this communication plan can provide strategic guidance for outreach and more effective public dissemination and promotion of the Fund and its activities. It should offer standard communication materials that can be easily tailored to fit in-country (local) audiences, contexts and needs.

- *For scaling up and replication, a comprehensive monitoring and evaluation (M&E) framework should consider M&E indicators and processes of reporting and tracking two components: first, the progress of project activities in terms of outcomes and outputs; and second, the partnership design and framework itself. The second should particularly pay attention to monitoring and evaluating the more overarching processes and strategies that underpin the partnership, i.e. partner selection process and wider legal and structural frameworks that may have informed and shaped the collaboration, etc.*

A viable and effective model for collaborative investments in agriculture

The design of the AIF as a non-cash disbursement-based fund encourages shared responsibility. Contributions for the project are set up to EUR 20,000 (maximum of EUR 40,000) per proposal to cover the cost of consultancy, capacity-building activities, materials and technical assistance. A matching contribution from the private partners, whether monetary or in-kind, is required.

As reported in the Fund's Quality Monitoring for 2022², support has largely been provided to cover the purchase of equipment, hiring of experts, and the cost of conducting capacity-building activities and training for farmer communities and associated stakeholders of the country projects.

Private partners, on the other hand, covered the costs of small equipment, training to farmer communities, technical personnel, workspace and other supplies, among others.

This kind of arrangement offers three potential wins. First, it fosters a sense of ownership in the project among private partners as it allows them to identify their substantial 'investment' into the development of the innovation. Second, it proves to be an opportunity for enterprises to tap into their own networks or explore and seek out other third-party forms of support, in turn stimulating them to be proactive, creative and enterprising. Finally, this allows the reframing of mindsets from that of donor-donee (traditional forms of development assistance) to where the private sector is an equal partner with resources of its own that it can contribute towards achieving development objectives.

² Consultant report: *Quality Monitoring for Agrinnovation Fund for ASEAN (AIF), 2022.*



Recommendations and directions for scalability and replication:

- *The nature and rationale of a grant-matching initiative such as the AIF (as opposed to traditional development assistance), including the forms and types of counterpart contributions that private partners can make, should be made clear and properly communicated during the selection phase and reiterated when onboarding the selected partners.*
- *Cooperation agreements should actively encourage private partners to explore and seek other third-party forms of support, to help defray costs of implementation, unless a conflict of interest is identified. Rules and procedures for such collaboration should be established by the steering committee.*

An opportunity for knowledge sharing, peer learning and expanding market networks

The AIF offers strong potential for knowledge exchange and peer learning among CLMV agri-enterprises and players. The Fund's design allows for opportunities among the private partners to learn innovative agricultural solutions and technologies from each other. It can also open pathways for piloting other future innovations through the networks established among the projects within and across the countries.

In addition to the large-scale (regional) knowledge-sharing event conducted in December 2022, the AIF has encouraged local (national) knowledge-sharing activities through site visits (Myanmar), linking up private partners for joint demonstrations or sharing of technical knowledge about technologies and practices (Lao PDR), and sharing technology/expertise with partners in other similar projects (cross-project knowledge sharing) (Viet Nam).

The AIF has also become a mechanism for expanding market networks and reach. The participation of private partners in business-to-business matching/exchange activities (Cambodia) is one illustration. ASEAN Access was also particularly noted as a strategic platform for private partners to connect with other providers and enterprises regionally and globally. These strengths of the AIF are built into its design and organically integrated into the Fund's implementation.

Recommendations and directions for scalability and replication:

- *For scaling up and replication, a **knowledge management (KM) strategy** should consider how project activities including monitoring and evaluation processes can double as avenues for sharing and knowledge exchange. Such an active KM system can facilitate communication and reporting, foster the transfer of learning and build the expertise of collaborating partners within the PPP framework.*



AIF stakeholders from Cambodia, Lao PDR, Myanmar, Vietnam and GIZ at the regional AIF knowledge exchange event in Bangkok in December 2022. Photo: GIZ / Pramatephoto.



Conclusion

The AIF offers an effective, impactful and participatory framework for the design and implementation of public-private cooperation and partnerships in the agriculture sector that are geared towards the development of agricultural innovations and services and other collaborative initiatives with similar objectives. The following key recommendations are offered for potential scalability and future replication:

- 1. Strengthen partnership framework.** A participatory process in the design of the partnership must be pursued through close coordination and joint consultation from the outset, with expectations, roles and the sharing of responsibility made clear among partners.
- 2. Emphasise the nature of the partnership as a cooperation agreement.** Cooperation agreements are strategic opportunities for shifting the mindsets of private partners from traditional notions of development assistance. Clarify the nature, rationale, gains and expectations of such a partnership, and reinforce clear cooperation guidelines and standard operating procedures.
- 3. Develop a comprehensive monitoring and evaluation plan.** Monitoring and evaluation of initiatives should not only cover the tracking of partner activities and expected outcomes and outputs.

Attention should also be given to the monitoring of the partnership framework and design itself. Clear indicators must be identified for monitoring and evaluating these aspects.

- 4. Strengthen communication and knowledge management strategy.** A comprehensive communication plan must be developed for large-scale and region-wide multi-sectoral collaborative initiatives such as public-private partnerships. This communication and knowledge management strategy should also reflect ways for facilitating the flow and transfer of internal (i.e. project-level operations) and external knowledge (public dissemination, peer learning, etc.).
- 5. Highlight opportunities for knowledge exchange and peer learning.** Public-private partnerships such as the AIF provide a mechanism for generating and testing agricultural innovations, while offering private sector partners valuable opportunities to learn from others, tap into their own technical and business expertise, and expand their network and market opportunities. Activities that support this should be considered and built into the design and implementation of the partnership.





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