

Public-Private Partnership for Agriculture Development in Nepal

Krishna Prasad Tamrakar

*Vice President , FNCCI &
Chairman, AEC*

October 2008

Understanding Public-Private Partnership (PPP)

Defined:

A Public-Private Partnership is a contractual agreement between a public agency (Government at central or local level) and a private sector entity to share the skills and assets of each sector in *delivering a service or facility for the use of the general public*, and also share the risks and rewards inherent in it.

Objective:

To encourage and enable private sector to undertake such services and facility which it will not undertake simply based on 'market forces and mechanism' due to varied reasons: low returns on investment or the levels of financial or non-financial risk involved and so on.

Understanding Public-Private Partnership

Methods:

Modalities for PPP may be different depending upon the nature of the services and sectoral requirements.

PPP in agriculture development will require specific considerations different from other sector and activities.

Why PPP in Agriculture?

To achieve agriculture development approach of:

High-Value/Low-Volume, Cash crop based, market led, export oriented and private sector driven development strategy for Nepal.

❖ Prescriptions

- Strong agriculture research and supporting technologies for agro-enterprises
- Encouraging Private Sector investment
- Supports and facilitations to agro-enterprise development
- Enhance of partnership
- Institutional development for agro-enterprises
- Conducive government policy

Public-Private Partnership Efforts

To facilitate the above prescriptions a Tripartite Partnership between Government, Donor and FNCCI (private sector apex body of Nepal) was initiated in 1992 with the establishment of **Agro Enterprise Centre**.

One of the objectives was the institutional development in the private sector that could facilitate mobilization of private sector investment for achieving the above stated agriculture development strategy.

Such partnership which could be termed as PPP in today's terminology has worked very well and has contributed towards achieving the agriculture development strategy.

Tamrakar PPP in Agriculture

5

Public-Private Partnership Activities

AEC has implemented and continuing a wide range of programme activities under partnership arrangements. Those have also been emphasised as potential PPP activities in the **"National Agriculture Policy 2004"**:

- Research and Development Programs involving Food and Nutrition, Production, Collection, Grading, Storage, Processing and Packaging.
- Commercial Production, Processing and Marketing
- Agro technology extension services.
- Market Information System (development, expansion and flow).
- Establishment and management of agricultural product collection centres, wholesale Markets, Haat bazaars.

Tamrakar PPP in Agriculture

6

Public-Private Partnership Activities

The **Agribusiness Promotion Policy 2006** has also further emphasized and elaborated the possible PPP activities within the framework of the National Agriculture Policy 2004:

- **Launching of programs delineating specific commercial production areas.**
- **Organic production.**
- **Establishing agri-product export areas, and**
- **Business service centres.**

Recent Public-Private Partnership Initiatives

- **One Village One Product (OVOP) program involving GON, FNCCI/Chambers, DDC/VDC**
- **“Commercial Agriculture Alliance” as non-profit company formed to assist “Commercial Agriculture Development Project” of ADB/GON involving FNCCI , Agro-enterprises, DDC, Cooperatives**
- **Market management committees**

Public-Private Partnership Achievements

One of the achievements have been the strengthening of private sector institutions at different level to undertake partnership programmes of different nature and magnitude in the country.

Today AEC/FNCCI is implementing programme activities in “partnership” between:

1. Government and AEC/FNCCI
2. Government, AEC/FNCCI and **Commodity Associations**
3. Local Government and **Local Chambers**
4. Government, **private companies** and **farmers' group**
5. Government, AEC/FNCCI and Donor/NGO/INGO

Tamrakar PPP in Agriculture

9

Budget Speech 2008-09 and PPP in Agriculture

- Emphasized collective roles of private, cooperative and public sector, and Government's facilitator role in the development of private sector and cooperative sector. But much priorities have been given to Cooperatives in terms of incentives, supports and subsidies.
- PPP approach is signaled for (only) capital investment that will help motivate domestic and foreign investors to invest in the priority sectors.
- Agriculture related PPP programs are not emphasized even to the tune of National Agriculture Policy 2004 and Agribusiness Promotion Policy 2006

Tamrakar PPP in Agriculture

10

Policy Clouds for PPP in Agriculture

Apart from the unclear and confusing policy statements in Budget Speech, there are more clouds covering the potentials of PPP in agriculture:

- How the proposed 'High-Level Investment Board' will cater the PPP in agriculture?
- Will the proposed 'New Industrial Policy' be facilitative to PPP in agriculture?
- Will the postulated 'Scientific Land Reform and Comprehensive Land-use Policy be conducive for encouraging PPP in agriculture?

We are very hopeful that the clouds will be cleared and be facilitative for PPP in agriculture development.

Lessons Learnt

- Needed a clear and transparent Government's PPP approach in Agriculture.
- Pre-determined set of different conditions for PPP necessary (Rules of Game).
- Government's policy should be stable.
- Public sector often expect more from private sector instead of equal partnership.
- More supports for private sector capacity enhancement needed.
- Public sector mindset to retain control over resources often handicaps PPP.
- Lending practices of financial institutions are not yet conducive for agricultural PPP.

Lessons Learnt

- Both should be very aware of each other's problems and issues.
- Mutually supportive and complementary roles of both sector need to be well identified.
- Need for developing appropriate legislative provision for clarification of entry conditions, incentives and concessions, suitable working and procurement procedures, contractual structures, and risk mitigation and arbitration.
- Both should keep the project and outcomes in focus rather than maximizing their own interests, and collaborate for mutually enduring value.

Lessons Learnt

- Donors involvement in PPP projects is very crucial for its success.
- Appropriate institutions are well established in private sector to undertake and facilitate PPP activities at all levels.
- Agriculture sector is special in various considerations, including the involvement of 'subsidies' and taxes, therefore, it requires separate considerations for implementing PPP.
- The target group is farmer and agro-enterprises (not general public). Thus, the public sector often represents the farmers.

Some Specific Program Areas for PPP

- ❖ Agriculture education
- ❖ Agricultural Extension services
- ❖ Agriculture research with patent rights guarantee
- ❖ Seed Production Program
- ❖ Fertilizer production
- ❖ Establishing Agro-Export Processing Zones
- ❖ Quality testing and certification Labs (SPS & TBT)
- ❖ Adoption of good agriculture practice (GAP)
- ❖ Export promotion and generic product promotion
- ❖ Food security through barter exchange

**Thank You for
Your Kind
Attention**